

November 18, 2015

BY E-MAIL (trialrules2015@uspto.gov)

**ATTN: Lead Judge Susan Mitchell
Patent Trial Proposed Rules**

RE: NYIPLA Comments in Response to “Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board,” Federal Register Notice, August 20, 2015, Vol. 80, No. 161 (80 FR 50720).

Introduction

The New York Intellectual Property Law Association (“NYIPLA”) is a professional association comprised of over 1,500 lawyers interested in Intellectual Property law who live or work within the jurisdiction of the United States Court of Appeals for the Second Circuit and the District of New Jersey, and members of the judiciary throughout the United States as *ex officio* Honorary Members. The Association’s mission is to promote the development and administration of intellectual property interests and educate the public and members of the bar on Intellectual Property issues. Its members work both in private practice and government, and in law firms as well as corporations, and they appear before the federal courts and the United States Patent and Trademark Office (“USPTO”). The NYIPLA provides these comments on behalf of its members professionally and individually and not on behalf of their employers.

The NYIPLA applauds the USPTO for the work it has done and its outreach efforts as it seeks to continue to improve post grant administrative review procedures as part of America Invents Act. In the Federal Register of June 27, 2014, the USPTO requested comments concerning the rules governing AIA trials conducted by the Patent Trial and Appeal Board (“PTAB”). In response to these comments, on August 20, 2015, the USPTO issued proposed

Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board (80 FR 50720, hereinafter “Proposed Amendments”), and solicited comments from the public concerning its proposals.

The NYIPLA welcomes and appreciates efforts by the USPTO to improve post grant procedures, including specifically soliciting comments from the public. The NYIPLA is pleased to provide these comments in an effort to improve AIA trials conducted by the PTAB.

Background

It is appreciated that the USPTO continues to solicit feedback to improve the trial process. For example, on May 19, 2015, the USPTO issued a first set of final rules concerning motions to amend by patent owners, petitioners’ replies thereto, and other ministerial changes. The second set of the proposed rules is more substantive, and includes revisions to the Trial Practice Guide that governs AIA trials. Specifically, the new rules concern the claim construction standard for AIA trials¹, new testimonial evidence submitted with a patent owner’s preliminary response, Rule 11-type certification, and word count for major briefing. The USPTO requested comments concerning these proposed revisions, and further requested input concerning the recognition of attorney-client privilege for communications between a patent applicant or owner and its U.S. patent agent or foreign patent practitioner, which the USPTO may address in future rulemaking.

The NYIPLA would like to take this opportunity to provide its view concerning a subset of these topics for which it feels it can provide useful input and suggestions for improvement to the USPTO. Specifically, the comments herein address: (1) new testimonial evidence submitted with a patent owner’s preliminary response; (2) Rule 11-type certification; and (3) the

¹ On Monday, November 9, 2015, the NYIPLA filed an amicus brief in support of a petition for a writ of certiorari by Cuozzo Speed Technologies, Inc. urging the Supreme Court to provide guidance on, *inter alia*, the appropriate claim construction standard for IPRs.

recognition of privilege for communications between a patent applicant or owner and its U.S. patent agent or foreign patent practitioner.

Discussion

1. Proposed Rule Changes Concerning Submission of New Testimonial Evidence with a Patent Owner’s Preliminary Response

The USPTO proposes to amend the rules governing AIA trials to allow a patent owner to file new testimonial evidence with its preliminary response. The NYIPLA agrees with this proposed rule change, as it provides for greater balance between the patent owner and the petitioner and for a more rapid development of the factual record at an early stage of the proceedings.²

The USPTO also proposes a rule change to allow the petitioner to seek leave to file a reply to the patent owner preliminary response. While the NYIPLA agrees that a reply by a petitioner should be permitted when a patent owner files new testimonial evidence with its preliminary response, as currently written, the rule does not provide sufficient clarity. For example, the Proposed Amendments offer little to no guidance concerning: (1) circumstances when such a reply would be warranted and allowed; (2) the timing of such a reply; (3) the permissible content of such a reply; or (4) whether and how permitting a reply may affect the timing of an institution decision and/or final decision.

The NYIPLA suggests that the USPTO should permit a reply by petitioner, without a request for leave, in any instance where the patent owner files new testimonial evidence with a preliminary response. Where the patent owner does not file new testimonial evidence, the rules regarding petitioner replies to preliminary responses would remain unchanged. Such a policy

² Because the USPTO states that “clarification is not necessary” as to what constitutes “new testimonial evidence,” (*see* 80 FR 50726), the NYIPLA understands this to mean that the patent owner may submit any testimonial evidence in support of the patentability of the claims.

would eliminate the need for extra motion practice concerning requests for leave, and would make the proceeding more predictable and certain for both parties. The NYIPLA further proposes that the USPTO should specify, by rule, that the scope of a petitioner's reply should be limited to the new testimonial evidence presented by the patent owner, including any factual disputes raised by patent owner's new testimonial evidence. Such rules would serve to balance the need of a petitioner to address any new factual issues raised in the patent owner's preliminary response while preventing the petitioner from rearguing issues not addressed in the patent owner response or raising new issues of its own that the patent owner would then be unable to address.

The Office further proposes "amending the rules to provide that any factual dispute that is material to the institution decision will be resolved in favor of the petitioner solely for purposes of making a determination about whether to institute." The Office appears to provide justification for favoring the petitioner with respect to any factual dispute because the time frame for the preliminary phase of an AIA proceeding does not allow for cross-examination of the patent owner's expert testimonial evidence and this resolution will be resolved in favor of the petitioner *solely* for the purpose of making a decision to institute. The NYIPLA recommends clarifying this point as it appears to give an undue advantage to the petitioner to have the petition instituted; once instituted, the NYIPLA notes that the PTAB statistics show that the instituted claims are found unpatentable in a large majority of the cases so, as a matter of fairness, there does not appear to be enough justification in the proposed rules to resolve a factual dispute in favor of the petitioner before the petition is even instituted. Thus, the NYIPLA requests that the Office reconsider this point and find a better balance between the petitioner and patent owner's testimonial evidence when considering a factual dispute instead of solely favoring the petitioner.

2. Proposed Rule 11-Type Certification

The USPTO also proposes to add “Rule 11-type certification” for papers filed with the PTAB. According to the Proposed Amendments, this proposed rule will provide for noncompliance sanctions that could apply to practitioners as well as parties. The only discussion for this change that is provided by the USPTO is that the proposed Rule 11-type certification is in response to a comment the USPTO received favoring “significant sanctions for counsel to author a report that an expert signs without authorship.” 80 FR 50741.

Because of the limited explanation provided, it is unclear to the NYIPLA what the perceived problem is that the addition of Rule 11-type certification seeks to address, and whether the proposed rule is the correct means to address it. Is the USPTO adding this rule solely because of the one comment it received with respect to expert reports authored by counsel? Has the USPTO suspected misconduct by counsel or parties in proceedings? Has it received complaints relating to the same?

The NYIPLA notes that 37 C.F.R. § 42.11 already imposes an obligation of candor and good faith on both parties and individuals involved in a proceeding. Further, the USPTO has previously expressed that “[t]he scope of the duty [of candor] is comparable to the obligations toward the tribunal imposed by Rule 11 of the Federal Rules of Civil Procedure.” 77 FR 48,618. Thus, it is unclear how the addition of a Rule 11-type certification would change the duty of any party or individual involved in a post-grant proceeding.

In short, while many of the USPTO’s proposed rule changes appear to be linked to specifically identified problems, it is difficult to discern what the perceived issue is that the USPTO seeks to address by adding a Rule 11-type certification. Moreover, the proposed

changes do not specify what conduct would be covered by the changes, the process by which the PTAB would determine whether sanctions are appropriate, the particular sanctions the PTAB would have the authority to levy when it finds a violation, and what the proposed new rule would cover that is different from what the current rule covers.

The NYIPLA therefore requests that the USPTO provide further clarification relating to its Rule 11 certification proposal. As currently explained by the USPTO it is unclear how or why Rule 11-type certification changes, and any accompanying sanctions, would be implemented, and how or whether such changes would provide improvement over existing procedures.

3. Recognition of Privilege for Communications Between a Patent Applicant or Owner and its U.S. Patent Agent or Foreign Patent Practitioner

In addition to the proposed rule changes, the USPTO seeks comments on the subject of attorney-client privilege or other limitations on discovery in PTAB proceedings, including whether rules regarding privilege should be issued in connection with PTAB proceedings. NYIPLA believes that this would be a good step towards protecting privilege, not just before PTAB but also in district court proceedings (district courts have not been uniform in supporting privilege for patent agents³ and the Federal Circuit has sometimes refused to rule⁴).

³ See, e.g., *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 143 F.R.D. 611, 616-17 (E.D. NC 1992), quoting *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1169 (D. SC 1974) (“The established rule in this circuit regarding communications with foreign patent agents is that ‘no communications from patent agents, whether American or foreign, are subject to an attorney-client privilege in the United States.’” (internal citation omitted, emphasis supplied)), and *Eli Lilly & Co. v. Barr Laboratories, Inc.*, 96-491-C(B/S), paper no. 279 (S.D. In. Apr. 20, 1998) at 5-6 (rejecting privilege for patent agents).

⁴ E.g., *McClarín Plastic, Inc. v. LRV Acquisition Corp.*, 1999 U.S. App. Lexis 15491, *11 (Fed. Cir. July 12, 1999) (“We decline to consider that question [of patent agent-client privilege], because [patentee] has failed to demonstrate that the district court’s failure to recognize such a

Attorney-client privilege is a very important part of the U.S. legal system. *See Swidler & Berlin v. United States*, 524 U.S. 399, 403 (1998). It protects the ability to communicate in a frank manner without concern that others might force one of the participants, either lawyer or client, to disclose the advice and personal/professional impressions. *Upjohn Co. v United States*, 449 U.S. 383, 389 (1981); *see Spalding*, 203 F.3d 800 (applying Federal Circuit law).

Protecting, and thereby fostering, communications between clients and their legally-authorized patent practitioner – attorney at law or patent agent – is important to NYIPLA’s members. Clients of any sophistication must be able to obtain advice in confidence concerning intellectual property rights from Intellectual Property (IP) practitioners nationally and trans-nationally. Therefore, communications to and from such IP practitioner, 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 makes public such communications, documents or other records.

With respect to patent practitioners and specifically patent agents, it is important to note that they do practice law; the U.S. Supreme Court recognized this in *Sperry v. Florida*: “[w]e do not question the determination that under Florida law the preparation and prosecution of patent applications for others constitutes the practice of law.” 373 U.S. 379, 383 (1963) (emphasis supplied). The Court explained:

“Such conduct inevitably requires the practitioner to consider and advise his clients as to the patentability of their inventions under the statutory criteria, 35 U.S.C. §§ 101-103, 161, 171, as well as to consider the advisability of relying upon alternative forms of protection which may be available under statute law. It also involves his participation in the drafting of the specification and claims of the patent application, 35 U.S.C. § 112, which this Court

privilege constituted reversible error...”); *but see In re Spalding*, 203 F.3d 800 (Fed. Cir. 2000) (applying Federal Circuit law to determine privilege on invention disclosure form).

long ago noted ‘constitute(s) one of the most difficult legal instruments to draw with accuracy,’ And upon rejection of the application, the practitioner may also assist in the preparation of amendments, 37 C.F.R. §§ 1.117-1.126, which frequently requires written argument to establish the patentability of the claimed invention under the applicable rules of law and in light of the prior art. 37 C.F.R. § 1.119. Nor do we doubt that Florida has a substantial interest in regulating the practice of law within the State and that, in the absence of federal legislation, it could validly prohibit nonlawyers from engaging in this circumscribed form of patent practice.”

373 U.S. at 383 (citations omitted, emphasis supplied).

Indeed, those called “patent agent” as well as those with the additional designation of “attorney” are administered by the USPTO equally; there are no differences in how patent agents and patent attorneys are treated by the USPTO for patent prosecution and both belong to the same bar and are subject to the same rules and regulations. *See, e.g.*, 37 C.F.R. §§10.1(r), 10.20-.24 and 11.6; *see also*, 35 U.S.C. §§2(b) and 32-33. Both exist under Congress’ power pursuant to the Patent and Copyright Clause of the U.S. Constitution (Article I, section 8, para. 8), which grants Congress broad authority. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429-431 (1984) (emphasis supplied); *see Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003) (deferring to Congress).

Moreover, patent agents were created as 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 those with study in a scientific discipline 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). While patent agents are significantly less expensive than attorneys at law (*see, e.g.,* AIPLA Bi-Annual Economic Survey), 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.

Accordingly, NYIPLA believes that it would be useful to have privilege apply for *all* patent practitioner communications, in a manner similarly to that used in district courts. It also would be particularly useful for patent agents communications to be explicitly protected in the discovery rules for post-grant proceedings (e.g., inter parties review) before the USPTO. As the agency responsible for administering patent-related matters, NYIPLA 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 uniform national standard adopted by USPTO that would go beyond that applicable to U.S. courts, but might also be considered by those courts.

4. Conclusion

Thank you for giving the NYIPLA the opportunity to provide feedback on the proposed substantive changes to the PTAB rules. We look forward to providing the USPTO with additional feedback in the future concerning AIA trials and other matters.

Respectfully submitted,

/Dorothy R. Auth/

Dorothy R. Auth
President, New York Intellectual Property Law Association