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Subject: Umbrella rules and trial practice guide

POST-GRANT REVIEW; INTER PARTES REVIEW; DERIVATION PROCEEDINGS

The following comments respond to the Notices of Proposed Rulemaking entitled:

- Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868-79 (Feb. 9, 2012);
- Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879-6914 (Feb. 9, 2012);
- Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041-60 (Feb. 10, 2012);
- Changes to Implement Post Grant Review Proceedings, 77 Fed. Reg. 7060-80 (Feb. 10, 2012); and
- Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080-95 (Feb. 10, 2012).

(collectively, the “PTO’s Proposed Rules”)

The comments are mine alone and do not necessarily represent those of the firm with which I am associated or any of its partners, employees or clients. My comments are informed by my 42 years of involvement with the United States patent system, especially my service on the Board of Patent Appeals and Interferences (“Board”), beginning with my appointment in 1986 as an examiner-in-chief to my retirement after serving as chief judge from October 1, 1995 until October 31, 2003. My comments are also based on my experience in private practice since retirement from Federal service.

GENERAL COMMENTS FAVORING THE PROPOSED RULES

The Patent and Trademark Office (PTO) is to be commended for devising a workable system for managing the inter partes review proceedings, post-grant review proceedings, derivation proceedings, and covered business method patent as created by the Leahy-Smith America Invents Act. The PTO’s Proposed Rules are consistent with the Leahy-Smith America Invents Act (“AIA”) and with the history of that legislation leading up to its enactment in 2011. I believe that the PTO’s Proposed Rules represent a reasonable and workable way to conduct post-grant proceedings (including inter partes review, post-grant review, derivation proceedings, and covered business method patent proceedings) in a timely and just manner at a reasonable cost, given the contested nature of such proceedings.

The proposed rules of Part 42 follow the model of the existing contested case rules found in 37 CFR. Part 41, Subparts A and D, which, in conjunction with the Standing Order of the Board of Patent Appeals and Interferences, have been demonstrated successful in justly resolving patentability issues arising in contested inter partes cases within a 12 month period since at least 2004. Indeed, the, PTO’s Proposed Rules are arguably consistent with practices and procedures in place since 2000.

In my view, with two possible exceptions, the specific rules pertaining to inter partes review, as set forth in Part 42, Subpart B, the specific rules pertaining to post-grant review, as set forth in Part 42, Subpart C, and

the specific rules pertaining to the transitional program for covered business method patents as set forth in Part 42, Subpart D, are both consistent with the statutory requirements of the AIA and represent a broadly acceptable way of conducting these proceedings.

The two possible exceptions relate to proposed Rules 42.51(b)(3) governing noncumulative and inconsistent information, and 42.73(d)(3) pertaining to estoppel of the patent applicant or owner. There is also room to debate the appropriate fee levels, periods of time for response by the patent owner, and permissible page numbers.

THE RULES STRIKE THE CORRECT BALANCE REGARDING MANAGEMENT OF THE PROCEEDING

In my estimation, careful and active management of post grant proceedings by the Administrative Patent Judges of the Board, particularly in connection with discovery and management of the amendment process, will result in early focusing of the issues and prevent the waste of time and harassment that might otherwise result from the party-managed discovery common in the Federal courts. For that reason, as well as the success that the PTO has achieved in the past in connection with managing discovery and the amendment process in interference proceedings, the rules proposed appear to me to be appropriate.

In imposing a one-year period in which the review is to be conducted (potentially expandable by six months), no matter how complicated the proceeding, Congress has mandated that the USPTO eliminate time-consuming backtracking of the type found in the current inter partes re-examination regime (which is essentially ordinary ex parte prosecution modified to provide participation by a third-party). It appears that Congress expects the party requesting one of these proceedings to put its best foot forward right from the start so that the process can be concluded without backtracking and second thoughts such as are permitted in current inter partes re-examination proceedings. Plainly, these reviews are not intended to be predicated upon half-baked charges that the petitioner hopes to prove based upon facts first fortuitously revealed in discovery. Congress made clear in Sections 316(a)(5) and 326(a)(5) that discovery was to be limited in scope and evinced its concern for the abuse of discovery by specifying that the director was to prescribe sanctions for abuse of discovery; see Sections 316(a)(6) and 326(a)(6).

Nor are patent-owner amendments to the claims intended to be limitless under the AIA, since repeated opportunities to amend simply present repeated opportunities to delay decision. The patent owner has opportunity to amend during prosecution of the application, as well as opportunity to present one or more continuation applications prior to issuance of the patent in an effort to protect the full scope of the invention. Patent owners are not prohibited by the AIA from filing reissue applications to present additional claims, although any such amendment would be subject both to the provisions and case law governing reissue and the authority of the Director under 35 USC § 315 (d) and § 325(d) regarding stay, transfer, consolidation, or termination.

Unfettered discovery and unfettered opportunities to amend claims have the potential to hopelessly bog down the expedited process which Congress has mandated. In my estimation, the rules proposed by the PTO grant the administrative patent judge the appropriate authority to manage the proceeding.

OBSERVATIONS REGARDING TIME FRAMES AND PAGE LIMITS

Time frame or page number limits may, to some extent, hamper at least some patent owners or petitioners, but in my opinion most will be able to handle the situation. One can always argue over what number of pages is appropriate – whether 70 is enough or too little– and whether 2 months or 3 months or even 4 months is an appropriate time frame for the preliminary response by the patent owner. In my estimation, the precise number of pages is not critical, except that some reasonable limit needs to be imposed. The interference

experience suggests that a reasonably skilled advocate can cover a lot of ground in set time and page limits when necessary.

Any time consumed before institution of a post-grant proceeding is effectively off the PTO's "one year to completion" clock, so giving a patent owner more time (within limits) certainly doesn't run counter to the statute, although the additional time seems to fly in the face of the comments heard during the legislative process that patent owners don't want their patents under the cloud of inter partes review or post grant review any longer than is necessary. Providing additional time once the matter is instituted, however, could easily interfere with getting the job done in the manner demanded by Congress.

OBSERVATIONS REGARDING TESTIMONIAL EVIDENCE FROM THE PATENT OWNER PRIOR TO INSTITUTION

Allowing testimonial evidence in response to the petition at the preliminary response stage would simply cause more delays in getting the process started and appears to be contrary to the language of the AIA. The nearly identical language of §§ 313 and 323 provides that the preliminary response is to "set[] forth *reasons* why no inter partes review [post-grant review] should be instituted based upon the failure of the petition to meet any requirement of this chapter." The language identifies "reasons" rather than evidence and is in contrast with the language regarding the response set forth in §§316(a)(8) and 326(a)(8) "providing for the filing by the patent owner of a response to the petition under Section 313 [323] after an inter partes [a post-grant] review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, *any additional factual evidence and expert opinions on which the patent owner relies in support of the response.*" The distinct ways in which the terms "reasons" and "evidence" are recited provide, I believe, a clear signal that the additional factual evidence of the statute (e.g., testimony), is intended to await the full response and not be filed at the preliminary response stage.

Moreover, any provision for new testimonial evidence on the patent owner's part prior to institution undermines the simplicity of the process – the patent owner's preliminary response is intended to permit the patent owner to say to the PTO that whatever evidence the petitioner has mustered is simply not sufficient under the statutory standard and permit the PTO to end it at that juncture, should it agree with the patent owner. It is a simple test for the sufficiency of the case advanced by the petitioner. Once competing testimony is offered, it is evident that cross examination of that competing testimony must be provided. This would make the procedure far more complex and time-consuming. It would amount to having a proceeding to determine whether to have a proceeding. This would be inconsistent with having these proceedings concluded expeditiously.

OBSERVATIONS REGARDING BROADEST REASONABLE CONSTRUCTION

In my view, the PTO's proposed rule 42.100(b) regarding the use of the "broadest reasonable interpretation" is consistent with the case law (as the PTO has pointed out). It is, moreover, consistent with the standard sought by bar organization, including the AIPLA, during the gestation of this legislation. In testifying before the Subcommittee on Courts, the Internet, and Intellectual Property of the House Committee on the Judiciary on June 24, 2004, then AIPLA Executive Director Michael K. Kirk stated the recommendation of the AIPLA's Blue Ribbon Panel, thusly: "Unlike court proceedings, however, the determination of invalidity would be based on the 'broadest reasonable construction' of the claim. This is the standard used to test the patentability of a claim during examination." (copy available at <http://www.gpo.gov/fdsys/pkg/CHRG-108hhr94459/html/CHRG-108hhr94459.htm>).

Adoption of this standard is certainly not inconsistent with the AIA, although the AIA concededly does not specify the standard. Plainly, even were one to assume that the PTO has exceeded its rulemaking authority in this regard (a proposition that is by no means unquestionably the case given the existing case law supporting its position), the PTO has done the public a service by announcing the standard in a rule. If, indeed, the proper

authority to decide the standard is the judiciary, the matter can and undoubtedly will be raised in the very first appeal to the Court of Appeals for the Federal Circuit by a dissatisfied patent owner. To attempt to apply the same standard that is applied in district courts risks a likelihood of extended proceedings when the Court of Appeals expresses its disagreement with the claim construction as frequently happens in district court litigation. Those criticisms which are bottomed on the challenge associated with two different standards for claim construction ignores the fact that this is currently the situation when a claim is both before the PTO (where amendment is possible) and before the courts (where amendment is not).

OBSERVATIONS REGARDING FEES

Generalized comments about the excessive cost of the process disregard the fact that it was Congress that put the process at the board in the hands of a panel of three judges following an interference model, an outcome that was requested and even proposed in draft statutory language by various organizations during the legislative process. It is difficult to comment on the specific fees set forth in proposed § 42.15 of the rules; the PTO, itself, is in the best position to know how much each of these proceedings will cost. Whether the PTO has struck the correct balance regarding fees will undoubtedly be the source of debate. But the fundamental fee of \$27,200 for inter partes review and \$35,800 for post-grant review hardly seems out of line when the statutory design is considered.

Moreover, Congress expressly provided (my emphasis):

311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, **fees to be paid by the person requesting the review**, in such amounts as the Director determines to be reasonable, **considering the aggregate costs of the review**.

§321. Post-grant review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, **fees to be paid by the person requesting the review**, in such amounts as the Director determines to be reasonable, **considering the aggregate costs of the post-grant review**.

Per Congress, the costs are intended to be borne by the requestor (petitioner), not other users of the patent system. It is unquestionably the case that in enacting the AIA, a process different from ordinary examination was contemplated by Congress, and that different decision-makers (namely the administrative patent judges) were to make the decisions than in ordinary examination. Throughout the gestation of this legislation, bar and patent owner organizations advised Congress that the process was too important to be conducted in the usual manner of examination, but instead should be administered in a proceeding similar to that used in connection with interferences, proceedings conducted entirely at the board before a panel of three administrative patent judges.

By mandating review processes which are to be conducted entirely at the board by a panel of at least three administrative patent judges, Congress has chosen a more expensive structure for conducting these reviews than is the case in ordinary examination. Because of the education, training, and maturity of experience that each of these individuals is expected to possess, the administrative patent judges are among the most highly compensated employees of the USPTO. Moreover, the insistence of the AIA is upon a panel, not merely a single judge. Under the circumstances, no one should be surprised that the process will be expensive.

THE PTO SHOULD NOT ADOPT 37 CFR § 42.51(b)(3) OR § 42.73(d)(3)

Proposed § 42.51(b)(3) provides in relevant part that as “routine discovery,” the parties are entitled to discover,

(3) Unless previously served, noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding. The information is to be filed as soon as practicable in a motion identifying supplemental information or as part of a petition, motion, opposition, reply, preliminary patent owner response to petition, or patent owner response to petition. The party submitting the information must specify the relevance of the information, including where the information is presented in a document and, where applicable, how the information is pertinent to the claims.

Although desirable as part of the discovery process, the effect of the underlined language regarding “inconsistent” noncumulative information appears to me to impose an additional duty of disclosure beyond that imposed in the rule addressing this matter, specifically 37 CFR § 1.56. Having a separate duty embedded in the discovery rules appears unwise to me. If the PTO intended to provide some sort of symmetry of obligation on both the petitioner and patent owner, it would do better to do so by reworking Rule 56 to include whatever duty is relevant, not by engrafting this obligation onto the discovery rule.

Proposed § 42.73(d)(3) provides in relevant art that the patent applicant or owner is to be subject to certain estoppels:

- (3) *Patent applicant or owner*. A patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:
- (i) A claim to substantially the same invention as the finally refused or cancelled claim;
 - (ii) A claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim; or
 - (iii) An amendment of a specification or of a drawing that was denied during the trial proceeding.

Although the AIA sets forth estoppel provisions that apply against an unsuccessful petitioner in inter partes review and post-grant review, it does not include provisions that impose “estoppel” against an unsuccessful patent owner. Thus, however necessary such provisions may be to preserve a uniform set of consequences to all parties, these provisions appear to not be warranted by the existing statute. Presumably, the PTO has proposed this rule as an analogy to interference estoppel (briefly summarized in MPEP § 2308.03). I think it is not quite so clear that the case law of interferences will be adopted. Seeking amendment of the law seems preferable to me. Also, the PTO might attain the same results, but without benefit of the rule, in a subsequent patent or application if deemed appropriate under all the facts under an issue preclusion analysis specific to the case.

CONCLUSION

The rules as published are modeled on the process for deciding patentability issues in current interferences, and this is appropriate in view of the legislative intent and the terms of the statute.

The rules clearly contemplate active management of post grant proceedings, as is presently the practice in interference proceedings before the Board. And that is consistent with the statutory purpose, which was to create a mechanism for resolving patentability disputes that is more efficient and cost-effective than district court litigation.

Discovery under the published rules would be “managed discovery” maintained within limits prescribed by the APJ upon a party’s motion. Experience in interferences has shown that (1) many issues are resolved in a telephone conference with an Administrative Patent Judge without a motion actually being filed and (2) that “fishing expedition” discovery is avoided.

It’s likely that those who maintain that the interference process is unnecessarily complex – and therefore unsuitable for post grant review – have in mind the resolution of such issues as “counts”, “corresponding claims”, “threshold issues” and others that are part and parcel of a contest between two applicants or an applicant and a patentee. None of those issues carry over into post-grant review. Patentability issues, by comparison, are straightforward, and are currently addressed in interferences using the same standards and language applicable to all patentability determinations. Thus, the main argument for opposing an “interference model” stems from a lack of familiarity with interference practice as it has existed for at least the past decade.

The Board of Patent Appeals and Interferences has successfully whittled down the pendency of interference proceedings by active case management. There is little to fear, based on the Board’s record, that active case management would make post grant review either unduly complicated or unduly lengthy. Indeed, a reasonable expectation would be that issues would be quickly focused and that unnecessary (and potentially harassing) discovery would be eliminated.

Thank you for the opportunity to present these comments.

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