

**Before the  
United States Patent and Trademark Office  
Alexandria, VA 22313**

Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions	)	Docket No. PTO-P-2011-0082
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	)	
	)	
Changes To Implement <i>Inter Partes</i> Review Proceedings	)	Docket No. PTO-P-2011-0083
	)	
	)	
Changes To Implement Post-Grant Review Proceedings	)	Docket No. PTO-P-2011-0084
	)	
	)	
Changes To Implement Transitional Program for Covered Business Method Patents	)	Docket No. PTO-P-2011-0085
	)	
	)	
Transitional Program for Covered Business Method Patents—Definition of Technological Invention	)	Docket No. PTO-P-2011-0087
	)	
	)	
Practice Guide for Proposed Trial Rules	)	Docket No. PTO-P-2011-0094

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## I. INTRODUCTION AND EXECUTIVE SUMMARY

In the Leahy-Smith America Invents Act (“AIA”),<sup>1</sup> Congress directed the PTO to implement the new *inter partes* and post-grant review proceedings (collectively, “post-issuance reviews”) in order to achieve the greatest possible beneficial “effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.”<sup>2</sup> To that end, the PTO should adopt standards and procedures for post-issuance reviews that will incentivize would-be petitioners to use the new proceedings in lieu of district court litigation. The final rules thus should clearly delineate *ex ante* the basic “rules of the road” for the reviews, including the extent to which participation might prejudice a petitioner’s future legal rights. So designed, the new post-issuance reviews will serve as the meaningful alternatives to litigation that Congress intended them to be. And, as a result, the reviews will systematically improve patent quality, and funds that would otherwise have been expended defending patent suits in the federal courts can be put to the higher and better use of innovation.

Our comments respond to six Notices of Proposed Rulemaking to implement the post-issuance review provisions of the AIA.<sup>3</sup> Each Notice is intended “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and

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<sup>1</sup> Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>2</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(b)), 6(d) (amending 35 U.S.C. § 326(b)).

<sup>3</sup> See Notices of Proposed Rulemaking, *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 (Feb. 9, 2012) (“Umbrella Rules”); *Practice Guide for Proposed Trial Rules*, 77 Fed. Reg. 6868 (Feb. 9, 2012) (“Practice Guide”); *Changes To Implement Inter Partes Review Proceedings*, 77 Fed. Reg. 7041 (Feb. 10, 2012) (“IPR Rules”); *Changes to Implement Post-Grant Review Proceedings*, 77 Fed. Reg. 7060 (Feb. 10, 2012) (“PGR Rules”); *Changes To Implement Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 7080 (Feb. 10, 2012) (“BMP Rules”); *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 Fed. Reg. 7095 (Feb. 10, 2012) (“Definition of Technological Invention Rule”).

counterproductive litigation costs,”<sup>4</sup> and many of the proposed rules will serve this appropriate goal. We submit these comments to voice our strong support for particularly helpful proposed rules, and to focus on some proposed rules and explanatory text that the Office should amend or clarify in order to achieve the goal of “creat[ing] a timely, cost-effective alternative to litigation” that “ensure[s] the integrity of the trial procedures.”<sup>5</sup>

As explained in greater detail in these comments, we respectfully submit that, in its final orders regarding the Umbrella Rules and related Practice Guide sections, the Office should:

- Maintain and strengthen the control-focused approach to nonparty estoppel for purposes of proposed rules 42.8(b)(1) and 42.73(d)(1), as set forth in the Umbrella Rules NPRM and the proposed Practice Guide.
  - Specifically, the PTO should add text to Practice Guide § I(D)(1), or promulgate regulations, that:
    - ⇒ provide further support for control-focused understandings of the terms “real party in interest” and “privy,” making clear, for example, that merely providing funding for a proceeding is not sufficient to establish control;
    - ⇒ require that challenges to real-party-in-interest identifications be brought no later than the two-month deadline for the patent owner’s preliminary response and confirm that the burdens of proof and persuasion will be on the patent owner to come forward with objective evidence to support the challenge and a basis for relief; and
    - ⇒ confirm that the same control-focused understandings of the terms “real party in interest” and “privy” will govern the estoppel analysis of proposed rule 42.73(d)(1).
  - The PTO should also amend proposed rule 42.73(d)(1) in one of two ways:
    - ⇒ use the statutory text, rather than the proposed regulatory language, in order to accurately track the more limited statutory scope of estoppel in PTO proceedings; or

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<sup>4</sup> *Id.* at 6879 (Umbrella Rules), 7041 (IPR Rules), 7060 (PGR Rules), 7081 (BMP Rules), 7095-96 (Definition of Technological Invention Rule); *see also id.* at 6868 (Practice Guide).

<sup>5</sup> *Id.* at 6879 (Umbrella Rules), 7041 (IPR Rules), 7060-61 (PGR Rules), 7081 (BMP Rules), 7096 (Definition of Technological Invention Rule); *see also id.* at 6868 (Practice Guide).

- ⇒ at a minimum, amend the current proposed rule to: (1) specify that estoppel applies only with respect to later proceedings concerning the same claims at issue in the *inter partes* or post-grant review; (2) clarify that the “judgment” referenced in the regulation means a final written decision on the patentability of a claim; and (3) delete the reference to “inconsistent” arguments because, under the relevant provision of the AIA, estoppel only applies to arguments that were, or reasonably could have been, raised during the pertinent proceeding.
- Amend the proposed discovery regulations and Practice Guide discussion regarding discovery in order to create a more efficient and fair process.
  - The PTO should add a sentence to proposed rule 42.51(a) clarifying that, although “[t]he parties may agree to discovery between themselves at any time,” they are not subject to any mandatory discovery obligations until after the Board actually initiates merits review.
  - The PTO should further amend proposed rule 42.51(a) to confirm that a motion for additional discovery is not required where the parties agree to such discovery.
  - The PTO should remove all references to the establishment of a sequenced discovery scheme in the Practice Guide and adopt substitute text and a regulation providing for simultaneous discovery, consistent with traditional PTO and litigation discovery procedures.
  - The PTO should remedy the overbreadth of proposed rule 42.51(b)(3)’s routine discovery obligations by: (1) not adopting proposed rule 42.51(b)(3), and the related text at Practice Guide § I(F)(1), at all, leaving discovery to operate based on party requests for discovery on a case-by-case basis; or (2), at a minimum, limiting proposed rule 42.51(b)(3) and any associated explanatory text in the Practice Guide in the following ways:
    - ⇒ require only the production of noncumulative, nonpublic, material, and directly relevant information that is inconsistent with a position advanced by a testifying witness or expert witness for the patent owner or petitioner during the proceeding;
    - ⇒ provide that the routine discovery provision does not override legally-recognized privileges, including attorney-client and attorney work product protections;
    - ⇒ require that the information be provided to opposing counsel, rather than filed with the Office;
    - ⇒ remove the requirement that the relevance of the material be explained at the time of production as burdensome and unnecessary because relevance can be explained in the parties’ substantive filings; and

- ⇒ expressly reject the statement in the NPRM’s explanatory text that the subsection extends affirmative discovery obligations beyond the parties to the proceeding to “individuals associated with the parties.”
- The PTO should state in Practice Guide § I(F)(2) or regulatory text that parties may quickly raise and resolve disputes over their discovery obligations in conference calls and that motions for additional discovery will be timely resolved.
- The PTO should ensure that relevant foreign discovery will be available in post-issuance reviews by removing the additional requirements imposed by proposed rules 42.52(b) and 42.53(b)(3) and by confirming that foreign discovery will be granted where the requirements of proposed rule 42.52(a) are met and the motion otherwise satisfies relevant discovery requirements.
- The PTO should make a ministerial amendment to proposed rule 42.53(e)(3) so that it correctly points to the exhibit numbering requirement of proposed rule 42.63(c).
- Strengthen the confidentiality provisions of proposed rules 42.54 through 42.56.
  - The PTO should amend the “Protective Order Guidelines” in Practice Guide Appendix B in the following ways:
    - ⇒ add a category of protection for highly confidential information that is accessible by outside counsel only and place the burden on the challenger to explain why broader access is needed;
    - ⇒ remove the right of the Board to disclose confidential materials without a hearing when it raises questions about confidentiality *sua sponte*; and
    - ⇒ clarify that confidential information received in a post-issuance proceeding must be independently obtained through other means prior to its use in any other proceeding—at the PTO, at another agency, in court, or any other fora—regardless of whether the producing party is also a party in that context.
  - The PTO should delete the petitioner’s obligation to serve confidential information before receiving the patent owner’s agreement to a protective order under proposed rule 42.55 and Practice Guide § I(E)(5).
  - The PTO should amend proposed rule 42.56 and Practice Guide § I(E)(6) by either: (1) providing that confidential information will be destroyed following a proceeding, (2) providing that confidential information will remain confidential unless a motion to unseal is filed and granted; or (c), at a minimum, assuring parties that motions to expunge material from the record will be granted in all but the most extraordinary case.

- Clarify in Practice Guide § II(L) the protections associated with settlement agreements entered pursuant to proposed rule 42.74.
  - The PTO should clarify that it only expects to terminate a post-issuance review if all petitioners, in cases where there is more than one petitioner, have entered into a settlement agreement.
  - The PTO should make clear the “good cause” standard of proposed rule 42.74(c)(2) will not typically permit the disclosure of a confidential settlement agreement.
  - The PTO should provide that good cause to disclose a confidential settlement agreement will not be found merely because the same patent at issue in the agreement is involved in litigation.
  - The PTO should clarify that disclosure of a confidential settlement agreement will not render the agreement non-confidential, and the person to whom the agreement is disclosed must agree to treat the agreement as confidential pursuant to a protective order.
- Provide adequate procedural rights during post-issuance reviews.
  - The PTO should adopt proposed rule 42.71(c) as written, thus allowing parties to seek rehearing of Board decisions (*see also* Practice Guide §§ II(D)(3) and II(N)).
  - The PTO should adopt proposed rules 42.23 and 42.24(c), thus clearly authorizing petitioners to reply to the patent owner’s responses to the petition and petitioner’s motions.
  - The PTO should amend proposed rule 42.15 in order to ensure that petitioners only bear the costs of merits review where such review is actually instituted.
  - The PTO should amend proposed rule 42.24(a) and Practice Guide § II(B)(5) so that claim charts do not count toward the page limits.
  - With respect to page limits, the PTO should: (1) amend the proposed page limits for post-issuance review petitions by increasing the limits to approximately 85 pages for *inter partes* review petitions and 120 pages for post-grant review petitions; (2) lower the “interests of justice” standard for page limit extensions of proposed rule 42.24(a)(2) to “good cause”; and (3) establish a presumption that good cause for an extension of page limits exists where the number of challenged claims resulted in a higher filing fee under proposed rule 42.15.

Additionally, as also explained below, we respectfully submit that, in its final orders regarding the IPR and PGR Rules and related sections in the Practice Guide, the Office should:

- Confirm in Practice Guide § II(B)(3), or regulatory text, that a control-focused approach to estoppel will also apply to the proposed petition eligibility and certification requirements.
  - The PTO should state that the control test detailed in Practice Guide § I(D)(1) governs the eligibility and certification requirements under proposed rules 42.101, 42.104(a), 42.202, and 42.204(a) for post-issuance reviews.
  - The PTO should further provide that an entity is not estopped from requesting *inter partes* or post-grant review (or from certifying that no estoppel exists) if it was involved in a prior proceeding but reached a settlement before the entry of the final Board decision.
- Provide additional clarity with respect to motions to amend filed pursuant to proposed rules 42.121 and 42.221.
  - The PTO should adopt the “general presumption that only one substitute claim would be needed to replace each challenged claim,” as currently proposed in Practice Guide § II(G)(3).
  - The PTO should require, as also currently proposed in Practice Guide § II(G)(3), that “a demonstration of good cause” will be required for motions to amend filed after the patent owner’s response.
  - The PTO should codify in proposed rules 42.121 and 42.221 a deadline of six months after initiation of a post-issuance review for contested motions to amend.
  - The PTO should provide by rule, or in the Practice Guide, that post-issuance reviews will be automatically extended for six months if a patent owner files a motion to amend after the filing of its response.
  - The PTO should ensure that final rules 42.121 and 42.221 provide the Board with flexibility to require a patent owner to move to change claims by amendment, not through argument.
  - The PTO should add a third subsection to proposed rules 42.121(b) and 42.221(b) that requires patent owners to explain how a proposed amendment responds to a ground of unpatentability at issue in the trial.
  - The PTO should clarify in Practice Guide § II(G) that it will enter amendments and substitutions on a claim-by-claim basis only when each proposed change within a claim is responsive to a ground of unpatentability involved in the trial.
- Eliminate the claim construction requirement for petitions for *inter partes* and post-grant review.
  - The PTO should delete the claim construction requirement from proposed rules 42.104(b)(3) and 42.204(b)(3) and Practice Guide § II(B)(3), and should instead

confirm that challenged claims will be given their broadest reasonable construction in light of the specifications of the patent in which it appears.

- Confirm that there are relatively low thresholds for post-issuance review.
  - The PTO should clarify in Practice Guide § II(D)(1) that the standards of proposed rules 42.108(c) and 42.208(c)-(d) are relatively low and do not require the petitioner to establish invalidity on the merits by a preponderance of the evidence because that is the ultimate standard of review.
  - The PTO should amend proposed rule 42.208(c) to make clear, as the NPRM’s explanatory text correctly states, that the Board is not statutorily required to consider a preliminary patent owner response in deciding whether the threshold standard for post-grant review has been met, and so will consider the response to determine whether estoppel or a procedural flaw requires rejection of the petition.
- Provide adequate procedural rights during post-grant and *inter partes* proceedings.
  - The PTO should reaffirm the explanatory text associated with proposed rules 42.102(b) and 42.202(b) stating that the Office does not intend to impose any limit on the number of *inter partes* and post-grant reviews under the proposed rules.
  - The PTO should add a subsection to proposed rules 42.107 and 42.207 providing that petitioners have the right to reply to any preliminary response filed to a petition for *inter partes* or post-grant review. Relatedly, the PTO should amend proposed rule 42.24(c)(1) to provide for replies to patent owner preliminary responses to petitions.
  - The PTO should adopt proposed rule 42.123 and 42.223’s provision for a right of petitioners to submit supplemental information in *inter partes* and post-grant reviews after a trial has been instituted.
  - The PTO should maintain flexibility regarding the timing of voluntary party joinder in an *inter partes* review in order to preserve its ability to proceed as efficiently as possible. A flexible rule would allow the Director to account for all circumstances that may arise and would therefore permit, at the Director’s discretion, joinder or replacement of consenting petitioners before the conclusion of a review.

Finally, as further set forth in these comments, we respectfully submit that, in its final orders regarding the BMP Rules and the Definition of Technological Invention Rule, and related sections in the Practice Guide, the Office should:

- Maintain the proposed approach to the definitions of “covered business method patent” and “technological invention” set forth in proposed rule 42.301, and clarify that the existence of claim limitations reciting physical elements such as a computer or the Internet does not automatically render a claim a “technological invention.”
- Confirm in Practice Guide § II(B)(3), or any associated regulatory text, that a control-focused approach to nonparty estoppel will also apply to the proposed eligibility criteria of proposed rule 42.302 and the certification requirement of proposed rule 42.304(a).
- Eliminate the claim construction requirement for petitions for post-grant review of covered business method patents from proposed rule 42.304(b)(3) and Practice Guide § II(B)(3) and, instead, confirm that challenged claims will be given their broadest reasonable construction in light of the specifications of the patent in which it appears.

## **II. THE PTAB UMBRELLA RULES AND RELATED PROVISIONS OF THE PRACTICE GUIDE.**

### **A. The PTO Should Maintain A Control-Focused Approach To Nonparty Estoppel For Purposes Of Proposed Rules 42.8(b)(1) And 42.73(d)(1).**

Proposed rule 42.8(b)(1) requires post-issuance review petitioners to “[i]dentify each real party in interest for the party,” and proposed rule 42.73(d)(1) estops “the real party in interest or privy of the petitioner . . . from taking an action” at the PTO “that is inconsistent with a judgment as to any ground that the petitioner raised or reasonably could have raised” during a prior post-issuance proceeding unless that proceeding was resolved by settlement.<sup>6</sup>

With respect to these suggested rules, we respectfully request that the Office:

- (1) add further support to Practice Guide § I(D)(1) for control-focused understandings of the terms “real party in interest” and “privy”;<sup>7</sup>
- (2) state, either in a new rule provision or at least in Practice Guide § I(D)(1), that any challenge to a real-party-in-interest identification made pursuant to proposed rule 42.8(b)(1) must be brought early in the post-issuance review, that patent owners will bear the burden in such a challenge, and that such a challenge will not succeed based solely on evidence that a nonparty cooperated with the petitioner in a patent invalidation effort;

<sup>6</sup> *Id.* at 6908 (Umbrella Rules) (proposing 37 C.F.R. §§ 42.8(b)(1), 42.73(d)(1)).

<sup>7</sup> *Id.* at 6870-71 (Practice Guide).

- (3) amend proposed rule 42.73(d)(1) to ensure that estoppel only applies on a claim-by-claim basis to decided issues following a final written decision of the Board on patentability, and only where an estopped entity seeks to “request or maintain a proceeding before the Office.”<sup>8</sup>

As explained below, each of these actions will better ensure that the Office’s construction and implementation of the AIA’s estoppel provisions is consistent with the federal common-law standard governing the applicability of nonparty estoppel based on principles of control.

1. The PTO Has Properly Proposed A Control-Based Test For Determining Whether An Entity Is A Real Party In Interest Or Privy Of The Petitioner.

According to the PTAB Umbrella Rules and Practice Guide § I(D)(1), the PTO intends to determine whether an entity is a “real party in interest” or a “privy” of the petitioner for purposes of proposed rules 42.8(b)(1) and 42.73(d)(1) by looking to federal common law precedent, including the Supreme Court’s recent decision in *Taylor v. Sturgell*, which generally limits the availability of nonparty estoppel in order to protect the due process rights of entities that have not yet had a full and fair opportunity to litigate.<sup>9</sup> We applaud this approach and urge the PTO to retain this appropriate focus on a control-based analysis in any explanatory portions of its Notice of Final Rulemaking on this issue and in the Practice Guide. We respectfully request, however, that the Office include additional support for, and explanation of, certain aspects of the control-based test in the Practice Guide, as set forth below, and that the Office implement these principles in its future adjudicatory decisions regarding estoppel.

As discussed in our pre-comment submission, the PTO’s adoption of the common law control test for the determination of nonparty estoppel is critical to the utility of post-issuance

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<sup>8</sup> See AIA §§ 6(a) (amending 35 U.S.C. § 315(e)(1)), 6(d) (amending 35 U.S.C. § 325(e)(1)).

<sup>9</sup> 77 Fed. Reg. at 6870 (Practice Guide), 6884 (Umbrella Rules) (citing *Taylor v. Sturgell*, 553 U.S. 880 (2008)).

reviews that are dependent on voluntary private participation.<sup>10</sup> Without clarity that estoppel will be limited to appropriate circumstances, private parties will have little incentive to participate in, or to assist others with, an administrative review of a patent in lieu of litigation. The risk that such administrative participation could hamper a defense to possible future infringement allegations will outweigh the possible benefits of participation. All entities interested in improving patent quality through administrative channels will consequently be harmed. Smaller entities, however, would bear the brunt of any failure to bring the AIA's estoppel provisions into line with the federal control-based approach as post-issuance review could be effectively closed to those entities that cannot pool resources and research efforts to meet the significant filing costs of such review without risking future estoppel. The end result will be to undermine Congress's intent that patent quality be advanced through administrative review pursued by productive entities, whether small or larger businesses.

We applaud the PTO's adoption of the control-based test and strongly support reliance on this doctrine in the final rulemaking decisions and Practice Guide.<sup>11</sup> Substantively, this is the correct approach. As the Supreme Court recently held in *Taylor* and confirmed in *Smith v. Bayer Corporation*, nonparty estoppel must be a narrow exception to the "deep-rooted historic tradition that everyone should have his own day in court."<sup>12</sup> Therefore, although a nonparty may be

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<sup>10</sup> See Preliminary Comments of Verizon Communications Inc., Google Inc., Cisco Systems, Inc., and Intuit, Inc. Regarding Implementation of *Inter Partes* and Post-Grant Reviews under the Leahy-Smith America Invents Act, at 11-20 (filed Nov. 6, 2011) ("Preliminary Comments").

<sup>11</sup> A control-focused approach will have the additional benefit of limiting the identification required by proposed rule 42.8(b)(1), *see supra* at 8, and thus will also promote consistency with the First Amendment by ensuring that there is no need to list entities that merely support, and do not control, post-issuance review. See *Buckley v. Valeo*, 424 U.S. 1, 64 (1976) (per curiam); *Beinin v. Center for Study of Popular Culture*, No. 06-2298, 2007 WL 1795693, at \*3 (N.D. Cal. June 20, 2007).

<sup>12</sup> *Taylor*, 553 U.S. at 893; *see also Smith v. Bayer Corp.*, 131 S. Ct. 2368, 2379 (2011).

bound by a judgment if it “assumed control” over a proceeding, such control must be significant enough that the nonparty can be said to have “‘had his day in court’ even though he was not a formal party to the litigation.”<sup>13</sup>

The final regulations, or at least their supporting commentary or Practice Guide § I(D)(1), should state the principles that follow from the control-based theory. *First*, they should state that estoppel does not attach to a nonparty simply because a party “understood herself to be acting in a representative capacity” or because “the original court took care to protect the interests of the nonparty.”<sup>14</sup> They should further state that estoppel cannot apply where the nonparty merely provided assistance to the party, for “[a]n interest in the litigation, cooperation and discussions between individuals/entities, is not the same as control.”<sup>15</sup> In the interest of clarity, the PTO should thus note, consistent with the section of Wright & Miller cited in the proposed Practice Guide’s discussion of estoppel, that a nonparty will generally not be estopped just because it “supplied an attorney or is represented by the same law firm; helped to finance the litigation; appeared as an amicus curiae; testified as a witness; participated in consolidated pretrial proceedings; undertook some limited presentations to the court; or otherwise participated in a limited way.”<sup>16</sup> Similarly, the Office of Patent Legal Administration (OPLA) has explained, in decisions cited in the Practice Guide, that “even a search for prior art, review of possibly useful prior art with respect to the patent claims, preparation of an invalidity defense based on found

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<sup>13</sup> *Taylor*, 553 U.S. at 895.

<sup>14</sup> *Id.* at 900.

<sup>15</sup> *Grondal v. United States*, 682 F. Supp. 2d 1203, 1228 (E.D. Wash. 2010); *see also* Restatement (Second) of Judgments § 39 cmt. c.

<sup>16</sup> Wright & Miller § 4451 (cited at 77 Fed. Reg. at 6870 (Practice Guide), 6884 (Umbrella Rules)); *see also* Restatement (Second) of Judgments § 39 cmt. c; *United States v. Bhatia*, 545 F.3d 757, 761 (9th Cir. 2008); *Headwaters Inc. v. U.S. Forest Serv.*, 399 F.3d 1047, 1054 (9th Cir. 2005); *Virginia Hosp. Ass’n v. Baliles*, 830 F.2d 1308, 1313 (4th Cir. 1987); *Gonzalez v. Banco Central Corp.*, 27 F.3d 751, 759 (1st Cir. 1994) (citing cases).

and evaluated prior art to support a litigation defense, and financial support to carry out a litigation defense” does not estop a non-party.<sup>17</sup> OPLA’s explanations are consistent with the Supreme Court’s teaching that nonparties may seek to have a “patent declared void” and may be “willing to pay something to that end,” but if that is all, “that d[oes] not make them privies.”<sup>18</sup>

*Second*, the final regulation or any associated explanatory text should also make clear that “mere membership in a trade association” or similar group will not “make a member privy to all federal litigation undertaken by the association” or by other members of the association.<sup>19</sup> Any other result, according to the Supreme Court, would “create *de facto* class actions at will” and “authorize preclusion based on identity of interests and some kind of relationship between parties and nonparties, shorn of the procedural protections” that due process requires for class actions.<sup>20</sup> Therefore, as OPLA has ruled, the fact that a nonparty was involved in a joint litigation defense does “not doom the [non]party to life as a real party in interest for any request for reexamination that may later be filed by another defendant in the joint litigation defense or who utilized joint counsel.”<sup>21</sup> Due process requires *determinative* control over “the legal theories and proofs to be

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<sup>17</sup> See 77 Fed. Reg. at 6870-71 (Practice Guide); see also *In re Arviv Reexamination Proceeding*, Control No. 95/001,526, Decision Dismissing § 1.182 and § 1.183 Petitions, at 5 (Apr. 18, 2011); *In re Beierbach Reexamination Proceeding*, Control No. 95/000,407, Decision on § 1.182 and § 1.183 Petitions, at 6 (July 28, 2010); *In re Schlecht Inter Partes Reexamination Proceeding*, Control No. 95/001,206, Decision Dismissing Petition, at 5 (June 22, 2010).

<sup>18</sup> *Rumford Chem. Works v. Hygienic Chem. Co. of N.J.*, 215 U.S. 156, 160 (1909); see also *Bigelow v. Old Dominion Copper Mining & Smelting Co.*, 225 U.S. 111, 126 (1912); *Litchfield v. Crane*, 123 U.S. 549, 550-51 (1887).

<sup>19</sup> 50 C.J.S. Judgments § 1099; see also *Coors Brewing Co. v. Méndez-Torres*, 562 F.3d 3, 21 (1st Cir. 2009), *abrogated on other grounds by Levin v. Commerce Energy, Inc.*, 130 S. Ct. 2323 (2010); *Ethnic Employees of Library of Congress v. Boorstin*, 751 F.2d 1405, 1411 n.8 (D.C. Cir. 1985).

<sup>20</sup> *Taylor*, 553 U.S. at 901; see also *Smith*, 131 S. Ct. at 2381.

<sup>21</sup> *Beierbach* at 6; *Schlecht* at 5.

advanced” and strategic decisions made.<sup>22</sup> “Lesser measures of participation without control do not suffice.”<sup>23</sup>

*Finally*, the regulations, their commentary, or the Practice Guide should state that, under the control-based test, the mere joinder of petitioners in a post-issuance review process would not render the petitioners each other’s real party in interest or privy. They would simply be parties to a consolidated proceeding, which does not involve the relinquishment of any legal rights on the part of any petitioner to make their own strategic and other legal decisions.

In light of this well-established federal law and PTO precedent, the PTO should retain its focus on “control” in its upcoming decision. Of course, even under such an approach, nonparties will not be unaffected by the result of a Board proceeding—although they may not formally be estopped, they will have “a tremendous disincentive” against bringing a subsequent challenge to a patent that has already been upheld in a post-grant or *inter partes* review in light of the precedential effect of the prior decision.<sup>24</sup> There will, therefore, be “significant advantages for patentees who successfully go through the post grant system”<sup>25</sup> and significant advantages for the entire patent system if the Office is clear in its final regulation that entities may employ the post-issuance system without unduly jeopardizing their legal rights in future proceedings.

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<sup>22</sup> Restatement (Second) of Judgments § 39 cmt. c.

<sup>23</sup> Wright & Miller § 4451 (cited at 77 Fed. Reg. at 6870 (Practice Guide), 6884 (Umbrella Rules)). For example, the D.C. Circuit found the control requirement satisfied where a nonparty signed each merits brief and presented oral argument alongside the party, and, importantly, where both entities were wholly-owned subsidiaries of the same parent corporation. *Gulf Power Co. v. FCC*, 669 F.3d 320, 323-24 (D.C. Cir. 2012).

<sup>24</sup> Testimony of David J. Kappos, Director, U.S. Patent and Trademark Office, Hearing on the America Invents Act Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the House Comm. on the Judiciary, at 52-53 (March 30, 2011).

<sup>25</sup> *Id.*

2. The PTO Should Require That Challenges To Real-Party-In-Interest Identifications Be Raised Early In The Post-Issuance Proceedings And Reaffirm That The Patent Owner Bears The Burdens Of Proof And Persuasion.

Proposed rule 42.8(b)(1) requires petitioners to “[i]dentify each real party in interest.”<sup>26</sup>

The PTO should provide two clarifications, either in a new rule provision or at least in Practice Guide § I(D)(1).<sup>27</sup> *First*, the PTO should require that any challenge to a real-party-in-interest identification be filed no later than the two-month deadline for the patent owner’s preliminary response<sup>28</sup> in order to provide sufficient time for the agency to decide the challenge before deciding whether to institute a review. Such a requirement would increase efficiency for all interested parties and will avoid the institution of proceedings that may prove unnecessary should the certification challenge succeed.

*Second*, the PTO should place the ultimate burdens of proof and persuasion on the patent owner in any challenge to a real-party-in-interest certification. In particular, as PTO precedent clearly provides, the challenger bears the burden of showing “objective evidence” of the entity’s intentional participation in the prior proceeding rising to the level of control<sup>29</sup> and of “demonstrat[ing] a persuasive basis for [its] requested relief.”<sup>30</sup> Per the above-discussed control test, the patent owner cannot satisfy these burdens based solely on evidence or argument that a nonparty cooperated with the certified entity in a patent invalidation effort—rather, the patent

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<sup>26</sup> 77 Fed. Reg. at 6908 (Umbrella Rules) (proposing 37 C.F.R. § 42.8).

<sup>27</sup> *Id.* at 6870-71 (Practice Guide).

<sup>28</sup> *Id.* at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.120(b)), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.220(b)).

<sup>29</sup> *Arviv* at 5-6; *Beierbach* at 5-6; *Schlecht* at 4-5.

<sup>30</sup> *Arviv* at 11; *Beierbach* at 11; *Schlecht* at 10.

owner must come forward with objective and ultimately persuasive evidence that the nonparty assumed control of the proceeding under consideration.<sup>31</sup>

3. The PTO Should Amend The Scope Of Estoppel In Proposed Rule 42.73(d)(1) To Reflect The More Limited Statutory Scope.

Proposed rule 42.73(d)(1), which deals with the scope of estoppel, must be amended to reflect the more limited scope in the underlying statutory text. The proposed rule would estop entities “from taking *an action that is inconsistent with a judgment* as to any ground that the petitioner raised or reasonably could have raised during the trial.”<sup>32</sup> The statute, by contrast, states that “[t]he petitioner in an *inter partes* [or post-grant] review of a claim in a patent under this chapter that results in a *final written decision* under section 318(a) [or 328(a)] . . . may not *request or maintain a proceeding* before the Office *with respect to that claim* on any ground that the petitioner raised or reasonably could have raised during that *inter partes* [or post-grant] review.”<sup>33</sup> The scope of estoppel under the proposed rule risks being construed as exceeding statutory authority because it omits at least three necessary statutory limitations. *First*, under the statute, estoppel may only apply “with respect to [a] claim” decided in a “final written decision,”<sup>34</sup> meaning that estoppel must apply on a claim-by-claim, and not a patent-by-patent, basis to decided issues. Therefore, if the petitioner takes a position before the PTO with respect to the prosecution of its own patent application, for example, the statutory estoppel provision would not apply because the prosecution of the petitioner’s patent application is not a proceeding “with respect to th[e] claim” at issue in the prior *inter partes* or post-grant review. *Second*,

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<sup>31</sup> See *supra* Section II.A.1.

<sup>32</sup> 77 Fed. Reg. at 6913 (Umbrella Rules) (proposing 37 C.F.R. § 42.73(d)(1)) (emphasis added).

<sup>33</sup> AIA §§ 6(a) (amending 35 U.S.C. § 315(e)(1)), 6(d) (amending 35 U.S.C. § 325(e)(1)) (emphases added).

<sup>34</sup> *Id.*

estoppel effect may only be given to a “final written decision under section 318(a) [or 328(a)],”<sup>35</sup> and thus is only implicated if there has been a final written decision “with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under [the AIA’s amendment procedures].”<sup>36</sup> No other decisions—including Board decisions to institute, or not institute, post-issuance proceedings—can trigger estoppel. *Third*, the estoppel provisions of the AIA apply to “any ground that the petitioner raised or reasonably could have raised” during the earlier *inter partes* or post-grant review.<sup>37</sup> The statute makes no mention of estoppel barring actions “inconsistent” with a judgment. To the contrary, Congress left the door open to later challenges based on later discovered evidence or scientific understanding that could not have been raised earlier. Such information may be “inconsistent” with an earlier decision, but it could not reasonably have been raised at an earlier time. In such a case, the statute does not preclude consideration of the later grounds, and the PTO’s rule should not either.

Final rule 42.73(d)(1) should incorporate the statutory text, instead of the proposed text, in order to ensure that the clear statutory limitations on estoppel are properly respected.<sup>38</sup> Thus, it should be amended to read as follows:

A petitioner in a post-grant review or an *inter partes* review of a claim in a patent that results in a final written decision under 35 U.S.C. 318 or 328, or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on ~~is estopped in the Office from taking an action that is inconsistent with a judgment as to~~ any ground that the petitioner raised or reasonably could have raised during that post-grant review or *inter partes* review ~~the trial~~, except that estoppel shall not attach to the petitioner,

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<sup>35</sup> *Id.*

<sup>36</sup> *Id.* §§ 6(a) (amending 35 U.S.C. § 318(a)), 6(d) (amending 35 U.S.C. § 328(a)).

<sup>37</sup> *Id.* §§ 6(a) (amending 35 U.S.C. § 315(e)(1)), 6(d) (amending 35 U.S.C. § 325(e)(1)).

<sup>38</sup> *See Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984).

or to the real party in interest or privy of the petitioner, who has settled under 35 U.S.C. 317 or 327.<sup>39</sup>

But if the PTO does not carry over the language of the statute, it should, at a minimum, amend the proposed regulation to read as follows:

A petitioner, or the real party in interest or privy of the petitioner, is estopped in the Office from requesting or maintaining a proceeding with respect to a claim for which it has obtained a final written decision on patentability in a post-grant or *inter partes* review on ~~taking an action that is inconsistent with a judgment as to~~ any ground that the petitioner raised or reasonably could have raised during the trial, except that estoppel shall not apply to a petitioner, or to the real party in interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327.

Congress included each limitation—(1) that estoppel applies only with respect to the same claim decided in the prior *inter partes* or post-grant review; (2) that the “judgment” must be a final written decision on the patentability of the patent claim; and (3) that estoppel does not preclude later “inconsistent” arguments, but only arguments that were or reasonably could have been raised—knowing that an overbroad estoppel provision would chill participation in post-issuance proceedings, contrary to its intent.<sup>40</sup> The final rule must accurately reflect estoppel’s intended scope.

B. The PTO Should Amend The Proposed Discovery Regulations And Practice Guide Explanations About Discovery.

As the Practice Guide recognizes, discovery in post-issuance proceedings should be “timely, fair and efficient” and permit a petitioner “to determine the preferred manner of putting forward its case.”<sup>41</sup> To this end, for reasons detailed next, we respectfully request that the PTO:

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<sup>39</sup> See AIA §§ 6(a) (amending 35 U.S.C. §§ 315(e)(1), 317(a)), 6(d) (amending 35 U.S.C. §§ 325(e)(1), 327(a)).

<sup>40</sup> See H.R. Rep. 112-98 at 46; U.S. Patent and Trademark Office, *Report to Congress on Inter Partes Reexamination*, at 4, 6 (2004), available at [www.uspto.gov/web/offices/dcom/olia/reports/reexam\\_report.htm](http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm) (“Report to Congress”) (last visited Apr. 9, 2012).

<sup>41</sup> 77 Fed. Reg. at 6868 (Practice Guide).

- (1) amend proposed rule 42.51(a) to clarify that discovery does not commence until after the Board initiates merits review pursuant to proposed rule 42.108 or 42.208 and that motions for additional discovery are not required where the parties agree to such discovery;
- (2) promulgate a new rule and, at a minimum, amend Practice Guide § I(F), in order to institute simultaneous discovery during post-issuance proceedings;
- (3) amend the routine discovery provision of proposed rule 42.51(b)(3);
- (4) state in Practice Guide § I(F)(2) that parties may use conference calls to timely raise and resolve disputes regarding their discovery obligations; and
- (5) remove any additional requirements for relevant foreign discovery imposed by proposed rules 42.52 and 42.53(b)(3).

These changes will advance the PTO's goal of streamlining post-issuance proceedings and make them more capable of providing the meaningful review of patentability that Congress intended.<sup>42</sup>

1. The PTO Should Amend Proposed Rule 42.51 To Provide That Discovery Does Not Begin Until Merits Review Is Instituted And That Motions For Additional Discovery Are Not Required Where The Parties Agree To Such Discovery.

The PTO should amend proposed rule 42.51 to provide that: (1) the rule's discovery provisions are not operative until the Board has instituted merits review; and (2) the rule does not require a motion for additional discovery where the parties agree to such discovery. In particular, the rule should state in subsection (a):

... The parties may agree to discovery between themselves at any time. If the parties so agree, no motion for discovery is required. There are no routine or additional discovery obligations until after the Board institutes review pursuant to rule 42.108 or 42.208.<sup>43</sup>

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<sup>42</sup> Additionally, as a ministerial matter, we note that the PTO should correct the cross-reference in proposed rule 42.53(e)(3) so that it points to the exhibit numbering requirement of proposed rule 42.63(c) rather than proposed rule 42.63(b). *See id.* at 6911 (Umbrella Rules).

<sup>43</sup> *Id.* at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.51(a)).

Relatedly, with respect to the timing of discovery, the Office should amend proposed subsection (b)(3) to state:

. . . The information is to be ~~filed~~ served as soon as practicable after the Board institutes review pursuant to rule 42.108 or 42.208.<sup>44</sup>

(Further proposed amendments to subsection (b)(3) are detailed below in Section II(B)(3)).

*First*, the Office should provide that discovery does not begin until after merits review is instituted in order to comport with Practice Guide § I(F), which appropriately provides that the discovery process will commence only “upon institution of the trial.”<sup>45</sup> Such an approach is also consistent with the AIA, which limits discovery to “relevant evidence.”<sup>46</sup> And, as the Practice Guide confirms, a decision initiating review will determine which issues are “relevant” to the merits review; the Practice Guide provides that where review is initiated, “the Board will narrow the issues for final decision by authorizing the trial to proceed only on the challenged claims for which the threshold requirements for the proceeding have been met. Further, the Board will identify which of the grounds the trial will proceed upon on a claim-by-claim basis.”<sup>47</sup> Therefore, it will not be clear until review is initiated whether, and what, evidence is actually relevant to the proceeding. Linking discovery with merits review will also result in a more “cost-effective” and “fair” proceeding.<sup>48</sup> It will alleviate the burden of compiling and disclosing

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<sup>44</sup> See 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.51(b)(3)). The requirement that the filing be made “as soon as practicable” as part of a “petition” adds troubling ambiguity because the proposed definition for “petition” is a “request that a trial be instituted.” *Id.* at 6907 (Umbrella Rules) (proposing 37 C.F.R. § 42.2). Although the term “petition” in proposed rule 42.51(b)(3) appears to be used in a more generic fashion, its retention in the final rule could result in confusion. Clarification in the final rule is important for this additional reason.

<sup>45</sup> *Id.* at 6871 (Practice Guide).

<sup>46</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(5)), 6(d) (amending 35 U.S.C. § 326(a)(5)).

<sup>47</sup> 77 Fed. Reg. at 6869 (Practice Guide).

<sup>48</sup> See *id.* at 6868 (Practice Guide), 6879 (Umbrella Rules).

information until it is clear that the information needs to be disclosed and, similarly, eliminate discovery disputes until it is clear that they are necessary.

*Second*, the Office should eliminate the need for discovery motion practice where parties agree to additional discovery. Doing so will help discovery proceed in a timely manner by removing the need to file uncontested motions, which would only stall already time-constrained proceedings. Moreover, where the parties agree that the discovery—whether party discovery, third-party discovery, or foreign discovery—is warranted, the PTAB should not be required to devote its limited resources to discovery motions.

2. The PTO Should Require Simultaneous Discovery That Provides Each Party Equal Discovery Time.

We strongly urge the Office to delete the presumption from Practice Guide § I(F) and the “Sequence of Discovery” section of the Practice Guide’s General Overview that “absent special circumstances, discovery will proceed in a sequenced fashion.”<sup>49</sup> Instead, the Office should provide by rule and Practice Guide entry that each party’s discovery will proceed simultaneously—as it does in every other adversarial proceeding, whether in current PTO proceedings or in litigation.

The sequenced discovery proposed in the Practice Guide will unnecessarily complicate post-issuance review because it will require the Board to police multiple discovery deadlines. It will also raise practical problems—if a party obtains new information from its opposing party during discovery and thinks that the information raises new issues that should be developed further, the party should not be precluded doing so because its discovery period has run. Nor should patent owners have to halt discovery for a period of time while they wait for their next discovery period. Indeed, under the proposed sequential scheme, patent owners will likely bear

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<sup>49</sup> *Id.* at 6869, 6871 (Practice Guide).

the significant burden of having to conduct multiple depositions of the same witnesses—once during the initial discovery period and again during the reply period based on the petitioner’s subsequent filings.

Additionally, the proposed schedule will deny all parties sufficient time for discovery in an already sharply time-constrained process. The timing of the sequenced discovery is especially problematic for would-be petitioners, who would not receive a “fair” review,<sup>50</sup> because they will receive significantly less time for discovery than patent owners. Under the proposed schedule, patent owners have *five months* for discovery compared to the petitioners’ *two*.<sup>51</sup> This is far from “fair” in proceedings where the petitioner bears the burden of proving unpatentability by a preponderance of the evidence.<sup>52</sup> And, although petitioners can investigate their case to some extent prior to filing a petition (just nine months in the case of post-grant review),<sup>53</sup> they do not have access to discovery from the patent owner, nor do they have clarity regarding the claims or access to additional possible grounds of potential invalidity, until review is initiated.<sup>54</sup> Thus, petitioners require equal time for discovery as patentees *after* review is initiated so they can develop discovery on the issues that the PTAB identifies.

Instead of sequenced discovery, the Office should allow discovery to proceed in its traditional simultaneous fashion. Each party will then have equal access to discovery. Once a post-issuance review has been initiated, the patent owner can begin discovery on the petition and the petitioner can begin discovery on the preliminary response. Additional discovery needs may develop based on a response, motion to amend, or opposition, but that fact should not delay the

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<sup>50</sup> See *id.* at 6868 (Practice Guide).

<sup>51</sup> *Id.* at 6869 (Practice Guide).

<sup>52</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(e)), 6(d) (amending 35 U.S.C. § 326(e)).

<sup>53</sup> 77 Fed. Reg. at 7079 (PGR Rules) (proposing 37 C.F.R. § 42.202(a)).

<sup>54</sup> See, e.g., *id.* at 6871, 6874 (Practice Guide).

right of parties' to propound the foundational discovery they need to meet their tight substantive deadlines, and to do so in a way that is fair to both sides in the proceeding. And, in the unlikely event that the discovery process is abused in an effort to harass an opposing party, the PTAB possesses authority under the AIA to "sanction[ the] abuse of discovery."<sup>55</sup>

3. The PTO Should Eliminate Or Amend The Routine Discovery Provision Of Proposed Rule 42.51(b)(3).

The PTO should eliminate rule 42.51(b)(3), and the related text in Practice Guide § I(F)(1), which require parties to "file" all "noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding."<sup>56</sup> This requirement will have a counterproductive effect on the efficiency and cost-effectiveness of the post-issuance review process and, as the Office has recognized, may cause some entities to forego the process altogether.<sup>57</sup> If the Office does not delete the rule, at a minimum, it should amend proposed rule 42.51(b)(3) to provide:

Unless previously served, noncumulative, nonpublic, material and directly relevant information that is inconsistent with a position advanced by a testifying witness or expert witness for the patent owner or petitioner during the proceeding. The information is to be served upon the opposing party filed as soon as practicable after the Board institutes review pursuant to rule 42.108 or 42.208. in a motion identifying supplemental information or as part of a petition, motion, opposition, reply, preliminary patent owner response to petitioner, 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. This requirement does not override legally-recognized privileges such as attorney-client or attorney work product.

In its Notice of Final Rulemaking, the Office should also make clear, contrary to the suggestion in the NPRM, that the rule places no affirmative discovery obligations on persons who are

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<sup>55</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(6)), 6(d) (amending 35 U.S.C. § 326(a)(6)).

<sup>56</sup> 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.51(b)(3)).

<sup>57</sup> *Id.* at 6887 (Umbrella Rules).

merely associated with the parties.<sup>58</sup> Routine discovery in post-issuance review proceedings must only come from the parties to the proceedings.

Proposed rule 42.51(b)(3) is vastly overbroad under the AIA, which limits discovery, consistent with general federal practice, to “relevant evidence.”<sup>59</sup> The rule threatens to eviscerate the Office’s stated “goal of providing trials that are timely, inexpensive, and fair.”<sup>60</sup> Such broad discovery will neither “reduce costs” nor further the “timeliness of the proceeding”<sup>61</sup>—rather, it will only increase the cost of discovery and the number of associated discovery disputes. Accordingly, the best approach is to delete proposed rule 42.51(b)(3) and permits discovery to proceed on a case-by-case basis with a focus on relevance in the particular proceeding.

Alternatively, should the Office conclude that some form of rule 42.51(b)(3) discovery is required, the Office should make five essential changes. *First*, the PTO should limit the rule’s reach to *nonpublic, material, and directly relevant* information that is inconsistent with a position advanced by a *testifying witness or expert witness* for the patent owner or petitioner during the proceeding. In so doing, the PTO should confirm in the Practice Guide that certain documents will *not* be considered material and directly relevant under this approach. For example, discovery into the products of a petitioner will never be relevant because the proceeding is about validity, not infringement. Similarly, discovery need not be provided if the

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<sup>58</sup> See *id.* (“Proposed § 42.51(b)(3) would ensure the timeliness of the proceedings by requiring that parties, *and individuals associated with the parties*, provide information that is inconsistent with a position advanced by the patent owner or petitioner during the course of the proceeding.”) (emphasis added).

<sup>59</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(5)), 6(d) (amending 35 U.S.C. § 326(a)(5)).

<sup>60</sup> 77 Fed. Reg. at 6887 (Umbrella Rules).

<sup>61</sup> *Id.*

information “can be obtained from some other source that is more convenient, less burdensome, or less expensive.”<sup>62</sup>

*Second*, the PTO should codify the statement from the Umbrella NPRM’s explanatory text that “this requirement does *not* override legally-recognized privileges such as attorney-client or attorney work product.”<sup>63</sup> This fundamental principle is crucial to the overall fairness of the proceeding and, moreover, is consistent with general administrative law limits on agency power.

*Third*, the PTO should require that information be served on opposing counsel, rather than filed with the Office as currently proposed.<sup>64</sup> The traditional obligation to serve discovery on opposing counsel will significantly reduce the burden on the Office by placing the burden instead on the parties to sift through discovery and present their best evidence and argument based on discovery materials in a substantive filing. This way, the PTO will never have to “play archeologist with the record”<sup>65</sup> or shoulder the load of storing and resolving confidentiality disputes associated with evidence that neither party ultimately concludes is significant enough to include in its substantive filing. This approach also will facilitate efficiency and result in a more timely proceeding because it will ensure that parties receive their requested discovery materials as soon as possible.

*Fourth*, the PTO should delete the sentence requiring an explanation of “the relevance of the information, including where the information is presented in a document and, where

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<sup>62</sup> See Fed. R. Civ. P. 26(b)(2)(C)(i).

<sup>63</sup> 77 Fed. Reg. at 6887 (Umbrella Rules) (emphasis added).

<sup>64</sup> Compare proposed rule 42.51(b)(3), 77 Fed Reg. at 6910 (Umbrella Rules) (requiring that parties file discovery), with proposed rule 42.51(b)(1), 77 Fed Reg. at 6910 (Umbrella Rules) (requiring that parties serve discovery).

<sup>65</sup> 77 Fed. Reg. at 6888 (Umbrella Rules) (citing *DeSilva v. DiLeonardi*, 181 F.3d 865, 866-67 (7th Cir. 1999)).

applicable, how the information is pertinent to the claims.”<sup>66</sup> In no other civil adversarial proceeding is a party required to argue against itself when fulfilling its discovery obligations. To add that requirement here is fundamentally at odds with Congress’s intention to create a meaningful and attractive alternative to litigation. The only explanation needed to “aid[] the Board in rendering decision in trial proceedings within statutory timeframes”<sup>67</sup> should be the explanation presented in substantive filings—in other words, it is each party’s “*brief* [which] must make all arguments accessible to the judges,”<sup>68</sup> and not each party’s routine discovery.

*Fifth* and finally, the PTO should state that the PTAB will not place any affirmative routine discovery obligations on “individuals associated with the parties” as implied in the NPRM’s explanatory text.<sup>69</sup> The mechanism for obtaining discovery from an entity that is not before the PTO must be through the subpoena process provided by 35 U.S.C. § 24,<sup>70</sup> which provides the notice and opportunity to be heard that due process requires.<sup>71</sup> Routine discovery in post-issuance review proceedings must be restricted to the actual parties to the proceedings.

4. The PTO Should Create A Timely Mechanism For Resolving Discovery Disputes.

The Office should provide, in a final rule or in the Practice Guide, that parties can quickly resolve disputes over their routine or additional discovery obligations by scheduling a conference call with the PTAB. As drafted, the proposed rules allow parties to “move for additional

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<sup>66</sup> *Id.* at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.51(b)(3)).

<sup>67</sup> *Id.*

<sup>68</sup> *DeSilva*, 181 F.3d at 867 (cited at 77 Fed. Reg. at 6888 (Umbrella Rules)).

<sup>69</sup> 77 Fed. Reg. at 6887 (Umbrella Rules) (“Proposed § 42.51(b)(3) would ensure the timeliness of the proceedings by requiring that parties, *and individuals associated with the parties*, provide information that is inconsistent with a position advanced by the patent owner or petitioner during the course of the proceeding.”).

<sup>70</sup> *See id.* at 6882, 6888 (Umbrella Rules).

<sup>71</sup> *See, e.g., Becker v. Kroll*, 494 F.3d 904, 921-22 (10th Cir. 2007).

discovery”<sup>72</sup> and to seek authorization “to compel testimony or production of documents or things.”<sup>73</sup> In the final rule and Practice Guide, the Office should clarify that formal motion practice is not required for all discovery disputes—rather, parties may schedule a conference call with a member of the PTAB to resolve their dispute and quickly proceed with discovery.<sup>74</sup> We suggest that the use of conference calls to resolve routine and additional discovery disputes would best advance the efficiency of the proceeding by providing for the quick resolution of discovery disputes during the discovery period. Although admissibility disputes may wait until after “the time for taking discovery in the trial has ended,”<sup>75</sup> there will be a critical need for a mechanism by which the parties can quickly and easily raise and resolve differences over specific production obligations before the discovery period ends.

Where a motion for discovery is filed, the need for timely resolution is heightened where the request is for additional discovery pursuant to proposed rules 42.51(c) and 42.52. In that context, a delayed decision will not only slow discovery and stall the proceeding, but it may also delay the time needed to seek, and obtain, third-party or foreign discovery. Thus, the PTAB must guarantee a fast turnaround on requests for additional discovery in order to allow parties to compile all relevant materials in a timely manner.

5. The PTO Should Remove Additional Requirements For Foreign Discovery From Proposed Rules 42.52(b) And 42.53(b)(3).

Because the AIA expressly extends “known or used” prior art to foreign countries,<sup>76</sup> the PTO should remove from proposed rules 42.52(b) and 42.53(b)(3)<sup>77</sup> any “additional

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<sup>72</sup> 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.51(c)).

<sup>73</sup> *Id.* (Umbrella Rules) (proposing 37 C.F.R. § 42.52).

<sup>74</sup> *See, e.g., id.* at 6875 (Practice Guide).

<sup>75</sup> *Id.* at 6869 (Practice Guide).

<sup>76</sup> AIA § 3 (amending 35 U.S.C. § 102(a)).

requirements on a party seeking testimony or production outside the United States”<sup>78</sup> as well as any further restriction on the time and location of taking foreign testimony.

In particular, the PTO should delete the extra requirements in proposed rule 42.52(b) that a party must include in a motion to compel foreign testimony—most notably, the requirements regarding a demonstration of “reasonable efforts” to obtain the requested discovery domestically—and replace them with a rule providing that:

Where the requirements of proposed rule 42.52(a) are satisfied, the motion for discovery outside the United States will be proper.

The current proposed rule places a thumb on the scale against foreign discovery and in favor of domestic discovery, but that choice should be left to the parties who will be the ones to bear the cost of any such activity and who are in the best position to balance that cost against the benefits of presenting the evidence in their case. Further, the additional effort required to obtain discovery overseas will itself go a substantial way towards discouraging misuse of the foreign discovery process, and the general requirements for seeking domestic testimony under proposed rule 42.52(a) will be adequate to inform the Board’s decision whether to approve foreign testimony under the circumstances. Finally, as a substantive matter, where evidence in other countries is relevant to a patent’s invalidity, the PTO should not stand in the way of its discovery.

Similarly, the PTO should delete proposed rule 42.53(b)(3), which provides that the time and location of foreign discovery can only be determined as the Board specifically directs, and substitute a rule stating that:

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<sup>77</sup> 77 Fed. Reg. at 6910-11 (Umbrella Rules) (proposing 37 C.F.R. §§ 42.52(b), 42.53(b)(3)).

<sup>78</sup> *Id.* at 6888 (Umbrella Rules).

The time and location of deposition testimony outside the United States shall be governed by subsections 42.53(b)(1)-(2).

There is no need to hamper the timing and location of foreign testimony beyond the general limits on the timing and location of regular discovery, or to expend the scarce resources of the Board on such matters.

In the alternative, if the PTO decides to retain the additional requirements for motions to compel foreign testimony in proposed rule 42.52(b), it should confirm in the Final Notice of Rulemaking or relevant section of the Practice Guide that, where a motion contains the necessary information and the request for discovery otherwise satisfies the relevant discovery requirements under proposed rule 42.51 (Umbrella Rules discovery) and, if applicable, proposed rule 42.224 (post-grant review discovery), the motion will be granted. By furthering the availability of important evidence through foreign discovery in the above-described ways, the Office will also further the use of administrative review in cases where foreign discovery is key to the ultimate question of validity at issue in the proceeding.

C. The PTO Should Strengthen The Confidentiality Provisions Of Proposed Rules 42.54 Through 42.56.

Confidentiality will also be a significant concern when the parties in post-issuance review are “practicing in the same or similar field as the patent.”<sup>79</sup> Therefore, we ask the Office to strengthen the confidentiality provisions of proposed rules 42.54 through 42.56 by:

- (1) amending the access and scope of use protections in the “Protective Order Guidelines” proposed in the Practice Guide;
- (2) amending proposed rule 42.55, and related text in Practice Guide § I(E)(5), to remove the petitioner’s obligation to serve confidential information before receiving the patent owner’s agreement to a protective order; and

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<sup>79</sup> See *id.* at 6896 (Umbrella Rules).

(3) making confidentiality the default position for confidential information under proposed rule 42.56 and Practice Guide § I(E)(6).

1. The PTO Should Amend The Access And Scope Of Use Protections In The Protective Order Guidelines.

At least three changes should be made to the proposed Protective Order Guidelines before the PTO issues the final Practice Guide.<sup>80</sup> *First*, the PTO should add protection for a category of documents that are highly confidential and accessible to outside counsel only. This protection is generally available in patent litigation to protect against disclosure of highly sensitive information in cases where, for example, “in-house counsel are involved in competitive decisionmaking.”<sup>81</sup> In such cases, “outside counsel’s eyes only” restrictions are appropriate; otherwise, an in-house attorney, with knowledge of highly sensitive information under the terms of a protective order, is placed “in the ‘untenable position’ of having to refuse his employer legal advice on a host of contract, employment, and competitive marketing decisions lest he improperly or indirectly reveal [the] trade secrets” or other sensitive information about a competitor that is pertinent to the decision.<sup>82</sup> Because competitively significant information about trade secrets and technological developments may be relevant in the post-issuance context, this same protection should be available. Therefore, the Protective Order Guidelines should include a provision for documents labeled “highly confidential—outside counsel’s eyes only.” And, as in litigation, the burden should rest on the challenger to explain why broader access—such as access to in-house counsel, named parties, or employees—is needed.<sup>83</sup>

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<sup>80</sup> See *id.* at 6877-79 (Practice Guide).

<sup>81</sup> *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984); see also *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1471 (9th Cir. 1992); *F.T.C. v. Exxon Corp.*, 636 F.2d 1336, 1349-51 (D.C. Cir. 1980).

<sup>82</sup> *Brown Bag Software*, 960 F.2d at 1471.

<sup>83</sup> *Id.* at 1472; *Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525, 528 (N.D. Cal. 2000).

*Second*, the Office should delete the PTAB’s right to determine that material does “not qualify for confidential treatment” without a hearing, if the issue is raised *sua sponte*.<sup>84</sup> The final Guideline should instead state:

. . . The submission [or the redacted information or the portions of the testimony] shall be treated as confidential and remain under seal, unless upon motion of a party, or *sua sponte*, and after a hearing on the issue, ~~or *sua sponte*~~, the Board determines that the documents or information does not qualify for confidential treatment.

In cases where a party files its opposing party’s confidential information, the owner of the information will have no opportunity to provide the statement of “reasons why the information is confidential and should not be made available to the public”<sup>85</sup> if the proceeding is *sua sponte* and no hearing or other opportunity to be heard is offered. The Office should, therefore, refrain from releasing the information to the public until the party that initially produced it under protective order, or a third party that is the original source of the information, is given an opportunity to present its best case for confidentiality to the Office.

*Third*, the Office should broaden the limitation on use of confidential materials beyond “any other PTO proceeding in which the providing party is not also a party.”<sup>86</sup> The final version of the Protective Order Guidelines should instead state:

. . . Confidential information received in an *inter partes* or post-grant review proceeding must be independently obtained through other means prior to its ~~may not be used in any other PTO, administrative, judicial, or other legal proceeding in which the providing party is not also a party.~~

Confidential information produced in a post-grant or *inter partes* review proceeding should not be available for use in *any* other proceeding—at the PTO, another agency, or in court—

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<sup>84</sup> 77 Fed. Reg. at 6877 (Practice Guide) (proposing Appendix B, sections (d)(4)(A)(i), (d)(4)(A)(ii), (d)(5)).

<sup>85</sup> *Id.*

<sup>86</sup> *Id.* at 6878 (Practice Guide) (proposing Appendix B, section (h)).

regardless of whether the producing party is also a party in that context. Instead, the information should be sought in the other proceeding through whatever discovery channels are available there. No party should have to waive all future relevance and evidentiary objections when it produces materials during a post-grant or *inter partes* review; nor, conversely, should a party be able to use the PTO's discovery mechanism as an end-run around the procedures for obtaining and protecting confidential information in other fora.

2. The PTO Should Remove The Petitioner's Obligation Under Proposed Rule 42.55 To Serve Confidential Information Before Receiving The Patent Owner's Agreement To A Protective Order.

In final rule 42.55 and Practice Guide § I(E)(2), the Office should premise service of confidential information upon a patent owner's agreement to a protective order. For example, the rule could state:

A petitioner filing confidential information with a petition may, concurrent with the filing of the petition, file a motion to seal with a proposed protective order as to the confidential information. The petitioner may serve the patent owner with the proposed protective order and a notice that it has filed confidential information under seal. If the petitioner and patent owner agree to the terms of a protective order, the petitioner shall serve the confidential information. ~~The patent owner may only access the sealed confidential information prior to the institution of the trial by agreeing to the terms of the proposed protective order.~~ The institution of the requested trial will constitute a grant of the motion to seal unless otherwise ordered by the Board.

The proposed rule instead requires a petitioner to serve confidential information to the patent owner, albeit under seal, without any assurances of protection. This will deter participation in post-issuance review, especially in cases where a petitioner is “practicing in the same or similar field as the patent.”<sup>87</sup> Although proposed rule 42.55 restricts the patent owner from viewing the information prior to entry of a protective order, that restriction is “nevertheless not as safe as

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<sup>87</sup> See *id.* at 6896 (Umbrella Rules).

nondisclosure.”<sup>88</sup> The incentive will thus be to omit confidential information; but no invalid patent should remain viable and able to thwart innovation because the confidentiality protections were insufficient to assure petitioners that they could safely file a complete petition that would satisfy the statutory threshold for review.

Nor will the proposed rule necessarily protect the patent owner and ensure its “access to information.”<sup>89</sup> The rule instead allows the patent owner to access the information “*only . . . by agreeing to the terms of the proposed protective order.*”<sup>90</sup> It thus denies the patent owner a role in crafting the terms associated with its access to the information. Indeed, under the terms of the regulation, if the patent owner disagrees with the petitioner’s proposed terms, it will not obtain access to the confidential information “prior to the institution of the trial.”<sup>91</sup>

We suggest that the better approach under Rule 42.55 is one that allows the petitioner to notify the patent owner that it has filed a petition under seal and suggest appropriate protective terms, with confidential information only changing hands *after* the parties have negotiated and entered an appropriate protective order. The entire process will also be hastened by the Office’s Protective Order Guidelines.<sup>92</sup> In short, proposed rule 42.55 and Practice Guide § I(E)(5) should be amended as described above in order to increase confidentiality protections and encourage complete submissions before the Office in cases involving on confidential information.

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<sup>88</sup> See *Viacom Int’l Inc. v. YouTube Inc.*, 253 F.R.D. 256, 260 (S.D.N.Y. 2008).

<sup>89</sup> 77 Fed. Reg. at 6889 (Umbrella Rules).

<sup>90</sup> *Id.* at 6912 (Umbrella Rules) (proposing 37 C.F.R. § 42.55).

<sup>91</sup> *Id.*

<sup>92</sup> See *supra*, Section II.C.1.

3. The PTO Should Make Confidentiality The Default Position For Confidential Information Under Proposed Rule 42.56.

Final rule 42.56 and Practice Guide § I(E)(6) should be amended to render confidentiality the default standard in post-grant and *inter partes* review proceedings so that confidentiality will be maintained in both the filings of the parties and the decisions of the Office. Ideally, the rule would be consistent with the document destruction provisions of the Protective Order Guidelines; it could state, for example, that:

After denial of a petition to institute a trial or after final judgment in a trial, the Office shall destroy the confidential information and provide a certification of destruction to the party who produced the confidential information—a party may file a motion to unseal expunge confidential information from the record.

Alternatively, and at a minimum, the rule should protect the confidential information unless a motion to unseal is filed and granted; it could state, for example, that:

After denial of a petition to institute a trial or after final judgment in a trial, a party may file a motion to unseal ~~expunge~~ confidential information in ~~from~~ the record.

Should the Office make neither of these changes, it must, at a minimum, assure parties in the rule and in Practice Guide § I(E)(6) that motions to expunge material from the record will be granted in all but the most extraordinary case. Any other practice will discourage parties from filing confidential information in the first instance—which will in turn drastically curtail the Office’s ability to fully and completely consider patent validity.

Once confidential or proprietary information is released, the harm is done and “the bell cannot be unrung.”<sup>93</sup> For this reason, trial courts maintain the sealed nature of documents filed under protective order and issue public versions of their decisions in which confidential

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<sup>93</sup> See, e.g., *United States v. Singh*, 922 F.2d 1169, 1172 (5th Cir. 1991).

information covered by a protective order is redacted.<sup>94</sup> The same protections should apply in Board proceedings if they are to serve as an attractive alternative to district court litigation.

As presently drafted, the rule provides that confidential information will “become public 45 days after denial of a petition to institute a trial or 45 days after final judgment in a trial”<sup>95</sup>—*unless* a party first files a motion to expunge the information from the record.<sup>96</sup> The Office has proposed this requirement in order to “encourage parties to redact sensitive information, where possible, rather than seeking to seal entire documents.”<sup>97</sup> But a mere interest in redactions should not result in the wholesale disclosure of information covered by protective order. Indeed, parties already have a strong interest in redacting sensitive information in filings that may become available to the public, making the additional threat of disclosure under proposed rule 42.56 unnecessary. Accordingly, the proposed rule should be revised to provide that confidential information will either be destroyed or will only become public upon the grant of a motion to unseal. Such motions should be granted sparingly, especially when they are filed by the party that did not initially produce the confidential information. Post-issuance proceedings are not intended to be preparation grounds for follow-on litigation.

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<sup>94</sup> See, e.g., *Furniture by Thurston v. United States*, No. 11-663, 2012 WL 591622, at \*1 n.1 (Fed. Cl. Feb. 12, 2012); *Concepcion v. City of New York*, No. 05-8501, 2008 WL 2020363, at \*7 n.10 (S.D.N.Y. May 7, 2008); *BASF Aktiengesellschaft v. Reilly Indus., Inc.*, No. 01-1936, 2004 WL 3319163, at \*4 (S.D. Ind. Nov. 4, 2004).

<sup>95</sup> 77 Fed. Reg. at 6889 (Umbrella Rules).

<sup>96</sup> *Id.* at 6912 (Umbrella Rules) (proposing 37 C.F.R. § 42.56).

<sup>97</sup> *Id.* at 6889 (Umbrella Rules).

D. The PTO Should Clarify The Protections Associated With Settlement Agreements Entered Pursuant To Proposed Rule 42.74.

As the Practice Guide recognizes, “[t]here are strong public policy reasons to favor settlement between the parties to a proceeding.”<sup>98</sup> We support this general policy approach toward settlement agreements, and we seek two clarifications with respect to the Office’s procedures regarding such agreements.

1. The PTO Should Confirm That It Will Terminate A Post-Issuance Review Only If All Parties To A Multi-Party Proceeding Reach A Settlement.

The Board should clarify the sentence in Practice Guide § II(L) which states that the Board “expects that a proceeding will terminate after the filing of a settlement agreement.”<sup>99</sup> We agree with this statement as it relates to single-petitioner proceedings. However, if more than one petitioner is involved in a post-issuance review, the review can only be terminated under the statute “[i]f no petitioner remains.”<sup>100</sup> Therefore, the Practice Guide should make clear that the Board will only terminate the proceeding after the filing of a settlement agreement if *all* petitioners have agreed to settle the proceeding.

2. The PTO Should State That The “Good Cause” Standard Of Proposed Rule 42.74(c) Will Not Typically Result In The Disclosure Of A Confidential Settlement Agreement By The PTO And That Any Agreements So Disclosed Will Be Covered By A Protective Order.

Practice Guide § II(L) should also confirm that the “good cause” standard of proposed rule 42.74(c)(2) will, as a practical matter, not typically result in the disclosure of confidential settlement agreements by the PTO and that, when such disclosure occurs, the agreement will be subject to a protective order that precludes further dissemination. Settlement agreements are

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<sup>98</sup> *Id.* at 6875 (Practice Guide).

<sup>99</sup> *Id.*

<sup>100</sup> AIA §§ 6(a) (amending 35 U.S.C. § 317(a)), 6(d) (amending 35 U.S.C. § 327(a)); *see also* 77 Fed. Reg. at 6868-69 (Practice Guide) (“If no petitioner remains in the proceeding, the Office may terminate the review or proceed to a final written decision.”).

normally considered confidential business information subject to protection from unauthorized disclosure. That protection should not be lost simply because an agreement is entered into to settle a PTO post-issuance review, rather than a judicial or other administrative proceeding. Indeed, the AIA makes disclosure, especially as concerns the general public as opposed to federal agencies, a limited exception to the general rule of confidentiality; the “good cause” exception, therefore, cannot be implemented to effectively eliminate the protection that Congress clearly intended to afford to settlement agreements.<sup>101</sup> Nor should it be implemented to allow disclosure of the agreement to one person, who has shown “good cause,” to result in further and potentially widespread disclosure of the agreement to the public at large.

Therefore, the Office should clarify by rule, or in Practice Guide § II(L), that existence of the “good cause” for disclosure will, in practice, be the exception rather than the rule. In particular, the Office should confirm, that “good cause” will *not* be found solely because the patent is involved in litigation. The existence of separate litigation should not be “[a] legally sufficient reason”<sup>102</sup> for release of the agreement because the agreement can be sought through standard discovery procedures in the separate litigation, possibly under protective order. The AIA’s settlement agreement provisions should not eliminate the basic protections inherent in the judicial discovery process, which allow parties to raise any pertinent relevance or evidentiary objections prior to production of a confidential agreement and to seek its continued confidentiality pursuant to protective measures in that process. Nor should the PTO be required to adjudicate the “good cause” or confidentiality issue when there is a more appropriate forum for their resolution.

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<sup>101</sup> AIA §§ 6(a) (amending 35 U.S.C. § 317(b)), 6(d) (amending 35 U.S.C. § 327(b)).

<sup>102</sup> See Black’s Law Dictionary (defining “good cause”).

Additionally, the Office should clarify by rule, or in Practice Guide § II(L), that where “good cause” is shown, it does not render the confidential settlement agreement non-confidential; rather, it just means that the entity seeking the agreement may obtain a copy if the party agrees to treat the agreement as confidential pursuant to a protective order.

These changes are critical in order to support the enforcement of confidentiality provisions in settlement agreements and thereby encourage parties to settle their disputes, as anticipated by the AIA. “[E]nforcement of settlement agreements encourages parties to enter into them—thus fostering judicial economy.”<sup>103</sup> And the Office acknowledged the “strong public policy reasons” for encouraging settlement in proposed Practice Guide § II(L).<sup>104</sup> Therefore, the Office should state in the Practice Guide that the confidentiality provisions of settlement agreements will generally be enforced by the Office and that disclosure to an entity with “good cause” does not permit widespread access to the agreement.<sup>105</sup>

E. The PTO Should Provide Adequate Procedural Rights During Post-Issuance Proceedings.

As we have previously stated, the PTO, when fashioning its final rules, should seek foremost to advance Congress’s desire that the new post-issuance reviews proceedings serve as meaningful and widely-used substitutes for litigation by promulgating procedural regulations that support private participation in the post-issuance review effort. Many of the proposed procedural rules do just that, and we strongly support them. For example, we laud the PTO’s proposals to provide:

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<sup>103</sup> *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1369 (Fed. Cir. 2001); *see also, e.g., Ford Motor Co. v. Mustangs Unlimited, Inc.*, 487 F.3d 465, 469 (6th Cir. 2007); *Joe v. First Bank Sys., Inc.*, 202 F.3d 1067, 1070 (8th Cir. 2000).

<sup>104</sup> 77 Fed. Reg. at 6875 (Practice Guide).

<sup>105</sup> *See, e.g., Gambale v. Deutsche Bank AG*, 377 F.3d 133, 143 (2d Cir. 2004); *United States v. Glens Falls Newspapers, Inc.*, 160 F.3d 853, 858 (2d Cir. 1998).

- (1) a right to seek reconsideration of the Board’s decision to deny a petition for review,<sup>106</sup> which will add to the basic fairness of the proceeding and will assure would-be petitioners that their requests for review will be fully considered;<sup>107</sup> and
- (2) a right to reply to a patent owner’s response and motions,<sup>108</sup> which will help crystallize the issues for decision and, thereby, result in more informed and more efficient Board decisionmaking.<sup>109</sup>

We submit, however, that two procedural aspects of the proposed rules relating to fees and page limits could benefit from amendment.

1. The PTO Should Amend Proposed Rule 42.15 In Order To Ensure That Petitioners Only Bear The Costs of Merits Review Where Such Review Is Instituted.

Final rule 42.15 should not impose the full cost of petition *and* merits review on petitioners for whom merits review is not instituted. In other post-issuance contexts, the Office has recognized its statutory authority to refund fees where merits review is denied.<sup>110</sup> Indeed, the PTO has found “that persons who have not received a reexamination in response to their request should not pay the same amount as those who had the reexamination requested.”<sup>111</sup> This principle is equally if not more true in the *inter partes* and post-grant review contexts, where the Office’s fee authority is limited by statute to recovery of its “estimated costs” of review.<sup>112</sup>

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<sup>106</sup> 77 Fed. Reg. at 6913 (Umbrella Rules) (proposing 37 C.F.R. § 42.71(c)); *see also id.* at 6874 (Practice Guide).

<sup>107</sup> Preliminary Comments at 22-23.

<sup>108</sup> 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. §§ 42.23, 42.24(c)).

<sup>109</sup> Preliminary Comments at 21-22, 26-27.

<sup>110</sup> 37 C.F.R. § 1.515(b) (*ex parte* reexamination); 37 C.F.R. § 1.925 (*inter partes* reexamination); 77 Fed. Reg. 3666, 3681 (2012) (supplemental examination).

<sup>111</sup> Final Rule, *Rules of Practice in Patent Cases; Fee for Filing a Request for Reexamination*, 46 Fed. Reg. 24,179, 24,179 (1981).

<sup>112</sup> AIA § 10(a); *see also* 35 U.S.C. § 41(d)(2).

Thus, in cases where the Office only incurs the cost of petition review, a petitioner should only bear the costs of that review and not also the costs of merits review.

Accordingly, the PTO should either: (1) require payment with the petition of “such amounts as the Director determines to be reasonable, considering the aggregate costs of the review”<sup>113</sup> at the petition stage, with a subsequent payment due for the “estimated costs” of merits review in the event the petition is granted;<sup>114</sup> or (2) collect the estimated costs “for judges to decide a petition *and* conduct a review,”<sup>115</sup> as proposed, but refund “any amount paid in excess of that required”<sup>116</sup> for petition review in the event the petition is not instituted. Either of these approaches will not only better comport with the statutory focus on actual costs incurred but will also make post-issuance proceedings more equitable and more accessible, especially to small productive entities.

2. The PTO Should Not Count Claim Charts Toward The Page Limits For Post-Issuance Review Petitions And Should Increase Such Page Limits Under Proposed Rule 42.24.

The PTO should: (1) amend proposed rule 42.24<sup>117</sup> and Practice Guide § II(B)(5)<sup>118</sup> to remove claim charts from the page limits; (2) amend proposed rule 42.24 and the related Practice Guide § II(A)(3)<sup>119</sup> to increase the proposed page limitations to approximately 85 pages for *inter partes* review petitions and approximately 120 pages for post-grant review petitions; and (3) lower the “interests of justice” standard for page limit extensions under proposed rule

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<sup>113</sup> AIA §§ 6(a) (amending 35 U.S.C. §§ 311(a), 312(a)(1)), 6(d) (amending 35 U.S.C. §§ 321(a), 322(a)(1)); *see also* 77 Fed. Reg. at 6900 (Umbrella Rules).

<sup>114</sup> AIA § 10(a); *see also* 35 U.S.C. § 41(d)(2).

<sup>115</sup> 77 Fed. Reg. at 6897 (Umbrella Rules).

<sup>116</sup> 35 U.S.C. § 42(d).

<sup>117</sup> 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.24)).

<sup>118</sup> *Id.* at 6873 (Practice Guide).

<sup>119</sup> *Id.* at 6872 (Practice Guide).

42.24(a)(2) to a “good cause” standard and establish a presumption that good cause for such an extension exists where the number of challenged claims resulted in a higher filing fee under proposed rule 42.15.

*First*, the Office should remove claim charts from the page limits in order to ease some of the burden caused by strict page limits and to make the post-issuance review process more consistent with existing PTO and district court practice.<sup>120</sup> The PTO, therefore, should amend subsection (a)(1) of proposed rule 42.24 to state that “[t]he page limit does not include claim charts . . . ,”<sup>121</sup> and revise proposed Practice Guide § II(B)(5) to provide that “[c]laim charts submitted as part of a petition or motion do not count towards applicable page limits.”<sup>122</sup>

*Second*, the Office should increase the page limits for post-issuance review petitions because a party’s ability to obtain review is dependent on its ability to present a full case that meets the statutory threshold. According to the PTO’s own estimation, *inter partes* petitions have historically averaged 246 pages.<sup>123</sup> By contrast, the current proposed limits require petitioners to make at least an equivalent presentation within 50 or 70 pages.<sup>124</sup> We respectfully propose limits of approximately 85 pages for *inter partes* review petitions and 120 pages for post-grant review petitions. These slightly increased limits will better ensure that petitioners are able to present the PTO with all of the information that the agency needs to make a sound determination regarding the threshold for review but are still relatively strict, clocking in at less than half of the historical average length of petitions as described in the NPRM.

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<sup>120</sup> See, e.g., 37 C.F.R. § 41.121(e) (“Claim charts must accompany the paper as an appendix.”); N.D. Cal. Local Patent Rule 3-1 (requiring submission of claim chart in a separate filing entitled “Disclosure of Asserted Claims and Infringement Contentions”).

<sup>121</sup> 77 Fed. Reg. at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.24(a)(1)).

<sup>122</sup> See *id.* at 6873 (Practice Guide).

<sup>123</sup> *Id.* at 6898 (Umbrella Rules).

<sup>124</sup> *Id.* at 6909 (Umbrella Rules) (proposing 37 C.F.R. § 42.22).

*Third*, the Office should address the fact that the page limits will present heightened problems for petitioners, patent owners, and the Office as the number of claims involved increases. As the PTO has recognized, “the number of claims often impacts the complexity of the petition.”<sup>125</sup> And, although the Office proposed a graduated fee schedule to account for this added complexity, it did not propose accompanying graduated page limitations. To account for this disparity, the PTO should amend proposed rule 42.24(a)(2) so that it contains a “good cause” standard, rather than the slightly higher “interests of justice” standard,<sup>126</sup> for motions to extend the page limits. For example, the final rule should read:

. . . The petitioner must show in the motion how a waiver of the page limits is supported by good cause ~~in the interests of justice~~ . . . .<sup>127</sup>

The Office should further create a general presumption in the rule or Practice Guide that good cause supports an extension of the page limits where the review involves enough claims to require additional fees under proposed rule 42.15.

These suggested changes to the proposed page limit rules will better allow petitioners “to determine the preferred manner of putting forward its case” while also presenting the PTAB with all the information needed to accurately and efficiently review patent validity.<sup>128</sup> Although parties should always present their arguments clearly and concisely, the proposed page limits overly restrict a petitioner’s ability to present a full case, a patent owner’s ability to respond, and threaten to deprive the PTAB of the fullest and best possible advocacy in support of a request for review.

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<sup>125</sup> *Id.* at 6885, 6909 (Umbrella Rules).

<sup>126</sup> *See, e.g., id.* at 6888 (Umbrella Rules) (“Good cause and interests of justice are closely related standards, but the interests-of-justice standard is slightly higher than good cause.”).

<sup>127</sup> Compare *id.* at 6910 (Umbrella Rules) (proposing 37 C.F.R. § 42.24(a)(2)).

<sup>128</sup> *See id.* at 6868 (Practice Guide).

### III. THE *INTER PARTES* AND POST-GRANT REVIEW RULES AND RELATED PROVISIONS OF THE PRACTICE GUIDE.

#### A. The PTO Should Implement A Control-Focused Approach To Nonparty Estoppel With Respect To The Eligibility And Certification Requirements Of Proposed Rules 42.101, 42.104(a), 42.201, And 42.204(a).

Proposed rules 42.101 and 42.201 set certain eligibility criteria for who may petition for *inter partes* and post-grant reviews, including criteria related to real parties in interest and privies.<sup>129</sup> Relatedly, proposed rules 42.104(a) and 42.204(a) require a certification “that the petitioner is not barred or estopped from requesting an *inter partes* [or post-grant] review of the patent.”<sup>130</sup> For reasons set forth below, we respectfully request that the PTO confirm the following two points in its final regulations or, at a minimum in Practice Guide § II(B)(3).<sup>131</sup>

#### 1. The PTO Should Use A Control-Based Test To Define An Entity’s Real Party In Interest And Privy.

As explained above,<sup>132</sup> a control-based approach to nonparty estoppel is the proper legal approach to nonparty preclusion. This approach should also govern the specific eligibility and certification requirements of proposed rules 41.101 and 42.201, and 42.104(a) and 42.204(a), respectively. Accordingly, the only entities that qualify as “real parties in interest” or “privies” under 35 U.S.C. §§ 315(e) and 325(e)—and thus may be “estopped from requesting an *inter partes* [or post-grant] review of the patent” under the rules—are those who controlled the prior proceeding within the meaning of federal common law and PTO precedent.

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<sup>129</sup> *Id.* at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.101), 7079 (PGR Rules) (proposing 37 C.F.R. § 42.201).

<sup>130</sup> *Id.* at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.104(a)), 7079 (PGR Rules) (proposing 37 C.F.R. § 42.204(a)).

<sup>131</sup> *Id.* at 6873 (Practice Guide).

<sup>132</sup> *See supra*, Section II.A.

2. The PTO Should Clarify That A Petitioner That Settles Prior To The Final Decision In A Multi-Party Proceeding Is Not Estopped By The Decision.

The PTO should clarify in Practice Guide § II(B)(3) that a petitioner is not estopped due to its participation in a prior multi-party proceeding if it reached a settlement with the patent owner before the Board's final decision was issued. The statute provides that, if a petitioner settles a post-issuance review "no estoppel under section 315(e) [or 325(e)] shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that *inter partes* [or post-grant] review."<sup>133</sup> Proposed rule 42.73(d)(1) similarly provides that "estoppel shall not apply to a petitioner, or to the real party in interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327."<sup>134</sup> Therefore, the PTO should confirm that even if a review proceeds to a final decision with respect to other parties, the petitioner that settled is not estopped from seeking post-grant or *inter partes* review for purposes of the proposed rule 42.104(a) and 42.204(a) certifications.

B. The PTO Should Provide Additional Clarity With Respect To Motions To Amend Filed Pursuant To Proposed Rules 42.121 And 42.221.

The AIA allows patent owners to cancel and submit claims during post-grant and *inter partes* review. The Act, however, includes several limitations which must be respected in the final rules. With respect to claim amendments, we applaud the PTO's decisions to:

- (1) implement a "general presumption that only one substitute claim would be needed to replace each challenged claim,"<sup>135</sup> which will maintain the size and focus of the proceedings by ensuring that review does not expand with multiple amendments;<sup>136</sup> and

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<sup>133</sup> AIA §§ 6(a) (amending 35 U.S.C. § 317(a)), 6(d) (amending 35 U.S.C. § 327(a)).

<sup>134</sup> 77 Fed. Reg. at 6913 (Umbrella Rules) (proposing 37 C.F.R. § 42.73(d)(1)).

<sup>135</sup> *Id.* at 6875 (Practice Guide).

<sup>136</sup> Preliminary Comments at 24-25.

- (2) advise practitioners that “a demonstration of good cause” will be required for motions to amend filed after the patent owner’s response,<sup>137</sup> which will allow the proceeding to focus on the substitute, rather than superseded, claim.<sup>138</sup>

We urge the Office to maintain these standards in final Practice Guide § II(G)(3) or, even better, include them in its final rules. We further suggest that the Office amend the procedural rules as discussed below in order to keep post-issuance review streamlined and focused on the grounds of possible invalidity identified by the Office in its order for review.

1. The PTO Should Codify A Deadline For Motions To Amend Filed Without Consent And Should Extend Reviews If A Patent Owner Files A Motion To Amend After Its Response.

The Office has good reason to require a showing of good cause for any motion to amend filed after a patent owner’s response.<sup>139</sup> We fully support this requirement and urge the Office to include it in the text of final rules 42.121(a) and 42.221(a).<sup>140</sup> We further request that the Office codify a deadline of six months after a proceeding is initiated for the filing of contested motions to amend and provide that *inter partes* and post-grant reviews will be automatically extended by six months if the patent owner is permitted to amend claims after filing a response. Possible regulatory text for rule 42.121(a) and 42.221(a) may state:

A patent owner may file one motion to amend a patent but only after conferring with the Board. Any additional motions to amend may not be filed without Board authorization. The Board will require a showing of good cause for any amendment sought after the patent owner files a response to the petition. If the amendment is granted, the review will be automatically extended by six months pursuant to rule 42.100(c) or 42.200(c). Amendments sought, without consent of all parties, more than six months after review is instituted pursuant to rule 42.108 or 42.208 will be denied.

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<sup>137</sup> 77 Fed. Reg. at 6874 (Practice Guide).

<sup>138</sup> Preliminary Comments at 23-24.

<sup>139</sup> 77 Fed. Reg. at 6874 (Practice Guide).

<sup>140</sup> *Id.* at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.121), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.221).

Encouraging the early submission of amendments is critical to allow the Office an opportunity to fully consider the validity of substitute claims. As the explanatory text recognizes, “belated motions to amend may cause the integrity and efficiency of the review to suffer” and may “impact the timely completion of the proceeding.”<sup>141</sup> Indeed, neither the Office, nor petitioners, should “be required to devote significant time and resources on claims that are constantly changing scope.”<sup>142</sup> Nor should they be forced to rush through discovery and adjudication of new claims that were inserted into the proceeding by a late-filed motion to amend.

We therefore request that the Office include in final rules 42.121(a) and 42.221(a) a deadline for motions to amend that are filed without the consent of all parties in post-grant or *inter partes* reviews. The most reasonable deadline would be based on the six-month extension available for completion of post-issuance reviews. Motions to amend that are filed more than six months after review is initiated will cut into the amount of time that Congress found appropriate for prosecuting and deciding the validity of claims during a post-issuance review, for it will no longer be possible to devote a full year to the review process as to the new claims.

Relatedly, it is critical that the Office confirm in the Practice Guide that “good cause” exists under proposed rules 42.100(c) and 42.200(c) to extend the one-year statutory review period for post-grant and *inter partes* reviews by six months where a motion to amend is filed after the patent owner’s response.<sup>143</sup> Combined with the deadline on motions to amend filed without consent, this will ensure that patent owners cannot sandbag petitioner by holding back

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<sup>141</sup> *Id.* at 7046 (IPR Rules), 7066 (PGR Rules).

<sup>142</sup> *Id.*

<sup>143</sup> *Id.* at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.100(c)), 7079 (PGR Rules) (proposing 37 C.F.R. § 42.200(c)).

substitute claims until they have insufficient time to fully respond. It will also help prevent belated motions to amend from “jeopardiz[ing] the ability of the Office to timely complete the proceeding.”<sup>144</sup>

2. The PTO Should Ensure That Final Rules 42.121 And 42.221 Provide The Board With Flexibility To Require A Patent Owner To Move To Change Claims By Amendment, Rather Than By Mere Argument.

The PTO should maintain flexibility under proposed rules 42.121 and 42.221, and the related text in Practice Guide § II(G), for the Board to require a patent owner to file a motion to amend where it attempts to amend a claim through mere argument. As the Federal Circuit recently explained, “[i]f, in reexamination, an examiner determines that particular claims are invalid and need amendment to be allowable, one would expect an examiner to require amendment rather than accept argument alone.”<sup>145</sup> This best practice extends to the new post-issuance proceedings. In this context, the Office should ensure that patentees that want to change the scope of a claim and thereby save it from invalidation must amend the claim itself. This will avoid confusion in claim interpretation by ensuring that the scope of a patent is clear based on the claim language itself.

3. The PTO Should Require That Motions To Amend Include A Clear Explanation Of How The Proposed Amendment Responds To A Ground Of Unpatentability Involved In The Trial.

The PTO should add a third subsection to proposed rules 42.121(b) and 42.221(b) that requires patent owners to include in a motion to amend an explanation of how the proposed

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<sup>144</sup> *Id.* at 7066 (PGR Rules).

<sup>145</sup> *Marine Polymer Techs., Inc. v. HemCon, Inc.*, No. 10-1548, 2012 WL 858700, at \*10 (Fed. Cir. Mar. 15, 2012) (en banc in relevant part).

amendment responds to a ground of unpatentability involved in the post-grant or *inter partes* review.<sup>146</sup> For example, final rules 42.121(b) and 42.221(b) might provide:

(b) A motion to amend must set forth:

...

(3) A statement describing how each change to each amended claim, or each limitation of each substitute claim, is responsive to a ground of unpatentability involved in the trial.

Relatedly, the PTO should also amend proposed rules 42.121(c)(1) and 42.221(c)(1) to clarify that it will allow amendments or substitutions to be entered on a claim-by-claim basis only when all proposed changes within a claim are indeed responsive to a ground of unpatentability involved in the trial. To that end, final rules 42.121(c)(1) and 42.221(c)(1) could read:

(c) A motion to amend the claims of a patent will not be authorized where:

(1) The amendment seeks to enter one or more changes in the scope of the claims that are not responsive ~~does not respond~~ to a ground of unpatentability involved in the trial.

Finally, the PTO should make conforming changes to Practice Guide § II(G) regarding the two final rules described above. Such changes could be accomplished by the following revision:

. . . Amendments should clearly state the patentably distinct features for proposed substitute claims. Motions to amend must also include a statement describing how each change to each amended claim, or each limitation of each substitute claim, is responsive to a ground of unpatentability involved in the trial. This will aid the Board in determining whether the amendment narrows the claims and if the amendment is responsive to the grounds of unpatentability involved in the trial. The Board will enter amendments and substitutions on a claim-by-claim basis only when each proposed change within a claim is responsive to a ground of unpatentability involved in the trial. . . .

As we previously indicated, post-issuance reviews are not an appropriate forum for patent owners to freely craft claims and obtain new rights.<sup>147</sup> They are not initial examinations. They

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<sup>146</sup> 77 Fed. Reg. at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.121), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.221).

<sup>147</sup> See Preliminary Comments at 24-25.

are proceedings intended to test the validity of patent claims. They are also proceedings that begin with an initial determination by the Board that only certain claims, and certain grounds of asserted unpatentability, will be considered during the review.<sup>148</sup> Amendments should, therefore, respond solely to the grounds of asserted unpatentability identified by the Board. Any other rule would undermine the Board’s screening decision to “authorize the review to proceed” only on “some of the grounds of unpatentability asserted.”<sup>149</sup>

Proposed rules 42.121(c)(1) and 42.221(c)(1) recognize this limitation on amendments in post-grant and *inter partes* review. They require the Board to deny a motion to amend if “[t]he amendment does not respond to a ground of unpatentability involved in the trial.”<sup>150</sup> Practice Guide § II(G)(3) similarly states that “[a]mendments should clearly state the patentably distinct features for proposed substitute claims” in order to “aid the Board in determining whether . . . the amendment is responsive to the grounds of unpatentability involved in the trial.”<sup>151</sup>

To assist the Board in making these determinations, the Office should include an affirmative obligation to explain responsiveness in a motion to amend. The requirement will strengthen the patent owner’s case and let the petitioner respond to the patent owner’s responsiveness assertions in its opposition. Each of these submissions should, in turn, clarify and narrow the responsiveness issues for consideration by the Office in its decision pursuant to

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<sup>148</sup> See 77 Fed. Reg. at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.108(a)), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.208(a)).

<sup>149</sup> *Id.*

<sup>150</sup> *Id.* at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.121(c)(1)), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.221(c)(1)).

<sup>151</sup> *Id.* at 6875 (Practice Guide).

proposed rule 42.121(c)(1) or 42.221(c)(1) regarding whether the amendment “respond[s] to a ground of unpatentability involved in the trial.”<sup>152</sup>

Relatedly, the Office should clarify in Practice Guide § II(G) that it will enter amendments and substitutions on a claim-by-claim basis only when each proposed change within a claim is responsive to a ground of unpatentability involved in the trial. The Office should not allow changes to some elements that are unresponsive to the issues at hand only because other changes within the same claim are. Moreover, the Board should not have to choose among offered amendments to elements within one claim. Doing so would result in an “unnecessary proliferation of issues.”<sup>153</sup> This approach aligns with “the general rule” in current prosecution practice “that an amendment should not be entered in part.”<sup>154</sup> In short, a patent owner should not be able to evade the responsiveness requirement by tacking desired non-responsive amendments onto responsive ones. Enabling the patentee to expand the number of claims or grounds at issue in post-issuance review in this way would unnecessarily slow and complicate the proceedings and make it significantly more difficult for the PTO to meet its expedited timetable.

C. The PTO Should Eliminate The Proposed Rule 42.104(b)(3) And 42.204(b)(3) Claim Construction Requirement.

The PTO should delete proposed rules 42.104(b)(3) and 42.204(b)(3), and the related text in Practice Guide § II(B)(3), and thereby eliminate the obligation that petitioners provide the Office with a statement of “[h]ow the challenged claim is to be construed” in post-grant and *inter*

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<sup>152</sup> *Id.* at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.121(c)(1)), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.221(c)(1)).

<sup>153</sup> *Id.* at 7046 (IPR Rules), 7066 (PGR Rules).

<sup>154</sup> MPEP § 714.20.

*partes* review petitions.<sup>155</sup> Claim constructions have not been required in petitions for *ex parte* or *inter partes* reexamination.<sup>156</sup> Indeed, in litigation, neither the parties nor the Court needs to construe every claim term. As the Federal Circuit explained, “district courts are not (and should not be) required to construe *every* limitation present in a patent’s asserted claims.”<sup>157</sup> Imposing such an unprecedented claim construction requirement for *inter partes* and post-grant petitions will slow the process and increase its costs by requiring parties to devote resources to such constructions, including constructions of terms that are not at issue, at the petition stage.

Rather than requiring claim constructions, the Office should consider petitions in accordance with proposed rule 42.100(b) and 42.200(b), which state that, during post-grant and *inter partes* review, a “claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”<sup>158</sup> As the explanatory text notes, this practice comports with “longstanding established principles of claim construction before the Office.”<sup>159</sup> Indeed, current post-issuance practice (*ex parte* reexamination and *inter*

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<sup>155</sup> 77 Fed. Reg. at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.104(b)(3)), 7079 (PGR Rules) (proposing 37 C.F.R. § 42.204(b)(3)); *see also id.* at 6873 (Practice Guide). The requirement is not statutorily required. The AIA only requires that the petition “identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” AIA §§ 6(a) (amending 35 U.S.C. § 312(a)(3)); 6(d) (amending 35 U.S.C. § 322(a)(3)).

<sup>156</sup> 37 C.F.R. § 1.510 (*ex parte* reexamination); 37 C.F.R. § 1.915 (*inter partes* reexamination).

<sup>157</sup> *See, e.g., O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1362 (Fed. Cir. 2008) (emphasis in original); *see also Biotec Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc.*, 249 F.3d 1341, 1349 (Fed. Cir. 2001) (deciding that disputed issue was the proper application of a claim term to an accused process rather the scope of the term); *U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1568 (Fed. Cir. 1997) (noting that claim construction “is not an obligatory exercise in redundancy”).

<sup>158</sup> 77 Fed. Reg. at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.100(b)); 7079 (PGR Rules) (proposing 37 C.F.R. § 42.200(b)).

<sup>159</sup> *Id.* at 7044 (IPR Rules), 7064 (PGR Rules).

*partes* reexamination) also gives unexpired patents their “broadest reasonable construction consistent with the specification.”<sup>160</sup>

To be sure, constructions for particular claim terms will be part of the invalidity argument that is made in a petition for post-grant or *inter partes* review. Petitioners, however, should not bear the additional requirement to present formal claim constructions for claims in their petitions. For these reasons, proposed rules 42.104(b)(3) and 42.204(b)(3) should not be adopted in the Notice of Final Rulemakings on post-grant and *inter partes* review.

D. The PTO Should Confirm That Proposed Rules 42.108(c) And 42.208(c)-(d) Set Relatively Low Thresholds For Post-Issuance Review.

In Practice Guide § II(D)(1)(a)-(b) and any future implementing decisions, the PTO should confirm that, as a practical matter, the new statutory thresholds should not produce a higher rejection rate than that which resulted under the “substantial new question” threshold for *inter partes* reexamination. Additionally, in order to comply with the statute, the last sentence of final rule 42.208(c), which relates to the post-grant review threshold, should be amended to state:

... The Board’s decision will take into account a preliminary patent owner response where such a response is filed, but only to determine whether estoppel or a procedural flaw requires rejection of the petition.<sup>161</sup>

Finally, with regard to the “novel or unsettled legal question” basis for post-grant reviews, the Office should make clear, in its Notice of Final Rulemaking, that it will not, contrary to the suggestion in the NPRM,<sup>162</sup> impose any artificial or unwarranted restrictions on this important basis for the new post-grant reviews. To do otherwise would be to risk the systematic benefits

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<sup>160</sup> MPEP § 2258(I)(G) (*ex parte* reexamination) (citing *In re Yamamoto*, 740 F.2d 1569 (Fed. Cir. 1984); *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc)); *see also id.* § 2666.01 (*inter partes* reexamination) (cross-referencing MPEP § 2258(I)(G)).

<sup>161</sup> 77 Fed. Reg. at 7080 (PGR Rules) (proposing 37 C.F.R. § 42.208(c)) (emphasis added).

<sup>162</sup> *Id.* at 7066 (PGR Rules) (“The expectation is that this ground for a post-grant review would be used sparingly.”).

for patent quality improvement that Congress plainly intended to occur in the post-grant review process by including this broad reason for administrative proceedings on the merits of a particular patent.

*First*, the Office should confirm in Practice Guide § II(D)(1)(a)-(b) and implementing decisions that, as a practical matter, the new statutory thresholds are relatively low. Although some have described the new thresholds as “elevated,”<sup>163</sup> the difference is one of kind and not of degree. Under the “substantial new question” inquiry, the PTO looked for the existence of a new question that had not previously been addressed by the Office.<sup>164</sup> The new post-issuance review thresholds focus on a different purpose—one of improving patent quality across the wide spectrum of issued patents. No longer is the identification of a new question the critical factor; rather, the focus is on whether review could improve patent quality by altering “at least 1 of the claims challenged in the petition”<sup>165</sup> or by resolving “a novel or unsettled legal question that is important to other patents or patent applications.”<sup>166</sup> Indeed, under this latter standard, no new question need be presented at all.

In practice, the “substantial new question” inquiry worked to identify those petitions for which patent quality was at issue. It allowed 95 percent of *inter partes* reexamination requests to be granted,<sup>167</sup> and resulted in reexamination certificates that, 89 percent of the time, either amended or cancelled claims.<sup>168</sup> Given these statistics, it is apparent that a more stringent

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<sup>163</sup> H.R. Rep. at 112-98 at 47.

<sup>164</sup> See MPEP § 2616 (*inter partes* reexamination).

<sup>165</sup> AIA § 6(d) (amending 35 U.S.C. § 324(a)).

<sup>166</sup> *Id.* (amending 35 U.S.C. § 324(b)).

<sup>167</sup> H.R. Rep. 112-98 at 47.

<sup>168</sup> U.S. Patent and Trademark Office, *Inter Partes Reexamination Filing Data – September 30, 2011*, available at [www.uspto.gov/patents/IP\\_quarterly\\_report\\_September\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_September_2011.pdf) (last visited Apr. 9, 2012).

threshold would have denied reexamination of patents that required a patent-quality check. Moving forward, the PTO should be careful not to foist such a result on post-grant and *inter partes* review as it would be directly contrary to the congressional purpose of creating reviews aimed at improving patent quality.<sup>169</sup> The thresholds cannot be implemented to preclude the very review that is needed to improve patent quality.

When implementing or applying the thresholds, it is vital that the PTO recognize that they merely serve an initial gating function for administrative review and are not tantamount to the ultimate burden of proof. Accordingly, neither standard should be interpreted to require the petitioner to establish invalidity by a preponderance of the evidence, as that is the burden that the petitioner will ultimately bear before the Board.<sup>170</sup> Similarly, neither standard requires a showing of a prima facie case as defined under existing PTO regulations,<sup>171</sup> because Congress chose different language when providing the threshold standards at issue here.<sup>172</sup> Therefore, although a prima facie case would be more than *sufficient* to trigger an *inter partes* or post-grant review, there is no prima facie *requirement* under statutory thresholds (“reasonable likelihood” and “more likely than not”) that do not, by their plain terms, require the level of certainty of ultimate success on the merits that a “compelled conclusion” standard does.

*Second*, the Office should amend proposed rule 42.208(c) to reflect a fundamental difference between the statutory thresholds for post-grant and *inter partes* review. Although the *inter partes* review threshold looks to the petition and any preliminary response to determine

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<sup>169</sup> H.R. Rep. 112-98 at 48, 87.

<sup>170</sup> AIA §§ 6(a) (amending 35 U.S.C. § 316(e)), 6(d) (amending 35 U.S.C. § 326(e)).

<sup>171</sup> *See, e.g.*, 37 C.F.R. § 1.56 (defining “prima facie case” as one that “compels a conclusion that a claim is unpatentable”).

<sup>172</sup> *See, e.g., Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 184-85 (1988).

whether a challenge is reasonably likely to succeed,<sup>173</sup> the post-grant review threshold looks to the petition and accepts it as “not rebutted” for purposes of the analysis.<sup>174</sup> In this way, the post-grant review threshold reflects the greater role that evidence is expected to play in post-grant review, making it an even closer analogue to district court litigation. In litigation, where discovery is the tool for developing a full record to support and adjudicate the stated claims, the determination of whether the claim should proceed past the initial filing of the complaint is made taking the allegations of that document to be “accepted as true.”<sup>175</sup> So too in post-grant review— if the petition, accepted as true, presents a legitimate case for reviewing the validity of a patent, post-grant review must proceed and allow for further development of the record as needed.

The preliminary response of the patent owner to a petition for post-grant review remains an important aspect of review prior to the threshold determination, as it provides the patent owner with an opportunity to present the PTO with non-merits-based or other procedural or technical reasons why the post-grant review should not proceed, such as whether the petition meets basic filing requirements.<sup>176</sup> But proposed rule 42.208(c) does not carry this understanding of the preliminary response into the regulation. Instead, although the explanatory text associated with proposed rule 42.208(c) confirms that the statute “does not require that a preliminary patent owner response be considered,”<sup>177</sup> the proposed rule states that “[t]he Board’s decision *will* take into account a preliminary patent owner response where such a response is filed.”<sup>178</sup> The statute is not so broad. To ensure compliance with the statute, we respectfully

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<sup>173</sup> AIA § 6(a) (amending 35 U.S.C. § 314(a)).

<sup>174</sup> *Id.* § 6(d) (amending 35 U.S.C. § 324(a)).

<sup>175</sup> *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009).

<sup>176</sup> *See, e.g.*, AIA § 6(d) (amending 35 U.S.C. § 322).

<sup>177</sup> 77 Fed. Reg. at 7065 (PGR Rules).

<sup>178</sup> *Id.* at 7080 (PGR Rules) (proposing 37 C.F.R. § 42.208(c)) (emphasis added).

request that the Office’s final rule clarify that the Board will only take into account a preliminary patent owner response to a post-grant review petition only in order to determine whether estoppel or a procedural flaw requires rejection of the petition.

Finally, the PTO should state, in its Notice of Final Rulemaking, that it will not, contrary to the suggestion in the NPRM,<sup>179</sup> impose any artificial or unwarranted restrictions on the systematically significant second basis for post-grant review, which exists where “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>180</sup> Congress included this important basis for review in the post-grant review provisions of the AIA order to make that such review available wherever a legitimate legal question that relates a class of patents exists such that resolution of the question by the Office will create systematic improvements in patent quality. The standard should be understood, as we have explained, to further patent quality and certainty through development of the law. So interpreted and applied, it will play a vital role in the administrative effort to strengthen the integrity of the patent system, consistent with congressional intent.

E. The PTO Should Provide Adequate Procedural Rights During Post-Grant And *Inter Partes* Proceedings.

As previously explained, the PTO should fashion over-arching procedural rules for the new post-grant and *inter partes* review proceedings that support private participation in the processes in lieu of litigation.<sup>181</sup> Many of the PTO’s procedural proposals specific to post-grant or *inter partes* review achieve this result. For example, we fully support:

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<sup>179</sup> *Id.* at 7066 (PGR Rules).

<sup>180</sup> AIA § 6(d) (amending 35 U.S.C. § 324(b)); *see also* 77 Fed. Reg. at 7080 (PGR Rules) (proposing 37 C.F.R. § 42.208(d)).

<sup>181</sup> *See supra*, Sections II.B-E.

- (1) the PTO's decision to provide petitioners with a right to submit supplemental information,<sup>182</sup> which will help ensure that all pertinent issues are resolved in the same proceeding by allowing petitioners to present new evidence obtained during discovery even if it reveals a new ground of invalidity;<sup>183</sup>
- (2) the PTO's recognition that a broad scope of arguments can be raised in a post-grant review process, including any ground relating to invalidity that may be raised under 35 U.S.C. §§ 101, 102, 103, and 112,<sup>184</sup> which will best serve Congress's intention that post-grant-review will provide a thorough check of the validity of recently-issued patents;<sup>185</sup> and
- (3) the PTO's decision *not* to limit the number of post-grant and *inter partes* reviews at this time,<sup>186</sup> which will ensure that reviews are readily available for use in improving patent quality.

A few procedural aspects of the proposed rules relating specifically to *inter partes* and post-grant review could benefit from amendment. In particular, we respectfully request that the PTO make the two amendments discussed below, which will increase the efficiency and integrity of the post-issuance proceedings and better provide petitioners with an opportunity "to determine the preferred manner of putting forward [their] case."<sup>187</sup>

1. The PTO Should Give Petitioners The Right To Reply If A Patent Owner Files A Preliminary Response Pursuant To Proposed Rule 42.107 Or 42.207.

The Office should add a subsection to proposed rule 42.107 and 42.207 that gives the patent owner the right to reply to any preliminary response filed in a post-grant or *inter partes* review. A possible subsection could state:

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<sup>182</sup> 77 Fed. Reg. at 7060 (IPR Rules) (proposing 37 C.F.R. § 42.123), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.223).

<sup>183</sup> Preliminary Comments at 27-28.

<sup>184</sup> 77 Fed. Reg. at 7061 (PGR Rules).

<sup>185</sup> Preliminary Comments at 9-10.

<sup>186</sup> 77 Fed. Reg. at 7045 (IPR Rules), 7064 (PGR Rules).

<sup>187</sup> *Id.* at 6868 (Practice Guide).

The petitioner may reply if the patent owner files a preliminary response to the petition. Any reply must be filed no later than one month after the filing date of the preliminary response. The reply must comply with the requirements of rules 42.23 and 42.24.<sup>188</sup>

As we have explained, petitioners should have the right to reply to the patent owner's preliminary response because they will not be able to anticipate every argument that the patent owner might make in response to a petition.<sup>189</sup> Without a reply, some arguments may go unanswered and result in an unwarranted rejection of a petition that leaves an invalid patent standing. This is especially problematic because there is no appeal of the Office's decision to reject a petition.<sup>190</sup>

A reply will also give the petitioner an opportunity to sharpen its argument based on the preliminary response and will, therefore, further the Office's goals of "streamlining and converging the issues for decision."<sup>191</sup> Indeed, standard practice in district court litigation and in PTO contested cases allows a motion, an opposition, and a reply to that opposition to focus the issues for decision.<sup>192</sup> It should also be standard in the new post-issuance review proceedings. The Office has three months following receipt of a preliminary response to decide whether to institute review, which leaves ample time for petitioners to file, and the Office to consider, a

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<sup>188</sup> See *id.* at 7059 (IPR Rules) (proposing 37 C.F.R. § 42.107), 7080 (PGR Rules) (proposing 37 C.F.R. § 42.207).

<sup>189</sup> Preliminary Comments at 21-22.

<sup>190</sup> See AIA §§ 6(a) (amending 35 U.S.C. § 314(d)), 6(d) (amending 35 U.S.C. § 324(e)).

<sup>191</sup> 77 Fed. Reg. at 6868 (Practice Guide).

<sup>192</sup> See 37 C.F.R. §§ 41.121-.123 (allowing motions, oppositions, and replies in interference proceedings); see also, e.g., D.D.C. Local Rule 7(d); D.N.J. Local Rule 7.1(d)(3); D. Del. Local Rule 7.1.2(b); E.D. Tex. Local Rule CV-7(f); C.D. Cal. L. Rule 7-10.

timely reply.<sup>193</sup> Ultimately, the allowance of replies will result in more focused briefing and better informed decisionmaking at the crucial petition stage.<sup>194</sup>

2. The PTO Should Maintain Flexibility With Respect To The Timing Of Voluntary Party Joinder In *Inter Partes* Review.

Under the AIA, “[i]f the Director institutes an *inter partes* review, the Director, in his or her discretion, may join as a party to that *inter partes* review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an *inter partes* review under section 314.”<sup>195</sup> The AIA further provides that “[t]he Director shall prescribe regulations . . . setting a time period for requesting joinder under section 315(c).”<sup>196</sup> Also, the AIA provides the Director with broad discretion as to how to proceed with multiple *inter partes* review filings under 35 U.S.C. § 315(d). We respectfully suggest that this provides the Director with the flexibility to join parties and replace a petitioner at any time with the petitioner’s consent should the Director determine that such action is appropriate.

The timing of joinder and replacement of parties in *inter partes* review appears to be covered by the catch-all provision of proposed rule 42.5(a).<sup>197</sup> Whether the timing of joinder and replacement of parties remains covered by 42.5(a), or whether the PTO adopts an express rule addressing these issues in the *inter partes* review rules, we respectfully suggest that the Director should in all events retain the flexibility to allow entities to join or replace a consenting petitioner

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<sup>193</sup> AIA §§ 6(a) (amending 35 U.S.C. § 314(b), 6(d) (amending 35 U.S.C. § 324(c)).

<sup>194</sup> If the PTO elects to allow replies, it may also wish to amend proposed rule 42.24(c)(1) to provide a page limit for such filings, *i.e.*, to include page limitations for “[r]epplies to patent owner preliminary responses and patent owner responses to petitions.” *See* 77 Fed. Reg. at 6910 (Umbrella Rules).

<sup>195</sup> AIA § 6(a) (amending 35 U.S.C. § 315(c)).

<sup>196</sup> *Id.* (amending 35 U.S.C. § 316(a)(12)).

<sup>197</sup> 77 Fed. Reg. at 6908 (Umbrella Rules) (proposing 37 C.F.R. § 42.5).

until the time of the final written decision under appropriate circumstances. Although, as the review proceeds toward the statutorily mandated deadline for a final written decision the likelihood of permitting voluntary joinder or replacement would tend to decrease, the Director should not be foreclosed from allowing voluntary joinder or replacement, especially in circumstances in which doing so would conserve PTO resources, increase the Board's efficiency, and conserve petitioner and patent owner resources.

A non-exhaustive list of factors that the Director might consider in determining whether to permit voluntary joinder or replacement includes: (1) the impact on the scheduling order; (2) whether the party seeking joinder or replacement intends to introduce any new evidence or arguments not already raised in the *inter partes* review it seeks to join; and (3) prejudice to the petitioner(s) and the patent owner. In closing, we note that the date for completion of the earlier-filed *inter partes* review need not be extended beyond that permitted under 35 U.S.C. § 316(a)(11) as a result of a party or parties voluntarily joining or replacing a consenting petitioner in *inter partes* review.

#### **IV. THE COVERED BUSINESS METHOD PATENT RULES AND RELATED PROVISIONS OF THE PRACTICE GUIDE.**

##### **A. The PTO Should Enact The Proposed Rule 42.301 Definitions Of “Covered Business Method Patent” And “Technological Invention.”**

We applaud the PTO's approach to the definition of “covered business method patent” and “technological invention” offered in proposed rule 42.301.<sup>198</sup> The proposed definitions provide the PTO with the ability to make determinations concerning which patents are eligible for the transitional business method program on a case-by-case basis in a manner that is

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<sup>198</sup> 77 Fed. Reg. at 7094 (BMP Rules), 7108 (Definition of Technological Invention Rule) (proposing 37 C.F.R. § 42.301); *see also id.* at 6873 (Practice Guide § II(B)(4)).

consistent with the statute.<sup>199</sup> The PTO's identification of patents that are eligible for the program should fulfill Congress's intent that the program provide an important tool to challenge the validity of this controversial category of patents, which is subject to extensive litigation.<sup>200</sup>

Recognizing the narrow range of the "technological invention" exception is an important step toward ensuring that the program meets its goal. The purpose of the technological invention exception is to help identify those patents that do not claim business methods and are not eligible for the program. But business method patents are often performed on a computer or through the Internet, and the recitation of these physical elements should not automatically render a claim a "technological invention." Indeed, the statutory language requires this outcome because it expressly allows a patent claiming "an apparatus for performing data processing" to fall within the transitional program.<sup>201</sup> As the proposed rule appropriately recognizes, whether a claim recites a technological feature that is novel and unobvious should be considered as a factor in determining whether it falls within the technological invention exception. The legislative history concerning the scope of the exception supports this analysis.<sup>202</sup>

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<sup>199</sup> The statute defines the patents eligible for the program:

For purposes of this section, the term "covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

AIA § 18(d)(1).

<sup>200</sup> As Senator Charles Schumer stated in discussing the need for the transitional business method program, "litigation over invalid patents places a substantial burden on U.S. courts and the U.S. economy." 157 Cong. Rec. S1363-65 (Mar. 8, 2011); *see also id.* at H4497 (June 23, 2011) (Rep. Crowley) (observing that business method patents have been "used to sue legitimate businesses and nonprofit business organizations . . . who engage in normal activity that should never be patented").

<sup>201</sup> AIA § 18(d)(1).

<sup>202</sup> Multiple Congressmen explained that the exception does not exclude a patent from challenge under Section 18 "simply because it recites technology." 157 Cong. Rec. S1363-65

B. The PTO Should Implement A Control-Focused Approach To Nonparty Estoppel With Respect To The Eligibility And Certification Requirements Of Proposed Rules 42.302 And 42.304(a) And Should Delete The Claim Construction Requirement Of Proposed Rule 42.304(b)(3).

Our comments set forth above regarding the proper scope of nonparty estoppel and claim construction requirements<sup>203</sup> are fully applicable where the post-grant review at issue involves a covered business method patent. Therefore, a control-based approach to nonparty estoppel should also govern the specific eligibility requirements of proposed rule 42.302 and the related certification mandate of proposed rule 43.304.<sup>204</sup> Thus, Practice Guide § II(B)(3) or any regulatory text accompanying the final rules should confirm that the only entities that qualify as “real parties in interest” or “privies”—and thus may be barred from filing a petition under proposed rule 42.302(a) or “estopped from challenging the claims on the grounds identified in the petition” under proposed rule 42.302(b)—are those who actually controlled the prior proceeding within the meaning of federal common law and PTO precedent. Also for reasons given above,<sup>205</sup> the PTO should delete the claim construction requirement in proposed rule 42.304(b)(3) and should instead confirm in Practice Guide § II(B)(3) or any related regulatory text that challenged claims will be given their broadest reasonable construction in light of the specifications of the patent in which it appears.

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(Mar. 8, 2011) (Sen. Schumer); *id.* at S5428 (Sept. 8, 2011) (Sen. Coburn); *id.* at H4497 (June 23, 2011) (Rep. Smith). Senator Schumer explained that the exception does not “exclude patents that use known technology to accomplish a business process or method of conducting business—whether or not that process or method appears to be novel.” *Id.* at S1363-S1365 (Mar. 8, 2011). For example, the recitation of known computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases does not make a patent a “technological invention.” *Id.*

<sup>203</sup> See *supra*, Section II.A, III.A.

<sup>204</sup> 77 Fed. Reg. at 7094-95 (BMP Rules) (proposing 37 C.F.R. §§ 42.302, 42.304).

<sup>205</sup> See *supra*, Section III.C.

## V. CONCLUSION

For all these reasons, we respectfully request that the PTO incorporate the changes set forth above in its final regulations and orders, as well as in the Practice Guide. The end result, we respectfully suggest, will be “a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs” through the creation of “a timely, cost-effective alternative to litigation.”<sup>206</sup>

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<sup>206</sup> 77 Fed. Reg. at 6879 (Umbrella Rules), 7041 (IPR Rules), 7060 (PGR Rules), 7081 (BMP Rules), 7096 (Definition of Technological Invention Rule).