



November 20, 2011

Janet Gongola, Esq.
Patent Reform Coordinator
United States Patent & Trademark Office
c/o aia_implementation@uspto.gov

Re: Comments for Proposed Rule Making on Inter Partes Review & Post Grant Review

Dear Ms. Gongola:

Attached please find comments made by Intel regarding proposals for forthcoming regulations regarding the Inter Partes Review and the Post Grant Review process established under the Leahy-Smith America Invents Act. Please feel free to contact me if you have any questions.

Very truly yours,

David M. Simon
Associate General Counsel for
Intellectual Property Policy

Overview

Questions of patent validity are of grave public interest. Patents should and do foster important contributions to public knowledge and protect investment in research and development. It is important that valid, ground breaking patents be protected and recognized.

At the same time, patents can and have become a powerful tool for the litigious to tax ecosystems.¹ Patents have increasingly been used to extort settlements due to the asymmetrical nature of patent litigation filed by non-practicing entities.² Courts have observed the phenomenon of recently transferred patents of questionable validity bought for de minimis sums being used to leverage settlements for litigation value; those same courts have noted that these cases force defendants to make a Hobson's choice: either pay the demanded settlement or expend millions for discovery and to try a case.³ Even the Federal Circuit has noted cases with "indicia of extortion."⁴

Before the adoption of the Leahy Smith America Invents Act,⁵ a common tactic for dealing with such unwarranted demands from dubious patents was to file a reexamination.⁶ Clearly, Congress believed that reexamination could and should continue with providing a path to deal with such patents.⁷ Yet, at the same time, post grant proceedings serve an important tool for patentees because confirmation of the patent by the Office benefits the patent owner.

During the ten years of hearings that led to the passage of the AIA, the Senate and House Committees heard a multitude of witnesses testify about the issues facing the Patent & Trademark Office. With over \$1 billion in fees for detailed examination having been diverted while the number of patent applications exploded, the Office has simply not been able to examine adequately all patent applications. Although the Office has striven to do the best possible job with limited resources, even an error rate of a few percent per year leaves the problem that thousands of patents of dubious value are granted each year.

The evidence to date also shows that the current post grant proceedings administered by the Office have been properly used. Historically, only a very small proportion of all petitions for reexamination have ever been turned down. And once granted, the evidence is also clear that the vast majority of those petitions were meritorious. Eighty nine percent of all completed inter partes

¹ eBay Inc. v. Mercexchange LLC, 547 US 388, 396 (Kennedy, J. concurring)(" An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. . . . For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.")

² See, e.g., Eon Net LP v. Flagstar Bancorp., 653 F.3d 1314, 1326 (Fed. Cir. 2011)(detailing "indicia of extortion" where the plaintiff seeks small amounts and has "the ability to impose disproportionate discovery costs" upon defendants).

³ See Uniloc USA, Inc. v. Sony Corp. of Am., 2011 U.S. Dist. LEXIS 54541 (ED Tex 2011).

⁴ See Eon Net 653 F.3d at 1326.

⁵ Public Law No 112-29. Hereinafter the AIA.

⁶ Note, Technology Licensing & Patent Trolls, 12 B.U. J. Sci. & Tech. L. 388, 397 (2006).

⁷ For example, Congress put in place a special post grant review process business method patents due to "troll" lawsuits. House Judiciary Committee, Report to Accompany HR 1249 America Invents Act at 54 (2011).

reexaminations have resulted in claims either being cancelled or amended.⁸ For ex partes reexaminations, approximately seventy-six percent of the reexamined patents had to be amended or cancelled.⁹ As a result, clear data from both the courts and the Office demonstrate a need for an efficient process that can avoid the cost, expense and delay of litigation over an invalid patent.

Further, Intel respectfully submits that Congress intended for the new inter partes and post grant reviews¹⁰ to be done quickly to help establish the rights of both patentees and defendants. While the original inter partes reexaminations were supposed to be done with “special dispatch”,¹¹ Congress, at the urging of the PTO, found that two layers of review within the Office led to excessive delays.¹² Hence, Congress switched both new post grant proceedings to be reviewed only before the Board and mandated, except in the case of a joinder, that the proceedings must be completed within one year.¹³ Nonetheless, the intent is clear. Congress wants a cheaper and more expeditious process that should govern the inter partes and post grant reviews as the pre-existing approach of “special dispatch” has not proven sufficiently rapid. In establishing these new post grant proceedings, it is critical that the Office provide a process that is fair to all parties and the public’s interest to effectively meet the congressional mandate that post grant proceedings be completed within one year from the declaration of the proceedings.¹⁴

As a patent holder of tens of thousands of patents and applications, Intel has experienced the processes both as a patentee and as a third party requester in cases where there is litigation and in cases where there is no litigation. Therefore, Intel believes that it is in a unique position to provide a fair perspective on how the new post grant proceedings should be constructed. It is in this vein that that these comments are being supplied for both the pre-commencement stage of the petition and the patentee’s preliminary response and the post commencement process. In providing these comments, Intel has looked to maintain a balanced process that is fair. At the same time, Intel has sought to limit most discovery to the statutory mandate of be [what] “is necessary in the interest of justice,” while incenting the parties to expedite the process so that the Board can complete its review under either process within the one year period set forth in the statute.

Petition for Initiating the Process

To ensure that the statutory requirements for a petition are met, Intel believes that the petitioner should be required to include the following in the petition and serve them upon the patentee:

⁸ United States Patent & Trademark Office, Inter Partes Reexamination Filing Data-September 30, 2011 http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf (last visited November 12, 2011).

⁹ United States Patent & Trademark Office, Ex-Parte Reexamination Filing Data-September 30, 2011 http://www.uspto.gov/patents/EP_quarterly_report_Sept_2011.pdf (last visited November 12, 2011).

¹⁰ Since most of these comments will apply with equal force to post grant reviews and inter partes reviews, Intel will refer generically to the new post grant proceedings. Where there is a need to point out a difference between the two new proceedings, Intel will highlight the differences.

¹¹ See, e.g., 35 USC § 305.

¹² House Report, supra, note 7, at 45.

¹³ See, e.g., 35 USC § 316(a)(11).

¹⁴ House Report, supra, note 7 at 46.

- An identification of the real party in interest¹⁵
- A certification regarding whether any inter partes review or post grant opposition has been filed previously on the subject patent to its knowledge and if such a proceeding had been previously filed, a certification by the petitioner that neither it nor its privies had previously filed such a petition or in the alternative an explanation regarding why the petitioner is not precluded from filing such a petition
- A certification that the events under the applicable section, either section 315(a) and (b) or section 325(a), have not occurred, or if they have, a short statement why the petition is still proper
- A short statement identifying each ground of invalidity for each claim on which the petition is based
- For any prior art challenges of the patent, a color coded claim chart showing how each limitation in the claim is met by the prior art
- A list of and copies of all affidavits¹⁶ upon which reliance is placed
- A list of and a copy of all other written and digital materials upon which reliance is placed
- A description along with documentation of all items that are not in writing such as products that were offered for sale, videos of public speeches and physical items if physical items may reasonably be submitted in the Office
- A description of where and how the petitioner expects to make materials that cannot be readily deposited with the Office available to the Office and the patentee¹⁷
- A copy of the file history for the patent if relied upon in the petition
- A statement of reasons why the patent may have import beyond the specific parties such as the patentee claims that its patent covers a standard
- A certificate of service of the petition on the patentee

Also, as detailed below under the confidential treatment section, there may be materials that need to be deposited confidentially. For example, while an integrated circuit or computer program may have been offered for sale, the actual schematic or source code listing may never have been made publicly available. Nonetheless, the circuit or code is prior art.¹⁸ Therefore, the Office will need to provide a confidential repository for such materials and provide a process for patentees' counsel to gain access to those materials under a standing protective order that cover materials that the parties claims should be treated confidentially.¹⁹

¹⁵ A definition of real party in interest and privy is provided infra.

¹⁶ While both affidavits and declarations should be acceptable, for simplicity Intel will only refer to affidavits in the balance of this paper. More detail about affidavits is provided below.

¹⁷ It is of course possible that items of prior art may not be readily deposited in the Office. Examples include large machines or factories that happen to be prior art.

¹⁸ See, e.g., *Veritas Operating Corp. v. Microsoft Corp.*, 2008 U.S. Dist. LEXIS 36230 (WD WA 2008)(recommending that the trial court invalidate a patent based on source code for a publicly distributed program where the source code was kept confidential).

¹⁹ See the section on confidential materials, infra.

Preliminary Response

While the applicable statutes provide the patent owner with the right to file a preliminary response under sections 313 and 323, the statutes fail to set forth what period of time the patentee should have to file the preliminary response. Intel submits that sixty days is a reasonable period for such responses. Data shows that the analogous patent owner's statements in ex parte reexaminations are rarely filed.²⁰ Intel expects that patent owners will rarely file a preliminary response so a lengthy period of time to file a preliminary response by the patentee merely delays the commencement of these important procedures.

Further, roughly three out of four reexaminations completed have resulted with the patentee changing at least one claim,²¹ so the vast majority of post grant proceeding petitions are likely to be meritorious. Clearly, with almost ninety percent of the predecessor inter partes procedures resulting in claims being cancelled or amended, virtually all post grant procedures will likely result in a similar result; i.e., the patentee being forced to amend one claim. If patentees are forced to amend claims with that frequency, the new post grant reviews will exceed the AIA's newly heightened threshold of "a reasonable likelihood that the petitioner would prevail with respect to one claim."²² This high likelihood of success for the petitioner coupled with the low likelihood of the preliminary response even being filed justifies keeping the period for filing such preliminary responses short to avoid unnecessary delays.

Intel also submits that the Patent Office has the opportunity to speed up the process by giving patentees incentives to declare early whether they intend to file a preliminary response. Intel therefore suggests that the regulations should require the patentee to file within twenty-one days of the service of the petition a notice stating whether the patentee intends to file a preliminary response. If the patentee expressly waives the right to file a preliminary statement or alternatively fails to file such a notice, it will be deemed that the patentee has waived its right to file such a statement.²³ If waived, the ninety day period for the determination regarding whether to initiate the proceeding should start with the filing of the petition.

Also, sham filings by the patentee of a preliminary response or of the notice of intent to file a response should be discouraged by the rules. Such sham filings can only have been done for the purpose of delay. Absent a compelling reason, if the patentee files a notice stating that the patentee intends to file a preliminary response and then fails to file a response or only files a pro-forma response, the patentee should be penalized for delaying the commencement of the proceeding. For example, an administrative patent judge could alleviate the harm of the thirty-nine day delay caused by the sham

²⁰ One paper states that patent owners file such statements less than ten percent of the time. S. McKeon, "Waiver of Patent Owner Statement Disfavored in Ex Parte Patent Reexamination" posted September, 23, 2010, <http://www.lexisnexis.com/community/patentlaw/blogs/patentlawblog/archive/2010/09/23/waiver-of-patent-owner-statement-disfavored-in-ex-parte-patent-reexamination.aspx> (last visited November, 12, 2011) ("According to 2009 PTO statistics Patent Owners filed statements in 10% of ex parte reexaminations).

²¹ See notes 8 & 9, supra and accompanying text.

²² AIA § 314(a).

²³ The rules should expressly specify that the waiver of the right to file a preliminary response is not an admission that the petition is proper or makes out a reasonable likelihood of invalidity.

filing by shortening the patentee's time to file a document later in the proceeding. Alternatively, the patentee could be sanctioned monetarily. Providing this balance of incentives and sanctions will discourage patentees from needlessly delaying commencement of the proceeding.

Also, the rules governing the preliminary response should reduce the administrative burden placed on the Office by limiting the preliminary response to its express purpose: setting forth grounds that should lead to the denial of the petition. The preliminary response should not raise every single possible factual or legal issue that could be raised. Rather, the rules should require the preliminary response to be focused solely on whether there are outcome determinate issues for which there are no genuine issues of material fact.²⁴ Thus, presentation of facts regarding objective indicia of non-obviousness are irrelevant at this stage as the Office should not be trying to resolve factual disputes. On the other hand, facts establishing that the post grant proceeding is improper due to any of the statutory bars to the commencement of the proceeding²⁵ are clearly appropriate and if sufficiently made out, should result in an order to show cause why the petition should be dismissed.²⁶ Similarly, if only prior art challenges are raised, the preliminary response should focus only on the independent claims; if the patentee can demonstrate that the petition fails to establish a reasonable likelihood of the invalidity of at least one independent claim, the dependent claims are presumptively valid and there is no need to burden the Office with additional arguments and facts. Examples of compelling arguments for the preliminary response include:

- The critical references used to establish the claims are invalid are not in fact prior art²⁷
- The prior art lacks a material limitation in all of the independent claims
- The prior art teaches or suggests away from a combination that the petitioner is advocating
- The petitioner's claim interpretation for the independent claims is unreasonable
- The combination of the prior art would be inoperative
- If a petition for post grant review raises section 101 grounds, a brief explanation on how each of the independent claims is patentable subject matter
- If the petition raises challenges under section 112, a brief explanation regarding how the independent claims meet the requirements of section 112 with compelling evidence regarding where support for limitations can be found
- Reasons why the patent does or does not rise to a matter of public interest

²⁴ The selection of language reminiscent of Federal Rule of Civil Procedure 56 is deliberative. Prior to the commencement of the proceeding, genuine issues of material fact should not be resolved.

²⁵ Examples of improper proceedings include post grant reviews filed more than nine months after the issuance of the patent, the filing of an inter partes review after the filing by the petitioner of a declaratory relief action.

²⁶ Obviously, if the Office has reason to believe that a petition was legally barred under, for example, section 315, Intel believes that the Office should try to resolve the issue immediately. An order to show cause is the best way for a fast resolution and of course if a party knowingly filed a petition that was barred, sanctions may also be appropriate along with denial of the petition.

²⁷ However, if the basis for removing the references is that the patentee is entitled to an earlier date of invention or is entitled to a disclosure under newly amended 102(b) of the AIA, these are issues where the patentee has, at the least, the burden of coming forward. In such instances, it is inappropriate to deny the petition as the petitioner has no ability to respond to such showings at this point in the proceeding.

Again the focus of the preliminary response should be to show that the proceeding should not be initiated. All other arguments and issues should wait until the proceeding commences.

Determination Regarding Commencement

The Office should then have ninety days to decide whether the petition establishes a reasonable likelihood that at least one claim is invalid in order to commence the proceeding. At the point of the determination, since discovery and argument has not been properly joined, all genuine factual disputes should be resolved in the favor of the petitioner. Issues where the patentee has the burden of coming forward such as earlier dates of invention should be ignored.

The decision granting or denying the commencement of the proceeding should not be perfunctory. If granted, the order should specify each ground in the petition where the Office determines that the petition establishes a reasonable likelihood that at least one claim is invalid. Specificity is needed so that the parties understand the scope of the proceeding. To the extent that the Office determines that at least a part of the petition has failed to establish this likelihood, the decision should explain why that likelihood has not been demonstrated. To the extent that the petition does not seek to challenge certain claims, the decision should merely state that the claims are not at issue. To the extent that the Director determines not to initiate the proceeding because of a lack of resources during the first four years of the proceeding, the decision should merely specify that the merits of the proceeding have not been reached but that the Office has decided to limit the number of petitions that may be filed.

As to whether the Director or the Board should make the determination of whether to initiate the post grant proceeding, Intel submits that the decision should be made by the Director or his delegate. The applicable statutory sections regarding the determination whether to commence a post grant proceeding specify that the Director shall make the decision.²⁸ Since the statute specifies that the Director is to make the decision, Intel respectfully submits that an experienced examiner should make this determination and the determination should not be by a member of the Board. Further, Intel respectfully submits that the appropriate group to make these decisions is the Central Reexamination Unit, which has demonstrated that it has the experience, resources and judgment to make these decisions. Due to the CRU's unique resources and experience, this approach is superior to the prior practice of having the examiner who originally examined the patent deciding whether a reexamination is appropriate.²⁹

Also, the rules will need to set out a petition process to invoke the supervisory authority of the Director from an order that determines the post grant procedure should not be initiated or should be

²⁸ See, e.g., AIA §324(a) (“The Director may not authorize a post-grant review to commence unless the Director determines”)

²⁹ See generally J. Doll et al., Recent Performance of the Central Reexamination Unit in Inter Partes Reexamination 13 (2010) http://www.foley.com/files/tbl_s31Publications/FileUpload137/6778/CENTRALREEXAMINATION.pdf (pointing out the resources in both staff and time at the CRU and how it has greatly improved the process)(last visited November 18, 2011).

limited to specific grounds. Undoubtedly, Congress was mindful of Rule 1.927 that permits a petition under Rule 1.181 from a decision denying an inter partes reexamination and Congress did nothing to discourage the Office from following this practice.³⁰ Intel submits that this practice has worked well for the rare case where reconsideration is appropriate. Allowing petitions is critical for inter partes reviews because for the first four years of these proceedings, the Director has discretion to limit the number of inter partes reviews.³¹ Also, petitioning the Director is important over questions regarding joinder of the post grant proceedings with other proceedings such as derivations, interferences, and reexaminations. The ability to invoke direct supervisory authority on matters of grave public interest are important to ensure that if limits are placed on the reviews or joinder, the decisions are approved at the highest level in the Office.

Basic Timeline and Motion Process

Given that most post grant processes must be finished within the one year statutory time limit, a basic, expedited timeline needs to be established; that timeline can then be modified to handle the exigencies of a given case. Such an expedited timeline will serve as a guideline to both the parties and the Board to deal with the specifics of any proceeding to ensure that the proceeding is handled expeditiously.³²

The Board clearly needs time to consider the full record of the post grant proceedings after oral argument before it can make a final determination. Reexamination documents filed by the parties often have exceeded one hundred pages with claim charts and exhibits. Review may well take longer with the inclusion of videoed depositions. Therefore, Intel has made the fundamental assumption that the Board will need two months from oral argument (if any) to make a final determination.³³ That leaves a balance of ten months from the notice of declaration to the final resolution of the proceeding.

Thus, any process will require exquisite case management by the parties subject to a case management by the Board. For reasons explained in more detail below, the first month of the proceeding will be needed to permit the parties with supervision by an administrative patent judge designated to manage the proceeding³⁴ to establish a plan to govern the balance of the post grant review. Intel respectfully submits that a timeline along the following lines for the merits will be necessitated by the process:

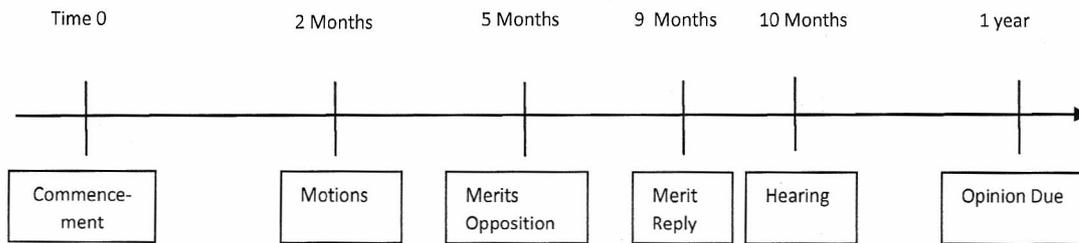
³⁰ Indeed, the language in the two statutes is strikingly similar. Compare 35 USC § 312(c) (“A determination by the Director under subsection (a) shall be final and non-appealable.”) with AIA § 324(e) (“The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.”)

³¹ AIA § 319(c)(2)(B).

³² AIA § 316(a)(11) (requiring a final determination within one year after noticing the institution of the inter partes review unless another proceeding has been joined to the review pursuant to § 315(c)).

³³ Unless it can be viewed beyond the scope of the one year statutory period, it does not seem possible to have a process for a rehearing. Even a perfunctory rebriefing and rehearing period would require three months at a minimum so the board's decision will truly have to be final within the Office.

³⁴ Hereinafter, this judge will be called the designated judge. Absent compelling reasons, the designated administrative patent judge should be a member of the panel that decides the case. Intel submits that having the designated judge who manages the proceeding also be a member of the panel will encourage a more cooperative approach between the parties.



Motions in this timeline refer to the initial papers filed by either party where the party has the burden of coming forward. For example, the petitioner has the burden of coming forward on invalidity; however, the patentee, has the burden of coming forward on objective indicia of non-obviousness, procedural defects in the post grant proceeding (such as the petitioner’s privy previously having filed a petition on the same patent) or substitution of a claim. The merit opposition refers to the papers filed by the patentee rebutting the validity attack by the petitioner and the merit reply refers to the response to the opposition filed by the petitioner.

Further, Intel does not believe it is unfair to require both parties to plan on coming forward generally at the same time. By the time the patentees’ motions are due, the patentee would have had the original petition for almost six months.³⁵ The issues on which the patentee has the burden of coming forward with a motion are confined and generally well within its ken such as the objective indicia of non-obviousness, cancellation or substitution of claims or prior litigation or post grant proceedings that preclude the instant proceeding. It is not unfair that after five plus months it must come forward with how it intends to structure the proceeding.

Motions, should generally be due within two months of the commencement of the proceeding to ensure that all substantive issues can be taken into account during the nine months that are available for resolution of the proceeding. Oppositions to the motions –other than the patentee’s opposition on patent invalidity – should be due ten days after service of the motion and replies should be due no later than five days after service of the opposition. Except for the motion brought by the petitioner for invalidity, the designated judge should decide these motions promptly, preferably no more than ten days after service of the reply.

The reason for sequencing matters this way is as follows. Ordinarily, it is not expected that the petitioner’s invalidity motion would differ from the original petition and if the invalidity motion does differ, Intel believes that the designated judge should require an explanation regarding why that supplementation is necessary and impose any conditions that the designated judge believes are prudent to ensure that the proceeding is concluded promptly. By requiring the patentee to present the claims that it wishes to cancel and substitute by no later than two months after the commencement of the proceeding, the petitioner will be provided with the minimally necessary period to do the prior art

³⁵ The patentee would have received the original petition. There would have been a delay of at least three months and twenty one days under the procedures recommended by Intel before the commencement of the proceeding by the Office and then there would be three more months until the patentees’ papers are due.

searching or otherwise review the proposed amended claims or other fact gathering as may prove necessary.

Designated Judge & Case Management

Experience in patent litigation and interferences has shown that close supervision is required of the parties to ensure that the proceedings complete promptly and parties do not delay the process. For this reason, Intel believes that each post grant procedure should either have a designated administrative patent judge who is responsible for managing the proceeding or the Office should create the equivalent of a magistrate judge (such as a detailed senior examiner) to handle case management for each post grant proceeding.³⁶

Within seven days of the declaration of the post grant proceeding, each party should designate a lead counsel. Within fourteen days of the declaration of the post grant proceeding, the parties' principals (or lead counsel if they are using counsel) should be required to meet telephonically to prepare a list of discovery, substituted claims and a timeline for all motions to form the basis of a scheduling order for the post grant proceeding.³⁷ The proposed scheduling order should take into the account the above basic schedule from the commencement of the post grant proceeding so that the board has two months to prepare an opinion after oral argument. Once either confirmed or modified by the designated administrative patent judge, that scheduling order will govern the proceeding.

While these initial deadlines appear at first blush to require fast action, it should be noted that by the time the post grant review is ordered, at least three months and twenty-eight days will have transpired from the filing of the original petition. Thus, prudent parties will have more than a fair opportunity to prepare for these initial events.

The proposed scheduling order should list:

1. A brief listing of the grounds of invalidity (e.g. claims 2 through 5 are obvious over the combination of A and B in view of C, or the phrase "... " in claim 13 lacks an adequate written disclosure
2. An identification of any discovery that a party wishes to do beyond taking the deposition of affiants, whether the opponent consents to that discovery and a brief explanation why justice requires such discovery if the opponent fails to consent
3. A statement by the petitioner whether (A) it intends to supplement its original petition in light of the decision commencing the post grant proceeding along with a statement regarding why the petitioner believes that such a supplementation is necessary or (B) whether it intends to rely on its initial petition as its opening motion

³⁶ In setting out this section, Intel has relied heavily on the March 8, 2011, Standing Order for Contested Cases of the Board of Appeals and Patent Interferences <http://www.uspto.gov/ip/boards/bpai/interf/forms/standingordermar2011.pdf> (last visited November 13, 2011). For the remainder of this document, Intel will assume that an APJ is performing this role.

³⁷ In essence, the motion list provided for in Paragraph 204 of the Standing Order should form the basis of the model but there should be a requirement of proposed dates.

4. A statement regarding whether the patentee intends to rely on objective indicia of non-obviousness and any other issues where the patentee intends to meet its burden of coming forward so that the issue may be heard in the proceeding
5. An identification of all experts and other affiants that the parties intend to have testify via affidavit other than in rebuttal to evidence that has not yet been filed and a brief summary of what the evidence will show (e.g., Mr. Smith is expected to testify that the Jones reference is inoperative and three exhibits will be filed showing that the invention was reduced to practice five months before the patent's filing date)
6. An identification of all experts and other affiants that parties intend to depose along with proposed dates for the depositions along with the reasons for deposing the witness
7. A statement by the patent owner listing the features that the patent owner intends to argue as being patently distinct along with which claims including any proposed substitute claims have a given feature
8. A statement that binds the patent owner to refrain from arguing any other features in the proceeding
9. A listing of all claims that the patentee wishes to cancel³⁸
10. A statement regarding whether the petitioner intends to oppose the cancellation or substitution of the claims
11. Whether the parties have agreed to a process to obviate the need to take third party discovery regarding the date of availability of third party publications based on certifications by publishers or librarians or a statement stating that the patentee is not contesting the date of publication for any of the prior art³⁹
12. A statement summarizing the facts if the patentee intends to argue that prior art is not prior art due to the application of the future revised 35 USC § 102(b) or the patentee intends to argue that the patentee has a date of invention under current 35 USC §102(g)
13. Modifications to the standard protective order if the parties believe one should be used that has different provisions than those set out in the Board's standard protective order or if the parties are unable to agree completely on the terms of the protective order, a draft protective order with alternative language for the disputed issues being highlighted in the draft
14. Any miscellaneous motions that the parties intend to bring

Within seven days of the early meeting, the parties should submit a proposed order for the conduct of the proceeding as outlined above or to the extent that they parties disagree, a **brief** joint statement of the issue that the parties have a dispute on (e.g. Petitioner believes prosecution counsel for the real

³⁸ Intel also believes that the Office rules should make it clear that cancelling a claim will have the same effect as interference estoppels has so that the patentee cannot later include a claim in a still pending application of the same breadth or broader than the claims that were cancelled.

³⁹ Separately, the Office may wish to work with the Library of Congress, various academic libraries and the Internet Archive (manager of the so-called wayback machine at www.web.archive.org) to foster informal procedures with preset fees so that the parties will not generally need to take formal third party discovery to resolve disputes regarding dates.

parties in interest should be barred from receiving certain confidential information and Patentee disagrees).

By the thirtieth day after the commencement of the proceeding, the parties should meet with the designated judge to resolve any disputes on the proposed order. In resolving disputes between the parties, the designated judge should reward conduct that makes it more likely that the proceeding will be completed within one year while the designated judge should also, subject to fairness, limit discovery, substitution of claims and needless delay.

For example, if the petitioner has elected to rely on its initial petition as its opening motion and has made its affiants available immediately after the commencement of the proceeding for deposition, generally speaking that conduct should be rewarded with, for example, providing the petitioner the opportunity to have more time to search for prior art in case of any substituted claims. Similarly, if the patentee elects to cancel claims and focus on a small set of patentable features, reducing the issues that the Board will have to face, and agrees not to substitute claims that should make the designated judge more flexible on the timing of the patentee's opposition. On the other hand, conduct that appears to be directed to delay or placing unreasonable time constraints on parties should not be permitted and should, where appropriate, be sanctioned by either limiting a party's rights or by monetary sanctions. While no order or rule can cover all contingencies, Intel's experience in interferences is that the APJ's are well versed in principles of case management and should be able to generally come to a quick resolution of most such issues.

Once the order has been finalized by the designated judge, the order should be entered and govern subsequent proceedings. While the parties should be permitted to stipulate to modifications that do not interfere with the completion of the process at least thirty days before oral argument before the Board, all stipulations should be required to be in writing and to be entered into the file. Any other changes should be by noticed motion.

No later than seven days after the parties' motions or oppositions are filed, the parties (or their lead counsel) will meet to discuss whether any modifications of the standing order are necessary. If the parties are unable to agree to modifications that do not impact the Board, then the parties may seek a conference with the designated judge who will determine if justice requires a modification.

While the balance of all contingencies that can and will happen in the proceeding cannot be foreseen at this time, there are several items that are largely going to be the same for all proceedings. These include limitations on discovery and amendments, dates for printed prior art, direct testimony, confidentiality, real parties in interest and privies, motion practice, and settlements and amendments.

Dates for Prior Art and other Events that Impact Validity

It should be recognized that often ascertaining the exact date of availability of a publication can be difficult. Publishers and librarians are reluctant to become involved in litigation or similar proceedings. Hence, if a publication indicates on its face a date of publication, a petitioner may rely on the date indicated on the document as the date of publication unless the patentee contests that date;

however, if only a year is indicated, the presumed date should be the last day in the year unless other credible evidence indicates that an earlier date should be used.

The patentee or petitioner should be permitted to challenge the dates of various documents and events. Informal approaches that permit resolution of disputes about dates without formal discovery should be encouraged – particularly when the party providing the date is a neutral third party such as a university library.⁴⁰ Belated challenges to the date of availability of a publication should not be permitted absent compelling grounds and if the Board believes that frivolous challenges have been made, the Board may sanction the party whose conduct the Board believes is frivolous.⁴¹

Direct Testimony and Foreign Affiants

Absent a showing of good cause or stipulation by the parties that is approved by the designated judge, all direct testimony of the parties should be submitted via affidavit, a copy of which will be served on the opposing parties and filed with the board. In addition to the required jurat, each affidavit shall conform to the requirements of the Federal Rules of Evidence as closely as reasonably possible so that the testimony in the affidavit would be admissible in a court of law. Cross examination should be by way of deposition under oath.

Ordinarily, each affidavit for foreign affiants should also include a statement that the affiant is willing to be deposed for the purpose of the proceeding and if the party desiring to take the deposition offers to pay reasonable expenses, to travel to the United States. The reason for this requirement is that some countries do not permit depositions on their soil or if they permit depositions to be taken on their soil, the processes for taking such depositions are time consuming and cumbersome.

To the extent that it is necessary to do justice,⁴² however, the board should permit affiants to insist on being deposed in their home country or in a country near their home country where such depositions may be taken without the need for international judicial assistance. If a party wishes to rely upon an affidavit where the affiant is unwilling to travel to the United States, the designated APJ may permit reliance upon such an affidavit, or, in the alternative, require the party offering such affidavit to pay the costs for depositing the affiant outside of the United States or otherwise condition reliance as the judge sees fit.

Settlement and the Effect of Settlement

There are strong public policy reasons to favor settlement and Intel submits that the rules for the post grant proceedings should foster settlement. Parties should be required to discuss settlement

⁴⁰ Any dates that the parties agree to for a publication of record in the proceeding should be reflected in the written record of the proceeding. Since shifting the date by even one day can sometimes have a dramatic impact on the validity of a patent, members of the public have a need to know the basis of the Board's decision. Further, written stipulations will prevent parties from agreeing to incorrect dates for events secretly as part of the basis of a settlement.

⁴¹ Similarly, a petitioner who makes a frivolous challenge to the date of disclosure raised by the patentee under new section 102(b) should be equally sanctionable.

⁴² For example, an elderly or ill affiant should not be required to travel.

with a mediator that they mutually agreed to or has been designated by the Office at least once during the proceeding.

Assuming all of the participants agree to settle, policy considerations strongly dictate that the Office should halt the proceeding and enter the settlement. However, under section 318(a)⁴³ for example, the Director or his delegate has a statutory duty to decide whether the Board should, notwithstanding the settlement, enter a final written decision.

Clearly, no settlement with one petitioner should prejudice the rights of other parties in proceedings before the Office. Thus, a settlement with one party in a new post grant proceeding cannot, for example, terminate a co-pending ex parte reexamination brought by a third party even if it is on the identical art.

Where all interested parties to the various related proceedings have agreed to a settlement (or at least indicate that they do not oppose the entry of a settlement), Intel submits that the Director should terminate the proceeding except if: (1) a strong public interest exists in determining the validity of a specific patent or (2) the Board had already prepared its opinion so de minimis Office resources are needed to complete the proceeding.⁴⁴

The effect of the settlement on third parties should follow the general rule in litigation. The entry of a settlement without the issuance of a decision of the Board should be treated as if the petition was never filed. The decision should have no claim nor issue preclusive effects. Nor does the fact that a proceeding was settled prevent third parties from filing a new petition even if that new petition is based entirely on the same grounds that the prior petition was based.

Discovery

Discovery under both post grant proceedings should be quite limited and should be closely monitored by the Board pursuant to the congressional mandate. The statutory language in section 316(a) of the AIA clearly mandates discovery other than of affiants only in limited circumstances:

The Director shall prescribe regulations . . . setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to (A) the deposition of witnesses submitting affidavits or declarations; and (B) what is otherwise necessary in the interest of justice;

Id. at § 316(a) (emphasis added).

Section 326(a) also contemplates tight limits on discovery in post grant reviews:

⁴³ AIA §318(a) for example provides that “the Office may terminate the review or proceed to a final written decision”

⁴⁴ Knowledge that the Board may issue an opinion notwithstanding a settlement will encourage parties to enter into their settlement early before the Board has expended substantial effort in resolving the matter.

The Director shall prescribe regulations . . . setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;

Id. at § 326(a) (emphasis added).

The House Report also makes clear that discovery is to be limited:

Parties may depose witnesses submitting affidavits or declarations and seek such discovery as the Patent Office determines is otherwise necessary in the interest of justice.

House Judiciary Committee Report for HR-1249 at 47 (emphasis added).

Intel submits that the language “necessary in the interest of justice” and “evidence directly related to factual assertions” are intended to be quite limiting. Unlike the liberal language favoring most discovery in civil litigation,⁴⁵ or the somewhat more limiting but still liberal “good cause” language used sometimes,⁴⁶ the phrase “necessary in the interest of justice” does not appear in the Federal Rules of Civil Procedure. Rather, this language is more commonly invoked in the criminal context for rare departures from the normal rules.⁴⁷ In any event, the courts that have addressed similar standards note that these standards invoke a “heavy burden”⁴⁸ or “showing errors so substantial as to present a miscarriage of justice.”⁴⁹

Thus, the statute is clear that in either proceeding, other than for taking the deposition of affiants, discovery is quite limited. No additional discovery should be as of right unless the parties agree to that discovery. Absent a stipulation, any request to take discovery beyond affiants should only be permitted upon motion that shows these heavy burdens have been met.

Fishing expeditions should be expressly prohibited. The most egregious example of such a fishing expedition would be granting, absent an extraordinary showing, discovery by the patentee to show commercial success based on the petitioner’s or third parties’ products. First, such discovery would require proof that the petitioner’s or third parties’ products are infringing and hence would divert substantial resources to thorny issues not germane to the heart of the post grant proceeding--validity. It would require production of potentially copious documents by the petitioner or third parties regarding the allegedly infringing designs and could lead to dozens of depositions. Further, accounting records of the petitioners or third parties would be necessary to establish the sales and lengthy and difficult discovery would be necessary to establish whether the alleged commercial success arises from the

⁴⁵ Federal Rule of Civil Procedure 26 contemplates that parties in litigation “may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of a party.”

⁴⁶ Federal Rule of Civil Procedure 35.

⁴⁷ See, e.g. Fed. R. Crim. Proc. 5 (permitting delay of a preliminary hearing only on a showing of extraordinary circumstances and “justice requires a delay”); 14(a)(severance); 32.1(5)(requiring an opportunity to question adverse witnesses unless the “judge determines that the interest of justice does not require the witness to appear”); 33(a)(providing for a new trial if “justice so requires”).

⁴⁸ United States v. Lopez, 649 F.3d 1222, 1235 (11th Cir. 2011)(interpreting Fed. R. Crim. Proc. 14(a)).

⁴⁹ United States v. Young, 2011 U.S. Dist. LEXIS 91631 (D. NV. 2011)(interpreting Fed. R. Crim. Proc. 33).

patented subject matter or from other reasons such as the petitioner's and third parties' patents, advertising, manufacturing prowess or price. And even if the patentee could establish commercial success and the nexus between the patent and the commercial success, one must question whether the burden placed on the petitioner and third parties is merited in the event that a strong prima facie case of obviousness has been established.⁵⁰

Similarly, arguments justifying discovery to establish copying by petitioners or third parties should be equally unavailing. The Federal Circuit has noted that:

[A] showing of copying is only equivocal evidence of non-obviousness in the absence of more compelling objective indicia of other secondary considerations. More than the mere fact of copying by an accused infringer is needed to make that action significant to a determination of the obviousness issue.⁵¹

Appropriate consideration for additional discovery may arise when a party put into the record evidence uniquely in the possession of that party. For example, if a petitioner seeks to establish prior art through the use of its sales or public use,⁵² certainly fairness requires the patentee to have a reasonable discovery regarding such a sale or use. Conversely, if the patentee decides to put at issue its sales to establish commercial success, then the petitioner is entitled to discovery about that commercial success, including product design, the actual sales and evidence regarding whether a nexus exists.

Thus, generally, other than the deposition of affiants, discovery should be denied in post grant reviews predicated solely on printed prior art and in all inter partes proceedings. More flexibility may be required for post grant reviews based on prior art that is not a printed publication or where a patentee seeks to show that the date for prior art should be earlier than the filing date of the patent. Obviously, there can be exceptions such as a party has a bona fide question regarding the date of publication of a document or whether an event that one party claims happened actually happened. On the other hand, the judge should cast a jaundiced eye towards requests for discovery regarding when formally published documents were published – particularly if the date of publication is years before the critical date. Also, requests for discovery on evidence of bias or prejudice of affiants should almost always be denied absent a compelling argument of what the discovery is expected to show.⁵³

Substitution of Claims

Due to the preclusive effect of an inter partes review or post grant opposition, petitioners need adequate time to review the merits of any substituted claims and search for prior art or to obtain expert opinions or conduct experiments to determine whether any substituted claims are supported by the

⁵⁰ See *Tokai Corp. v. Easton Enters.*, 632 F.3d 1358, 1370 (Fed. Cir. 2011) (“even assuming the existence of a nexus, we see no error in the district court’s determination that Tokai failed to establish ‘that any of these secondary factors are significant,’ . . . in light of the strong showing of *prima facie* obviousness”).

⁵¹ *Ecolchem, Inc. v. Southern Cal. Edison Co.*, 227 F.3d 1361, 1380 (Fed. Cir. 2000).

⁵² Of course, such an example would generally occur in a post grant review and not in an inter partes review.

⁵³ See generally *Lyeth v. Chrysler Corp.* 929 F.2d 891, 899 (2nd Cir. 1991) (“ the district court did not err when it observed that Chrysler was simply ‘engaging in a fishing expedition in an attempt to determine if there is some basis, however farfetched, to prosecute a claim of bias.’”)

disclosure. Due to the need to balance fairness to both the petitioner and the patentee, absent agreement by the parties, substitution of claims –other than to cancel claims or to fix typographical errors -- should be strictly limited and should be required early in the process to permit the petitioner and the Board to evaluate the new issues injected into the proceeding. Hence, this proposal advocates that any motion to amend claims be filed no later than two months after the commencement of the proceeding.

Contrary to the position of some, substitution of claims is not permitted as of right under the AIA. Rather, the statute clearly contemplates that patentee is required to move for permission to amend the claims:

The Director shall prescribe regulations setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims⁵⁴

Further, it is important to note that the language in this provision is far more limiting than the provisions governing ex parte reexamination or inter partes reexamination. Both statutes for reexamination permit the patent owner to “propose any amendment to his patent and a new claim or claims thereto”⁵⁵ Thus, the AIA clearly contemplates both strict numerical limitations that have never applied in reexamination practice and practical limitations on amendments due to the short time allowed for post grant proceedings. Further, amendments to the specification are not permitted.

Clearly, barring exceptional circumstances, cancellation of claims should be freely permitted. Cancellation simplifies the issues before the Board and should be encouraged. Similarly, prompt motions to substitute claims that correct simple and obvious typographical errors or lack of antecedent basis (non-substantive amendments) should be freely permitted as simplifying the issues.⁵⁶

Other substitutions should be strictly limited to meet the statutory mandates of speed and limiting the number of substitute claims. Of course, any substitution that broadens the covered subject matter in any manner should not be permitted.⁵⁷ Nor should substitution inject subject matter that was surrendered during prosecution or was disclaimed.⁵⁸

The rules governing for motions to substitute claims should be rigorous. As part of making any substantive substitution of claims, the patentee must bring its motion early. In particular, absent consent of all parties or particularly compelling reasons for late introduction of substitute claims in the proceeding, the patentee must make the motion with the attached claims no later than two months after the commencement of the post grant proceeding. Also, the patentee’s motion for leave to

⁵⁴ AIA § 315(9).

⁵⁵ 35 USC §§ 305, 314.

⁵⁶ Amendments made under the guise of eliminating such simple errors that are in fact substantive and later argued to be grounds of patentable distinction or overcoming a lack of support or patentable subject matter should be struck as procedurally improper.

⁵⁷ See, e.g., AIA §316(d)(3).

⁵⁸ Intel submits that the recapture rules in reissue proceedings apply with equal force here. *Hester Industries, Inc. v. Stein, Inc.*, 142 F.3d 1472 (Fed. Cir. 1998).

substitute claims must demonstrate that (1) the specification specifically disclosed all limitations of the substitute claim, (2) the patentee has grouped the substituted claims by patentably distinct features and explained why the features makes the claims patentable; and (3) demonstrate that the substitute claims are reducing the issues that the Board will have to decide. Good policy dictates each of these reasons.

First, if the specification fails to support the amendment, there is no reason to permit injection of claims that cannot be supported. Given the congressional mandate for speed, injection of claims that lack written support will unnecessarily complicate the proceeding and lead to delay. Since a patentee should know its own specification well, this hardly seems to be a serious burden. Otherwise, the petitioner will not have time to conduct prior art searches and evaluate the patentability of the substituted claims.

Since the amendments will inject new issues into the proceeding and place burdens on the petitioner, the patentee should be required to explain why its amendments reduces the issues before the Board. The whole point of the process should be to simplify what the issues are and not to add a host of patently insignificant language that the petitioner will have to respond to with copious searches to meet narrow additions to the claims that should carry little patent weight.

For this reason, the petitioner as part of its motion should be required to group the claims and indicate what are the patentably distinct features in making its amendments. This will allow the designated judge to decide whether the amendment narrows and simplifies the issue for the Board or whether the patentee is trying to delay the proceeding by injecting issues and burden its opponent with a host of new issues and searching. The feature list should be binding and the patentee should not be permitted to inject new features or arguments later in the proceeding. This already is common in interferences and appeals if large numbers of claims are involved to simplify the procedures.⁵⁹

Petitions and Motions Practice

One of the reasons that the ex-parte and inter partes reexaminations take too long is many petitions lead to undue delay. The Office has noted an explosion of petitions.⁶⁰ Many of these petitions are done for delay or other tactical advantage and are brought with little expectation of success. In these new post grant proceedings, applicants should be limited to a specific, small number of motions absent a showing of good cause as determined by the designated judge.

Similarly, to avoid a delay prejudicing the other party, any delays incurred due to an improper filing should be taken from the time of the party who caused the delay. Hence delays arising from failure to follow the rules such as an improper substitution, motion or filing or delays incurred due to

⁵⁹ See *In re Lovin*, 652 F.3d 1349, 1357 (Fed. Cir. 2011)(affirming a Board rejection of dependent claims as not being separately argued where the applicant merely pointed to claim language and stated that limitations in the claim could not be found in the prior art).

⁶⁰ S. McKeon, USPTO Warns Practitioners on Abusive Filings in Patent Reexamination Posted January 14, 2011 <http://www.patentspostgrant.com/lang/en/2011/01/uspto-warns-practitioners-on-petition-practice> (last visited November 12, 2011).

filing too many motions should be used to reduce the time of the party who caused the delay has to meet the requirements of the rules.

Real Party in Interest and Privies

Since the real party in interest needs to be identified, that term needs to be clarified. While current MPEP 2613⁶¹ does give some examples of what a real party in interest is, it fails to define the term clearly. However, the Supreme Court has defined the term “real party in interest [a]s a term of art utilized in federal law to refer to an actor with a substantive right whose interests may be represented in litigation by another.”⁶² There is no reason to think that Congress intended any other definition, particularly given the references to patent litigation in sections 315 and 325 of the AIA.

Thus, a real party in interest has a narrow meaning and is confined to situations such as exists where a principal authorizes an agent to act, where trustees or administrators act on behalf of beneficiaries or heirs, or where Congress authorizes a third party to act on behalf of the United States as in a *qui tam* action.⁶³ Thus, involvement between a petitioner and a third party, even if that involvement ultimately benefits the third party, does not make the third party a real party in interest.⁶⁴ Even if the third party has been indemnified by the requester or has some other contractual relationship, that is insufficient to make a party a real party in interest.

Similarly, the term privy also needs to be clarified since the AIA applies the preclusive effect of the post grant proceedings not only to the real party in interest but also to that party’s privies. Given that the issues for a privy under the AIA are largely identical to the issues that arise in claim and issue preclusion in the courts, Intel submits that the term privies should be confined to the narrow approach used by the courts.

As a rule, a privy is rarely found when a third party is a stranger to the proceeding:

It is a principle of general application in Anglo-American jurisprudence that one is not bound by a judgment *in personam* in a litigation in which he is not designated as a party or to which he has not been made a party by service of process. A judgment rendered in such circumstances is not entitled to the full faith and credit which the Constitution and statute of the United States, and judicial action enforcing it against the person or property of the absent party is not that due process which the Fifth and Fourteenth Amendments require.⁶⁵

Thus, to avoid the constitutional issues that have cabined the term privy carefully, the Office should also follow a narrow approach to who is a privy. Following well established judicial precedent, the term privy applies in only one of three situations:

⁶¹ MPEP §2613 at 2600-12.

⁶² United States v. City of New York, 556 US 928, 930-31 (2009)

⁶³ See *id.* (2009)(listing examples of real parties in interest under the Federal Rules of Civil Procedure).

⁶⁴ See *McCue v. City of New York*, 521 F.3d 169, 200 (2nd Cir. 2008).

⁶⁵ *Hansberry v. Lee*, 311 US 32, 40-41 (1940)(citations omitted).

First, a non-party who has succeeded to a party's interest in property is bound by any prior judgments against the party. . . . Second, a non-party who controlled the original suit will be bound by the resulting judgment. . . . Third, federal courts will bind a non-party whose interests were represented adequately by a party in the original suit.⁶⁶

The first issue only applies to the exact physical or intangible property that was previously litigated and has almost no bearing in patent cases. The second would only apply if, for example, the privy or the real party, as the case may be controlled the previous litigation or the previous petition.⁶⁷ The third covers situations such as trustees, state governments representing their subdivisions, or class actions and again is unlikely to have any bearing in post grant proceedings.⁶⁸ Hence, absent a situation involving related corporations⁶⁹ or a situation where one party actually controls either a prior litigation or a prior post grant proceeding, no privy should be found. Otherwise, post grant proceedings will be sidetracked by needless litigation over serious due process concerns.

Confidentiality

Intel submits that the Board needs to deal with two types of confidentiality issues. First, confidential information may need to be included in the original petition. Examples could include source code to show for example that an on-sale bar has occurred with a program that was prior art. Owners of the trade secrets should not have to fear that such secrets in a petition will be available to competitors. Thus, the Office should provide a mechanism for confidential information to be filed with the petition that is not publicly available and not available to the patentee (subject a court or the Board deciding later that the material should not be kept confidential). That information should only be available to outside counsel of the opposing party and those members of the Office who have a need to review the file.

Second, once the proceeding is initiated, there should be a standing protective order providing that information cannot be presented to anyone but counsel. Further, the order should permit that certain information will not be available to prosecution counsel for the parties and that other information can only be seen outside counsel. This is common in protective orders today and Intel believes that having a "common" protective order will avoid needless bickering. Of course, if the parties agree to modify the order or if the designated judge believes that the order should be modified, he or she should have that power.

⁶⁶ *Asahi Glass Co., Ltd. v. Toledo Engineering Co., Inc.*, 505 F. Supp.2d 423, 434 (N.D. Ohio 2007)(quoting *Southwest Airlines Co. v. Texas Int'l Airlines*, 546 F.2d 84, 95 (5th Cir.1977)(citations omitted) .

⁶⁷ See, e.g., *TRW, Inc. v. Ellipse Corp.*, 495 F.2d 314, 318 (7th Cir. 1974) (absent control of the lawsuit by the manufacturer, no privity exists).

⁶⁸ *Southwest Airlines*, 546 F.2d at 95-96.

⁶⁹ Examples would generally be parent and subsidiary where the parent controls the subsidiary or brother/sister corporations where the two corporations are under common control.