

To: Hon. Michael Tierney,  
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April 5, 2012

Dear Sir,

The following are the comments of Matthew A. Smith and Andrew S. Baluch, in their individual capacities, regarding the seven notices that were published in the *Federal Register* on February 9 and 10, 2012:

- “Trial Practice and Before the Patent Trial and Appeal Board” (77 Fed. Reg. 6879),
- “Practice Guide for Proposed Trial Rules” (77 Fed. Reg. 6868),
- “Changes To Implement Derivation Proceedings” (77 Fed. Reg. 7028),
- “Changes to Implement Inter Partes Review Proceedings” (77 Fed. Reg. 7041),
- “Changes To Implement Post-Grant Review Proceedings” (77 Fed. Reg. 7060),
- “Changes To Implement Transitional Program for Covered Business Method Patents” (77 Fed. Reg. 7080), and
- “Transitional Program for Covered Business Method Patents—Definition of Technological Invention” (77 Fed. Reg. 7095).

These comments do not necessarily reflect the views of the undersigned’s law firm or its clients.

The undersigned acknowledge their representation of both patent owners and third party requesters in reexamination proceedings. The undersigned submit these comments with the aim of ensuring that the newly established administrative trial proceedings under the America Invents Act (“AIA”) are implemented in a fair and efficient manner for all parties involved, including patent owners and petitioners alike.

Although the following comments focus on matters that should be changed in the opinion of the undersigned, the undersigned also wish to emphasize the overall professional quality of the proposed rules and Trial Guide and to commend the speed with which they were published. The

undersigned also wish to thank the Board for its unprecedented level of public engagement and outreach during this comment period, including the Board’s numerous presentations as part of the Office’s “AIA Roadshow” and other public events.

### **Comments On Statutory Requirements Missing From The Proposed Rules**

1. The rules should set a time limit for joinder requests per 35 U.S.C. § 316(a)(12). The rules should specify the content requirements of a joinder request. For example, if a party seeking to join a proceeding simply wants to rely on the same art and arguments presented by the original petitioner in the same proceeding, must the party file its own petition that essentially repeats what the first petitioner said? The rules also should set a time period for the patent owner to file a preliminary response to a joinder request. The Trial Guide should list exemplary factors that the PTAB will consider when exercising its discretion under § 315(c) and § 325(c).

### **Comments On Discriminatory Provisions**

2. Proposed 37 C.F.R. § 42.63(b) should, similar to federal court practice, place the burden of translation on the party that is either requesting or relying on information in a foreign language. *See In re Puerto Rico Elec. Power Authority*, 687 F.2d 501, 508-09 (1st Cir. 1982) (holding that the district court misread Rule 34 as authorizing it to require a shifting of the “usual allocation” of translation costs, which typically is borne by the requesting party, beyond the “specialized situation” involving “electronic data compilations” that can be presented only by use of a “detection device”); Fed. R. Civ. P. 34(a), Advisory Committee Note on 1970 Amendment (stating that the rule’s requirement that a translation be provided by the responding party “applies to electronic data compilations from which information can

be obtained *only* with the use of detection devices, and ... when the data can as a practical matter be made usable ... *only* through respondent's devices" (emphases added)).

3. Requiring that the producing party translate documents effectively creates a discriminatory cost burden for parties that have a significant presence in non-English-speaking countries. It may also create an incentive to aggressively seek documents from foreign parties in order to increase the cost burden to those parties. Although a similar rule has been a part of interference practice in the past, *see, e.g.*, current 37 C.F.R. § 41.154(b), the Trial proceedings will have potentially broader document discovery.
4. Proposed 37 C.F.R. § 42.63(b) should only require translations of documents that the parties will rely on, not the translation of all documents required to be produced or filed.

Translations are costly, and many produced documents may, ultimately, not be sufficiently relevant to be filed with the PTAB in translated form. There may also be more cost-efficient ways to evaluate the documents, including by having a fluent speaker of the language of the document read the document and convey any relevant information orally.

#### **Comments On Fees**

5. The petition fees are far too high for small and mid-sized businesses.
6. The graduated fee structure creates odd incentives. For a patent with many claims, petitioners are incentivized cost-wisely to break challenges into separate petitions of 40 claims each. However, the petitioner appears to have no guarantee that a second petition will not be stayed (which is possible before the patent owner's preliminary response) or terminated. Furthermore, petitioners will want to avoid joinder under 35 U.S.C. §§ 315(c) and 326(c) in order to maintain the statutory 12-month time period for the Trial after institution. *See, e.g.*, 35 U.S.C. § 316(a)(11) and 326(a)(11) (allowing adjustment of time periods in cases of joinder).

7. For patents with large numbers of claims, the USPTO petition fee alone, *excluding* attorney fees, will approach the order-of-magnitude of the entire cost of an infringement litigation, *including* attorney and expert fees. For example, the USPTO petition fee to challenge to a 600-claim patent in inter partes review, assuming the challenge is broken into 15 separate petitions of 40 claims each, would cost \$612,000. By contrast, the fee for filing a civil complaint in the U.S. District Court for the District of Columbia is \$350. *See* Fee Schedule, United States District Court for the District of Columbia, <http://www.dcd.uscourts.gov/dcd/fee> (last accessed Apr. 3, 2012). If the jurisdiction of the courts and the USPTO were exclusive of one another, it might turn out to be more economical to challenge the patent in district court through a declaratory judgment action (assuming jurisdiction is established) rather than in the USPTO, especially when attorney fees are added to the proposed USPTO fees.
8. The fee structure creates an incentive to add claims during prosecution of an application, reissue application, or ex parte reexamination (which may be initiated by the patent owner). If many claims are added, each \$52 dependent claim fee adds an average marginal cost increase for inter partes review of \$1020 (assuming challenges are broken into separate petitions of 40 claims each). Using this leverage, a patent owner could increase the USPTO fee for an inter partes review to over \$1 Million with an investment of \$51,000.

#### **Comments On Page Limits**

9. The page limits for petitions are untenable for petitioners challenging claims on the basis of prior art, and will be disadvantageous to the Office. It is impossible to challenge effectively a patent of normal claim length within, e.g., 50 pages (14 pt. font, double-spaced). In a petition, the petitioner must provide the prior art basis for each claim limitation, even if it is clear that the patent owner could not argue that the claim limitation contributes to the novelty

or non-obviousness of the claim. If the Office maintains the limits, the result will be a move by practitioners toward simple column and line citations to prior art references, without explanation that would benefit the Office. If the practice of providing bare citations is found unacceptable by the PTAB, practitioners will likely move away from the proceedings altogether.

10. Similarly, a patent owner motion to amend claims must provide support for all claim limitations in all applications on which a claim of priority or benefit is made. *See* proposed 37 C.F.R. § 42.121(b). This will be difficult to do in 15 double-spaced pages using 14 pt. font. *See* proposed 37 C.F.R. § 42.24(a)(1)(v).
11. Although a petitioner can file a motion to increase the page limits, petitioners will be dissuaded from doing so because of the uncertainty in the timing of decisions on such motions. Petitioners will often be under either the 9-month limit for filing a post grant review (35 U.S.C. § 321(c)) or the one-year limit for co-pending litigation (35 U.S.C. § 315(b)). If a petition is found defective because the motion for excess pages is not granted, the petitioner may lose the right to file a petition altogether. If the page limits are maintained, the Office should consider implementing a rule allowing the filing date of petitions to relate back to the original date, if a petition to exceed the page limits is denied and a compliant petition is refiled within a time period set by the PTAB.

### **Comments On Procedural Refusals To Hear Arguments**

12. In general, the Office should avoid eliminating substantive issues on procedural grounds. By deciding substantive issues through procedure, the Office would encourage parties to file actions against the Office for review of procedural decisions. Instead, the Office should decide substantive issues on the merits, and allow such issues to be appealed through the normal appeals process.

13. Proposed 37 C.F.R. § 42.121(c)(2) and § 42.221(c)(2) would procedurally deny amendments on substantive grounds, such as when an amendment constitutes broadening or introduces new matter. This paradigm is a marked departure from the way the Office has implemented nearly identical statutory language in reexamination and reissue proceedings under 35 U.S.C. §§ 251, 305, and 314. In those proceedings, such amendments are entered, but trigger substantive rejections (e.g., under 35 U.S.C. § 112 ¶ 1). As a practical matter, it is not always easy to determine whether claim scope has been enlarged or new matter has been introduced. Indeed, correctly deciding those issues will require a complete and thorough claim construction and written description analysis, respectively. Moreover, the statute draws a bright line between a patent owner’s first motion to amend (i.e., “1 motion to amend”) and any “[a]dditional motions to amend.” *Compare* new 35 U.S.C. § 316(d)(1), *with id.* § 316(d)(2)). Only as to the latter does the AIA give the USPTO fairly broad discretion to enter (or refuse) amendments “as permitted by regulations prescribed by the Director.” There is no such language limiting the patent owner’s first motion (i.e., “1 motion”) to amend, which instead requires entry of a patent owner’s “reasonable number of substitute claims.” It appears, therefore, that the only discretion the Office has been given to refuse entry of a patent owner’s first proposed amendment (i.e., “1 motion”) is if this first motion seeks to propose more than a “reasonable number of substitute claims.”
14. Proposed 37 C.F.R. § 42.121(c)(2) and § 42.221(c)(2) also are inefficient. Dissatisfied patent owners will argue that the PTAB’s denial of substitute claims under this rule for either of the patentability-related reasons—even if not officially called a “rejection”—will constitute a determination of unpatentability of the substitute claims, which, together with any prior art rejections of the original claims, may be appealed directly to the Federal Circuit. *See In re*

*Haas*, 486 F.2d 1053, 1056 (CCPA 1973) (holding that the Office’s action, though not formally styled as a “rejection,” constituted a denial of substantive rights and was therefore properly appealable). Substantial re-work will be required if the PTAB denies an amendment on this basis and applies the prior art to the *unamended* claims, only to have the Federal Circuit reverse the denial of the amendment because it did not in fact enlarge the scope of the claims or add new matter. Such a case would be sent back to the PTAB to apply the prior art to the *amended* claims. To avoid this delay and inefficient use of USPTO and judicial resources, the PTAB should enter the patent owner’s “reasonable number of substitute claims” (as expressly provided for in the AIA), receive full briefing and testimony on all substantive patentability issues properly raised (including claim enlargement and new matter), and then decide all such substantive patentability issues in its final written decision.

15. Proposed 37 C.F.R. § 42.108(a) and § 42.208(a) appear to give the PTAB discretion to choose which substantive issues from the petition will be subject to the Trial, regardless of whether the statutory standards are met. The language of the rule also appears to contradict the Practice Guide at 77 Fed. Reg. 6869. The rule should be clarified to indicate that Trial will proceed on all issues for which the statutory standards are met.
16. Proposed 37 C.F.R. § 42.72 can be read as authorizing the PTAB to terminate proceedings for any reason it deems “appropriate.” The statute provides limited circumstances under which the PTAB may terminate a proceeding without rendering a judgment. Those limited circumstances should be enumerated in the rule so as not to suggest that § 42.72 itself provides blanket authorization to terminate proceedings. Consolidation should not be a ground for termination, nor should “appropriate[ness]”.

### Comments On Discovery

17. There should be a default maximum time limit on depositions similar to F.R.C.P. 30(d)(1) (*see* [http://www.law.cornell.edu/rules/frcp/rule\\_30](http://www.law.cornell.edu/rules/frcp/rule_30)), which can be altered by the PTAB or agreement of the parties.
18. Proposed 37 C.F.R. § 42.64(a) as written effectively requires attorneys to make “speaking objections” that can be used to coach witnesses during cross-examination. The Office should adopt the practice of several U.S. District courts of allowing an attorney representing a declarant to say only “objection, form” or “objection, leading” on the record, which statements are sufficient to preserve the objections (*see, e.g.*, Eastern District of Texas Local Rule CV-30, available at <http://www.txed.uscourts.gov/page1.shtml?location=rules>). Objections other than “objection, form” or “objection, leading” should be deemed waived, with the possibility of additional sanctions should the PTAB determine that witness coaching was involved. The examining attorney should be allowed, at his or her discretion, to request that the basis for the objection be described in detail. If the description is not provided after such a request, the objection would be deemed waived. Many objections will not be significant enough to be raised to the PTAB., Where the questioning attorney deems the question to be proper despite an objection to form, the questioning attorney should be allowed to proceed with further questioning at his or her discretion, without allowing the objecting attorney to explain the nature of the objection to the witness.
19. Proposed 37 C.F.R. § 42.51(c)(2) is somewhat awkwardly worded to require production of documents and things *during* cross examination or compelled direct testimony. The rule should be amended to allow production of documents and things *referred to* during cross examination, after the examination takes place. Documents and things referred to in

compulsory direct testimony should be compelled if the deponent is a party witness, otherwise, should be left up to the mechanism of 35 U.S.C. § 24.

20. It is unclear whether the discovery of proposed 37 C.F.R. § 42.51(c)(2) is “additional discovery” (*see* proposed 37 C.42.51(c)(1)) subject to the heightened standards. It would seem that this sort of discovery should be routine, at least for documents actually cited by the witnesses. If it is not routine, then it is probably not necessary to have § 42.51(c)(2), because the situation is covered by paragraph (c)(1), and the specific reference in paragraph (c)(2) next to the more general case in paragraph (c)(1) could create negative inferences not intended by the Office.
21. The Office should clarify that the PTAB will uphold all privileges assertable against discovery in an action under 28 U.S.C. § 1338 in a U.S. District Court, including the immunity from discovery provided by F.R.C.P. 26(b)(3) for information prepared by a party, even at the direction of non-lawyers, in anticipation of the Trial proceeding.
22. Proposed 37 C.F.R. § 42.51(b)(1) should be clarified to allow exhibits cited by an affiant under cross-examination to be served within a period of time after the cross-examination.
23. The Office should clarify that the procedures to compel discovery of proposed 37 C.F.R. § 42.52 apply only to discovery sought from *parties* to the Trial or party-controlled witnesses and documents.
24. In proposed 37 C.F.R. § 42.53(c)(5)(i)(C), the Office should clarify whether the “list of exhibits” must include the exhibits themselves. The list of exhibits seems useless without the requirement of prior or contemporaneous service of the exhibits.

25. Proposed 37 C.F.R. § 42.53(d) should be clarified as to whether the conference must take place at least 5 business days before the deposition, or whether the *initiation* of the conference must take place 5 business days before the deposition.
26. Proposed 37 C.F.R. § 42.53(e)(7) should be amended such that parties are not required to pay for transcripts if they do not want them, and that court reporters are not required to provide transcripts for free.
27. Proposed 37 C.F.R. §§ 42.53(e)(4) and (e)(8) should be consolidated.
28. Proposed 37 C.F.R. § 42.64(a) has a misleading title; it should also apply to direct deposition testimony (*e.g.* of a non-party witness). In some cases, the paragraph might also be inequitable. For example, if the deposition testimony offered did not originate in the context of the Trial, then a party opponent may not have had a chance to object.

#### **Comments On Routine Discovery Disclosures**

29. The rules should make express whether or not the patent owner has a general duty, akin to that of 37 C.F.R. § 1.56, to disclose material information. If such duty does exist, then it should be limited to disclosing information that is material under *Therasense* and no more.
30. Proposed 37 C.F.R. § 42.51(b)(3) should be eliminated. The rule goes beyond what *Therasense* requires. The rule would require the production of “noncumulative information that is inconsistent with a position that is advanced [by a party]”. This language is substantially identical to that in 37 C.F.R. § 1.56(b)(2), the very rule that the Office in July 2011 proposed to eliminate and replace with the *Therasense* materiality standard. This same change was also proposed for ex parte and inter partes reexamination proceedings governed by the duty set forth in § 1.555 and § 1.933. The Office explained that it was revising these rules because “a unitary materiality standard is simpler for the patent bar to implement” and thus “patent applicants will not be put in the position of having to meet one standard for

materiality as defined in *Therasense* in defending against inequitable conduct allegations and a second, different materiality standard to fulfill the duty to disclose before the Office.” 76 Fed. Reg. 43631, at 43631 (July 21, 2011). But a second, different duty of disclosure before the Office is exactly what Proposed 37 C.F.R. § 42.51(b)(3) would impose. Although the rule is titled “Routine discovery” rather than “Duty of disclosure,” it imposes on parties an obligation not only to submit pre-*Therasense*-type information to the PTAB, but also to “specify the relevance of the information, including ... where applicable, how the information is pertinent to the claims.” Indeed, the Office specifically identifies “failure to disclose a prior relevant inconsistent statement” as an example of sanctionable misconduct. *See* 77 Fed. Reg. 6879, at 6884 (Feb. 9, 2012) (“An example of a failure to comply with an applicable rule includes failure to disclose a prior relevant inconsistent statement.”).

31. Proposed 37 C.F.R. § 42.51(b)(3) lacks sufficient justification. The instant notice explains that “information covered by proposed 42.51(b)(3) is typically sought through additional discovery and that such information leads to the production of relevant evidence.” 77 Fed. Reg. at 6887. The relevant statutes (35 U.S.C. § 316(a)(5) and 326(a)(5), however, do not permit discovery of information that merely “typically...leads to the production of relevant evidence.” Even if discovery of information that typically leads to relevant information were permissible, the Office has not explained how the marginal benefit of § 42.51(b)(3) outweighs its cost. It should also be noted that if patent owners already have a duty to disclose information that is material under *Therasense*, then the marginal benefit of § 42.51(b)(3) must be discounted by the benefit already provided for by *Therasense*. The Office should simply delete § 42.51(b)(3) and provide that such information will be covered by “additional discovery” under § 42.51(c). And to prevent “fishing expeditions” through

§ 42.51(c), the Office should grant motions for such additional discovery only where the movant has credibly demonstrated a good faith basis for its belief that the other party possess specific information that is inconsistent with a prior relevant inconsistent statement.

32. Proposed 37 C.F.R. § 42.51(b)(3) should simply be deleted. Routine discovery should be limited only to the information covered by paragraphs (1) and (2). If, however, any form of paragraph (3) is adopted, it is noted that paragraph (3) as presently proposed is susceptible to an interpretation that the patent owner is required to disclose information that is inconsistent with the abstract notion that the claims are patentable.
33. The disclosure requirements of proposed 37 C.F.R. § 42.51(b)(3), if any form thereof is to be retained, should be limited to information actually *known* to those who are substantively involved in the proceedings, lest it create the perception of a general burden to *search for* inconsistent information. Such a search could be cost prohibitive for a large company.
34. Moreover, if any form of Proposed 37 C.F.R. § 42.51(b)(3) is to be adopted, the Office should clarify whether it extends to information that is not otherwise admissible, such as test data published in a U.S. patent. *See, e.g.,* 37 C.F.R. § 42.61(c). Because information specified under 37 C.F.R. § 42.51(b)(3) is required to be *filed*, and not just served, the rules should clarify the effect of such filing, in particular, whether it is necessary for the disclosing/filing party to file evidentiary objections to its own filing of inconsistent information, or to file a motion to exclude such evidence, if the opposing party does not take sufficient steps to make the evidence admissible.

#### **Comments On Evidence**

35. The rules allow for multiple proceedings on the same patent to proceed in parallel. The Office should consider adopting rules or guidance to specify how evidence introduced into one proceeding affects any of the other proceedings, and the procedural rights of parties to

co-pending proceedings. For example, if a petitioner in one proceeding introduces evidence of non-enablement, while a petitioner in another proceeding introduces evidence of obviousness, can a patent owner cross-cite the evidence of the petitioners in the two proceedings? Would the petitioners then have a right to cross-examine each others' witnesses?

36. Currently, proposed 37 C.F.R. § 42.2 includes within the definition of “affidavit” any “affidavit or declaration under § 1.68 of this chapter. A transcript of an ex parte deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.” The term “ex parte deposition” was probably intended to include only depositions taken to record direct testimony and pursuant to the Trial rules. However, the definition literally includes depositions taken in other proceedings. At the same time, the definition literally excludes U.S. district court trial testimony and depositions where both parties are present, which proceedings, because they involve cross-examination, should be of a more reliable character than ex parte depositions. The Office should consider whether depositions or trial testimony taken in other proceedings can serve as affidavits, or whether the rules should refer to depositions taken in the proceeding in which the affidavit is sought to be introduced, or depositions taken in Office Trial proceedings related to the same patent. *C.f.* Proposed 37 C.F.R. § 42.61(a) (excluding all evidence not taken in accordance with subpart A). The Office may also wish to consider whether testimony taken under oath in another type of administrative proceeding, or in a foreign proceeding, should be usable as an affidavit. The undersigned are of the opinion that it would be economical to allow parties to introduce prior testimony taken in another proceeding, if that testimony was taken under circumstances as likely to make it reliable as the oath and warning required by 37 C.F.R. § 1.68 or 35 U.S.C.

§ 1746. If the Office agrees, the Office may wish to consider excluding affidavits (including testimony from other proceedings) where the witness is not available for cross examination during the Trial, except to the extent that the affidavit testimony represents an admission attributable to a party. Even if cross examination was afforded in the original proceeding where the testimony was taken, the interests of the cross-examiner in the other proceeding (even if the same party) may not have been the same as those of the opposing party in the Trial.

37. Proposed 37 C.F.R. § 42.63(a) states “affidavits and transcripts of depositions”, however, transcripts of at least ex parte depositions are already included in the definition of “affidavit”.  
*See* Proposed 37 C.F.R. § 42.2.

38. Those portions of the Federal Rules of Evidence that are not appropriate for the proceedings under proposed 37 C.F.R. § 42.62(b) should be made express. The current proposed rule will engender uncertainty and unnecessary motion practice. Petitioners are required to lay out their case in the initial filing. Petitioners are also ostensibly limited in their ability to introduce evidence as a matter of right after the petition, and petitioners will not be able to consult prior to filing with the APJ who will be later assigned to manage the proceedings. Thus, petitioners may be encouraged to comply with rules of evidence that the PTAB would not find appropriate for the proceedings. This will result in inefficiency.

39. For Proposed 37 C.F.R. § 42.55, the Office should take into account the possibility that petitioners will submit unduly onerous proposed protective orders with their initial petition in order to prevent the patent owner from immediately accessing confidential information contained in the petition. A delay of even a few days may give the petitioner a tactical advantage. The Office should promulgate a procedure, including the timing of the procedure,

for dealing with proposed protective orders under § 42.55. For example, the rule can be amended to permit the patent owner to immediately agree to the terms of either (a) the petitioner's proposed protective order or (b) a USPTO standard protective order. A new protective order can be proposed by the parties any time thereafter.

40. Proposed 37 C.F.R. § 42.61(c) should be clarified to indicate whether the PTAB will allow petitioners to rely on the publication / issue date printed on a United States patent application or patent (which is, after all, relied on for the truth of the matter asserted), or whether the PTAB will require an "affidavit by an individual having first-hand knowledge of how the data was generated."
41. Proposed 37 C.F.R. § 42.61(c) is potentially misleading, because it applies to specifically to U.S. patents and applications, and not publications or other potential sources of hearsay evidence. In other words, Proposed § 42.61(c) might create the inference that the hearsay rules do not apply, for example, to printed publications.
42. Proposed 37 C.F.R. § 42.61(c) is difficult to apply, because any reported "data" in a U.S. patent or application, if it is written in sufficient detail to be relied on for the truth of the matter asserted, will by definition also be "described" within the meaning of the rule. For example, suppose a claim recites "using an element having an atomic mass of between 60 and 65", and a prior art U.S. patent states "using Copper. Copper has an atomic mass of 63.546." Could the petitioner rely on the prior art patent for the atomic mass of Copper (which is certainly "described"), or would the petitioner be required to submit an affidavit from an eyewitness describing how the atomic mass was determined?
43. Based on considerations 39-42 above, the undersigned would suggest that the petitioner be allowed to supply hearsay evidence in patents and printed publications in the petition, but

that the patent owner be allowed to challenge such evidence by testimony, at which point the burden of proof switches to the petitioner. This will eliminate excessive affidavit filing for simple matters that constitute hearsay, but that are not likely to be objected to by the patent owner (such as the atomic mass of Copper).

44. Application of the hearsay rule (such as in Proposed 37 C.F.R. § 42.61(c)) creates a potential statutory problem for inter partes review. Specifically, the petitioner in inter partes review is required to challenge the claims “only on the basis of prior art consisting of patents or printed publications.” New 35 U.S.C. § 311(b). If the rules of evidence require that certain assertions about the prior art be made through witness testimony, the rules may require the petition to fall outside the acceptable bases for relief allowed by new 35 U.S.C. § 311(b).

#### **Comments on Nonstatutory Estoppel**

45. Proposed § 42.73(d)(3) should not be adopted. Sections 315(e) and 325(e) of the AIA set forth estoppel provisions that apply against an unsuccessful *petitioner* in inter partes review and post-grant review, respectively. The AIA does not include any provisions that impose “estoppel” against an unsuccessful *patent owner* or *applicant*. Proposed § 42.73(d)(3) would, however, impose a form of “estoppel” against an unsuccessful patent owner or applicant whose claim has been canceled in an administrative Trial. The background section of the notice sets forth the Office’s understanding of the statutory basis for Proposed § 42.73(d)(1) (Petitioner other than in derivation proceedings) and (d)(2) (in a derivation). *See* 77 Fed. Reg. at 6890 (citing 35 U.S.C. §§ 315(e)(1) and 325(e)(1) in support of Proposed § 42.73(d)(1) and 35 U.S.C. § 135(d) in support of Proposed § 42.73(d)(2). The Office, however, cites no statutory support for Proposed § 42.73(d)(3) (patent applicant or owner).
46. To the extent that the Office may be relying on common law doctrines of claim preclusion or issue preclusion, the precise contours of those doctrines need to be closely considered.

“Claim preclusion” requires, among other things, that the two proceedings be based on the same set of transactional facts. *See* Restatement (Second) of Judgments, § 24; *see also Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 479 (Fed. Cir. 1991) (“[A] ‘claim’ rests on a particular factual transaction or series thereof on which a suit is brought. An assertion of invalidity of a patent by an alleged infringer is not a ‘claim’ but a defense to the patent owner’s ‘claim.’ The acts of obtaining an invalid patent alone create no legal right to a remedy in another.”). “Issue preclusion” requires, among other things, that the issue have been “actually litigated and determined” by a valid and final judgment. *Id.* § 27. *See also Foster*, 947 F.2d at 480 (“A rationale for the rule of issue preclusion is that once a legal or factual issue has been settled by the court after a trial in which it was *fully and fairly litigated* that *issue* should enjoy repose.” (first emphasis added)).

47. It is unclear how Proposed § 42.73(d)(3) squares with these common law doctrines. The rule would apply to “any patent,” which presumably includes patents with different specifications, claims, effective filing dates, and inventors than those in the first proceeding. All of this tends to suggest that the two proceedings would be based on different sets of transactional facts. Moreover, because a petitioner’s challenge of a patent in inter partes or post-grant review is analogous to a declaratory judgment action against a patent, the Office should consider the statement in *Foster* that, “[i]n a declaratory judgment action, invalidity is but an anticipatory defense, and the ‘claim’ of the declaratory judgment suit is based on the facts related to the patent owner’s charge of infringement.” *Foster*, 947 F.2d at 479. It is unclear how the Office intends to define and determine the “particular factual transaction or series thereof” that constitutes the “claim” of an inter partes or post-grant review for purposes of claim preclusion. Finally, the rule also would apply to “any [patent] claim that could have

been filed” by the patent owner or applicant in the first proceeding. But the validity of such claims was never actually litigated and determined in the first proceeding. In sum, Proposed § 42.73(d)(3) should simply be omitted.

### **Comments on Multiple Proceedings**

48. The Office should clarify whether, and if so how, a “stay” issued pursuant to Proposed 37 C.F.R. § 41.122 and § 42.222 may exceed the 1-year (plus 6 months) deadline set forth in 35 U.S.C. § 316(a)(11) and § 326(a)(11). The only exception to the deadline provided for in § 316(a)(11) and § 326(a)(11) is “in the case of joinder” under § 315(c) and § 325(c), respectively. No exception is apparently provided for in the case of a *stay* under § 315(d) or § 325(d).
49. The Office should explain how it intends to implement the last sentence of 35 U.S.C. § 325(d), which states, “In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” Specifically, the Office should explain whether it reads this sentence to engraft an additional “newness” requirement on top of the statutory thresholds for instituting a trial under § 314(a) and § 324(a). The better reading of the statute is that it does not. If Congress had wanted to disqualify petitions based on the fact that they raise the same or substantially the same art or arguments previously presented—regardless of the correctness of the earlier examination—then Congress would have said so in § 314(a) and § 324(a). For example, Congress could have said, in § 314(a) and § 324(a) itself, that a petition must raise a “new question” of patentability or present the same art or arguments in a “new light.” Congress did so for reexamination proceedings; it did not for inter partes review or post-grant review.

50. Instead, § 325(d) should be read to permit the PTAB to look to other proceedings involving the same patent in order to inform the PTAB's analysis as to whether the applicable threshold in § 314(a) or § 324(a) has been met. For example, if the PTAB sees that the same art and argument were previously raised in a prior examination in which the examiner concluded that the claims are patentable, but the PTAB disagrees with the examiner's conclusion and believes that the claims are unpatentable, then the PTAB should, indeed it *must*, grant the petition and institute trial. In other words, a petition that in the PTAB's view meets the applicable threshold in § 314(a) or § 324(a) *must* be granted, and this is so even if the petition relies solely on the same or substantially the same prior art or arguments previously presented to the Office. The PTAB owes no deference to an examiner's prior determination of patentability or unpatentability. *Cf. Ex Parte Frye*, 94 U.S.P.Q.2d 1072, 2010 WL 889747 (BPAI 2010) (precedential). The PTAB is not bound by any prior decision that is not otherwise binding under the Board's Standard Operating Procedure 2 (Revision 7).  
<http://www.uspto.gov/web/offices/dcom/bpai/sop2.pdf>

### **General Procedural Clarity**

51. Proposed 37 C.F.R. §§ 42.8(b)(3) and 42.10(a) appear to be inconsistent, insofar as one is mandatory and the other permissive.
52. The rules should affirmatively state that a party has the right to file an opposition to a motion, and that the movant has the right to file a reply to an opposition, unless otherwise directed by the PTAB or the rules. Currently, only the Practice Guide states this.
53. Proposed 37 C.F.R. § 42.53(f) should specify that the costs do not include attorney fees.
54. Proposed 37 C.F.R. § 42.5(c)(2) should be modified to state that such requests are made by motion, but that no opposition is allowed.

55. Proposed 37 C.F.R. § 42.6(d)(3) should be amended to specify acceptable types of service. In particular, it should specify whether depositing in first class mail with sufficient postage on the day of filing (*see, e.g.*, current 37 C.F.R. § 1.248) is sufficient to effect simultaneous (proposed 37 C.F.R. § 42.6(e)(1)) service.
56. “Filed separately” in proposed 37 C.F.R. § 42.6(e)(3)(ii) is unclear. Does “separately” mean uploaded as a separate file in the electronic filing system of the PTAB, or does it mean filed as a separate electronic transaction, or does it mean filed on a different day or in a different procedural context?
57. The rules should clarify whether service *must be* effected by the service information provided in the mandatory disclosures 37 C.F.R. § 42.8(b)(4).
58. In proposed 37 C.F.R. § 42.9(b), the word “inventor” is unnecessary and misleading. A part owner’s ability to act is only affected by other part owners. An inventor may be a part owner. However, the rule already addresses treatment of part owners. To the extent an inventor is not a part owner, the part owner of the patent should be able to act to the exclusion of that inventor, analogous to proposed 37 C.F.R. § 42.9(a).
59. The potential timing and use of notices described in 37 C.F.R. § 42.21 should be explained in the Trial Practice Guide, or the rule should be eliminated. The Trial proceedings begin with the filing of petition which sets forth the petitioner’s bases for relief. At least for post grant review and inter partes review, the patent owner’s bases for relief are simply the negations of the contentions in the petition. Furthermore, in the Decision to institute Trial, the PTAB will include an authorization to act, which obviates the purpose of the notice. To the extent any motions could be filed that would have bases for relief beyond those contained in the petition (or their negation), proposed 37 C.F.R. § 42.22(a)(3)) would already require that the

information specified by 37 C.F.R. § 42.21 be included in any motion filed. The rules further require authorization before filing motions (37 C.F.R. 42.20(b)). It is therefore unclear why the notices of 37 C.F.R. § 42.21 would be useful to the PTAB outside of derivation proceedings.

60. Proposed 37 C.F.R. § 42.63(d): Exhibits are presumably often documents created outside the context of the Trial, and therefore can not be made to comply with proposed 37 C.F.R. § 42.6, which requires double-spacing, 14 pt. font, etc.

61. Proposed 37 C.F.R. § 42.63(e) should be amended in the following way: “(e) Exhibit list. Each party must maintain an exhibit list with the exhibit number and a brief description of each exhibit. The list should note any gaps in the numbering of actually filed exhibits.” The intent of the rule is probably to explain gaps in numbering. This amendment will clarify that the list need not reference all possible exhibits that could have been submitted, but were not.

62. Proposed 37 C.F.R. § 42.64(d) should be considered for elimination. A motion in limine *is* a motion to exclude, which is already provided for under proposed 37 C.F.R. § 42.64(c).

63. A “judgment” under proposed 37 C.F.R. § 42.73 has an unclear relation to other events in inter partes review and post grant review. The PTAB is currently not obligated to enter judgment under the proposed rules, and the relationship of a judgment to the final written decisions under 35 U.S.C. § 318(a) and 328(a) as well as the certificates under 35 U.S.C. §§ 318(b) and 328(b) is not clear. The undersigned suggest that the concept of the judgment be eliminated for inter partes review and post grant review, to be replaced with the certificates described in 35 U.S.C. § 318(a) and 328(a).

64. The one-year deadline of 35 U.S.C. § 316(a)(11) and 326(a)(11) is measured from institution to a “final determination”. The “final determination” is probably intended to mean the “final

written decision” under 35 U.S.C. §§ 318(a) and 328(a). However, proposed 37 C.F.R. § 42.80 uses the phrase “finally determined” in the context of the certificate issued after any appeals. Thus, proposed 37 C.F.R. § 42.80 might be found to be an Office interpretation of the statutory language “final determination” that requires the one-year deadline to include the time for a Federal Circuit appeal. Proposed 37 C.F.R. § 42.80 should thus be modified to ensure that the “final determination” of 35 U.S.C. §§ 316(a)(11) and 326(a)(11) is interpreted by the Office to refer to the “final written decision” of 35 U.S.C. §§ 318(a) and 328(a).

65. The Notice of Trial (Proposed 37 C.F.R. § 42.4(a)) appears to be redundant. The Decision will contain an Authorization to Act, obviating any Notice of Trial.

66. The heading of Proposed § 42.206(b) refers to an incomplete “request,” but the text of the rule refers only to a “petition.” Proposed § 42.407(b) refers to an incomplete “request” in both the heading and text. Proposed § 42.106(b) refers to an incomplete “petition” in both the heading and text. It is believed that the word “petition” should be used throughout.

Sincerely,

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