

April 10, 2012

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via email: (*post_grant_review@uspto.gov*)

**Re: Comments on Notice of Proposed Rulemaking
“Changes to Implement Post-Grant Review Proceedings”
of the Leahy-Smith America Invents Act
77 Fed. Reg. 7060 (February 10, 2012)**

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views with respect to the United States Patent and Trademark Office (the “Office”) Notice of Proposed Rulemaking entitled, “Changes To Implement Post-Grant Review Proceedings” as published in the February 10, 2012, issue of the *Federal Register*, 77 Fed. Reg. 7060 (the “Notice”).

AIPLA is a U.S.-based national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, government service, and the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property. Our members practice or are otherwise involved in patent law and other intellectual property law in the United States and in jurisdictions throughout the world.

Section 6(d) of the Leahy-Smith America Invents Act (“AIA”) adds 35 U.S.C. § 321, entitled “Post-grant review.” 35 U.S.C. § 321(a) provides that, subject to the provisions of chapter 32 of Title 35, United States Code, a person who is not the owner of a patent may file a petition with the Office to institute a post-grant review (“PGR”) of the patent. The proposed rules that are the subject of these comments would implement the provisions of the AIA for instituting and conducting post-grant review proceedings before the Patent Trial and Appeal Board. While AIPLA generally supports the direction and procedures proposed in the draft rules, several provisions identified below should be reconsidered and revised to improve clarity and implementation.

Post-Grant Procedures Fees and Complexity

As stated in AIPLA's Comments to the Patent Public Advisory Committee ("PPAC") on "Proposed Patent Fee Schedule," dated February 29, 2012, the fees currently proposed for PGR are very high and at first glance may appear to many members to be unjustified, especially when considered in light of the quality improvement goals of the new procedure. AIPLA remains concerned that the estimated costs are based on the existing *inter partes* reexamination proceedings, without taking into account the more controlled procedures envisioned in Section 6 of the AIA. In this regard, we believe that AIPLA's previously submitted comments reflect the goals for the new post-grant procedures in the AIA, and pursuit of those goals includes avoiding excessive costs. These post-grant procedures are cornerstones of quality improvement envisioned by Congress in the AIA, and their valuable purpose should not be thwarted by fees which are excessive and discouraging.

AIPLA is also concerned that the procedures currently proposed for PGR may be inefficient and cost intensive. ABA, AIPLA, and IPO jointly proposed an approach which would be leaner and more efficient in usage of Board, petitioner, and patentee resources. Under this proposed approach, the proceeding would require only three major submissions to the Board: the initial petition, the patent owner's response to the petition, and the petitioner's responsive comments. A required initial disclosure, standard protective order, pre-authorized discovery in pre-defined periods, time-limited and subject-matter-narrowing depositions, and other proposals not adopted in the currently proposed regulations all would save the Board time and considerable expense.

In our opinion, the Office's proposed regulations import unneeded procedures from prior Board practices, maximize Board involvement in matters best addressed by simple rules, and do not incorporate suggestions based upon best practices developed in the federal courts. The use of a more streamlined and efficient structure should produce a significantly lower estimated cost in fees paid to the Office, as well as a lower cost in outside attorney fees paid by all of the participants. This should be a key consideration in driving the costs of PGR to more balanced and effective levels.

Proposed § 42.200 – Procedure; pendency.

Section 42.200(b) provides that "[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." AIPLA opposes adoption of proposed Section 42.200(b). This rule corresponds exactly to proposed Section 42.100(b) with respect to *inter partes* review ("IPR"), which AIPLA has also opposed in separately submitted comments.

Although proposed Section 42.200(b) appears under the section head "42.200 Procedure; pendency," it is clearly a substantive rule. It purports to establish the substantive law of claim construction to be applied in PGR. Claim construction, of course, is a substantive step of validity analysis and, indeed, determines the outcome in many cases. AIPLA submits that such a substantive rule is beyond the power of the Office. Congress has not vested the Office with any

“general substantive rulemaking power.” *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009). The AIA did not amend 35 U.S.C. § 2(b)(ii), the section of the statute that grants rulemaking authority to the Office. The substantive patent law, including the standard of claim construction in PGR, is to be determined by the courts and particularly the United States Court of Appeals for the Federal Circuit.

The wisdom of leaving that decision to the courts is apparent from review of the Office’s commentary accompanying proposed Section 42.200(b), 77 Fed. Reg. at 7064. The rule is proposed as “consistent with long-standing established principles of claim construction before the Office,” citing two Federal Circuit decisions adopting the broadest reasonable construction standard in reexaminations. However, the commentary does not consider the impact of the proposed claim construction standard on the overall balance of rights between patentees and accused infringers. Nor does it consider the standard of justice in adjudication of existing patent rights that will best promote the overall progress of science and the useful arts.

PGR differs markedly from reexamination. Reexamination is “conducted according to the procedures established for initial examination under the provisions of Sections 132 and 133 of [35 U.S.C.],” *see* 35 U.S.C. § 305 (*ex parte* reexamination) and 35 U.S.C. § 314 (*inter partes* reexamination), as it stood prior to the Smith-Leahy America Invents Act. Thus, “the focus of” reexamination proceedings “returns essentially to that present in an initial examination.” *In re Etter*, 225 U.S.P.Q. 1, 4, 756 F.2d 852, 857 (Fed. Cir. 1985). By contrast, PGR is not patent examination. This is clear with respect to IPR; as stated in the House Judiciary Committee report on the AIA, “[t]he Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding ‘*inter partes* review.’” H.R. Rep. No. 112-98, pt. 1, at 46-47 (June 1, 2011). The same report characterizes PGR as a “court-like” proceeding. *Id.* At 68. Like IPR, PGR involves adjudication, not examination.

If PGR works as intended, a substantial number of litigants will use it as a mechanism for dealing with the validity part of an existing or potential future infringement suit. If the broadest reasonable construction standard is applied in PGR, the patent owner will be faced with a broad construction in the validity litigation and a narrow construction in the infringement phase. Such a double standard is directly contrary to the fundamental principle of law that the interpretation of a claim must be the same for purposes of validity and infringement. *SmithKline Diagnostics, Inc., v. Helena Laboratores Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). The balance of rights will shift significantly in favor of accused infringers and against patent owners. There is no sound reason to assume that the Federal Circuit would adopt such a double standard in the case of PGR.

The apparent justification for applying the standard in reexamination, as it is applied in initial examination, as explained in decisions such as *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984), is that the patent owner has broad ability to amend in reexamination, just as is the case in initial examination. The reexamination statutes provide that the patent owner is “permitted to propose any amendment to the patent and a new claim or claims,” apart from those which enlarge the scope of the patent. 35 U.S.C. § 305 and pre-AIA § 314(a). If an Examiner advances a new rejection in a reexamination, the action normally is not a final action or an action

closing prosecution. Even after final action or action closing prosecution, the patent owner can make amendments necessitated by the new rejection. 37 C.F.R. § 1.116. If the Board advances a new rejection on appeal, prosecution is reopened and the patentee has a right to amend again. 37 C.F.R. §§ 41.50(b) and 41.77(b). Thus, the patent owner in reexamination can amend as needed in response to newly adduced evidence.

PGR does not afford such an unlimited right to amend. In PGR, the patent owner is limited to only “one motion to amend the patent.” AIA, 35 U.S.C. § 326(d)(1). Even this one amendment requires approval by the Board. Proposed Section 42.221. After the patent owner’s one amendment, the petitioner “may supplement evidence submitted with their petition to respond to new issues arising from” the patent owner’s one amendment. Proposed Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6875. The patent owner may not further amend to meet new arguments or new evidence advanced by the petitioner in a response or by an Administrative Patent Judge at trial.

Moreover, experience has shown that the “ability to amend” in reexamination is of very limited value to a patent owner litigating an infringement suit many years after the patent was issued. If the patent owner makes a substantive amendment to the claims, it loses past damages, which may be the paramount consideration in the litigation. The same loss would occur under PGR. AIA, 35 U.S.C. § 328(c). Although this factor may be mitigated by the requirement to institute PGR within nine months of patent grant, a patent owner could still be faced with loss of damages for two years or more of infringement upon a substantive amendment. In rapidly developing technologies, the initial two years’ damages may be most of the economic value of the patent.

In addition, the proposed rule does not state whether the broadest reasonable construction standard will be applied throughout the proceedings. If the proposed rule is retained, this should be clarified.

For all of the reasons above, AIPLA opposes inclusion of proposed Section 42.200(b) in the rules. Instead, AIPLA recommends reliance on claim construction based on Federal case law. If there exists a District Court construction of a particular claim, the Board should use that construction. If not, the Board should consider the petitioner’s suggested construction of the claim, in light of case law. If the Board disagrees with the construction, the petition can be denied, and the petitioner will have the opportunity to revise its construction and refile a new petition. This will allow the petitioner to pursue its case without imposing an insoluble time burden on the Board by requiring adversarial claim construction procedures. Regardless of one’s view as to the proper standard for claim construction in PGR, it is preferable to have this matter settled by the Federal Circuit, with its broad view of the patent system as a whole, rather than by administrative agency rule.

Proposed § 42.201 – Who may petition for a post-grant review.

Proposed Section 42.201(a) would provide that a party or real party in interest (“RPI”) must file a petition prior to the filing of a civil action challenging the validity of a claim of the patent.

With regard to the definition of RPI, the Office, in 77 Fed. Reg. at 6870 (Proposed Practice Guide) references case law without drawing any conclusions, and states that it will determine privity on a case-by-case basis. While we understand that these concepts are not defined in the AIA, AIPLA suggests that the Office provide additional guidance regarding the identification of real parties in interest in post-issuance proceedings, especially since the RPI identification requirement is part of the current *inter partes* reexamination provisions which the Office has been implementing for some time. Thus, the relevant considerations should be the same.

Proposed § 42.202 – Time for filing.

Section 42.202(b) provides that the Director “may impose a limit on the number of post-grant reviews that may be instituted during each of the first four one-year periods” that the new procedure is in effect. AIPLA submits that Section 42.202 should clarify what happens to submitted petitions after the permitted number of reviews is reached. For example, Section 42.202 should clarify whether the Office will take steps to protect petitioners whose case will not be considered on the merits due to the limit on the number of reviews, from being identified to the patentee and/or the public. To assist in this, the Office should post publicly, on a rolling basis, the number of petitions filed and granted since the beginning of that particular fiscal year, as well as the then-existing number limit, so that petitioners can gauge whether or not to file.

Proposed § 42.204 – Content of petition [and fees].

Section 42.204 provides that a petition must provide a statement for each claim challenged, identifying, among other things, the claim being challenged and the specific grounds on which the challenge is based. AIPLA is concerned about the large fees that would result from a challenge to a patent with many claims. For example, Section 42.15 proposes that fees for challenging a patent with eighty claims will be \$122,400. These fees seem inordinately high, especially since the petitioner was not responsible for the large number of claims obtained by the patentee. Moreover, some of the fees for PGR (as well as IPR) appear to be set arbitrarily. Presuming that a petitioner would likely request review for the maximum number of claims that fees have been paid for, it would be logical to assume that the cost per claim would either decrease or remain relatively constant as the number of claims increases. However, the chart below illustrates that the proposed fees do not follow any logical progression based on cost per claim.

<i>Inter Partes Review</i>			<i>Post-Grant Review</i>		
# of Claims	Cost	Cost/Claim	# of Claims	Cost	Cost/Claim
20	\$27,200.00	\$1,360.00	20	\$35,800.00	\$1,790.00
30	\$34,000.00	\$1,133.33	30	\$44,750.00	\$1,491.67
40	\$40,800.00	\$1,020.00	40	\$53,700.00	\$1,342.50
50	\$54,400.00	\$1,088.00	50	\$71,600.00	\$1,432.00
60	\$68,000.00	\$1,133.33	60	\$89,500.00	\$1,491.67

There may be a number of alternative mechanisms available for reducing high fees based on the number of claims. AIPLA notes, for instance, that the raw number of claims would not in most instances increase the amount of work for the Office, in particular with respect to the analysis and application of prior art, due to the fact that many claims in a single application would be subject to the same prior art and would not require significant additional analysis or evidence. Procedures such as grouping claims, so that claims that require the same or similar analysis would not incur significant additional cost, may be practicable. Another suggestion has been to assess fees based on the number of pages in the petition or response, rather than the number of claims. This would allow the parties to fully develop their argument, which is essential in light of the estoppel effects, and would be a rational way to measure the cost as a function of Board effort based on the number of pages of argument that would require review.

Proposed § 42.206 – Filing date.

As stated elsewhere by AIPLA in the context of AIA rulemaking (*see, e.g.,* AIPLA Comments on Preissuance Submissions), the policies and practices adopted by the Office should minimize the barriers that may frustrate parties' efforts. Specifically, the Office should provide some latitude for a minor deviation from the requirements by waiving the requirement or permitting the submitter to correct a minor omission or mistake in accordance with the policies and practices followed under 37 C.F.R. § 1.135(c). If there is a good faith attempt made to comply with the requirements and the submission does not appear to have been made for harassment purposes, but some element is missing, the omission should be waived or the submitter given a non-extendable one-month period to correct the citation, while according the petitioner the original filing date.

For some, adoption of strict compliance regulations is an invitation to revisit the non-compliance nightmares that once affected the Office's review of appeal briefs and reexamination requests. Whoever is selected to review these submissions for compliance with the adopted regulations should have an understanding, or be supervised by a person with an understanding, of the purpose and use of these submissions. It is in the Office's best interests to avoid inflexibility and to implement practices in a manner that encourages good faith compliance.

Proposed § 42.207 – Preliminary response to petition.

Section 42.207(a) provides the patent owner with an opportunity to respond to the petition with reasons why no post-grant review should be instituted. Insofar as Section 42.204(b)(3) requires the petition to state how the challenged claim is to be construed, Section 42.207 should provide the patent owner with a corresponding opportunity to rebut the petitioner's proffered claim construction. Section 42.207(c) limits new testimonial evidence and thus does not permit new expert witness testimony in a patent owner's preliminary response to a petition.¹ However, this

¹ The only exception is if a threshold issue such as standing is raised, in which case the Board might authorize limited pre-institution and testimonial evidence submissions:

In certain instances, however, a patent owner may be granted additional discovery before filing their [sic] preliminary response and submit any testimonial evidence obtained through the discovery. For

would prevent the patent owner from providing expert testimony to demonstrate why PGR should not proceed, especially with respect to the applicable claim construction. Because such testimony may be helpful in determining whether such a review should indeed proceed, AIPLA proposes that this rule not be adopted.

Section 42.207(a) also provides that a preliminary response is an opposition for purposes of determining page limits pursuant to Section 42.24 of the proposed trial practice rules, 77 Fed. Reg. 6879, 6910. Section 42.24, in turn, limits petitions and oppositions to seventy pages for PGR and does not vary the page limit for proceedings involving patents that have large numbers of claims. Seventy pages may not be sufficient for large numbers of claims. AIPLA proposes that Section 42.207 and/or 42.24 be amended to provide additional pages for proceedings involving a patent with a large number of claims.

Section 42.207(b) provides that the preliminary response must be filed by the patent owner no later than two months after the date of the notice indicating that a request to institute a post-grant review has been granted a filing date. AIPLA submits that this may not be enough time, particularly for foreign patentees. Even in the case of Office Actions, three months is allowed for response. AIPLA proposes that the default time for response set forth in Section 42.207(b) be extended to at least three months.

The Office may be concerned that testimonial evidence submitted with the patent owner's preliminary response would not be subject to cross-examination, and so the Board would not be in a position to weigh it appropriately. However, there appears to be no restriction on the petitioner's ability to submit testimony in support of the petition for review. See proposed Section 42.204.

The Office does not appear to have considered the overall impact that restricting the patent owner's evidentiary submissions in the preliminary response would have on the grant rate for petitions for review. The Office notes that in FY 2011, 93% of requests for *inter partes* reexamination were granted under the substantial new question of patentability threshold. 77 Fed. Reg. at 7069. Despite the higher thresholds for IPR and PGR, the Office estimates that 90% of petitions for IPR and PGR will be granted. 77 Fed. Reg. 7041, 7049 (IPR); 77 Fed. Reg. at 7069 (PGR). The Office does not indicate whether or not it believes the institution rate would be materially lower if the patent owner were allowed to introduce testimonial evidence in its preliminary response.

In summary, AIPLA believes that the patent owner should be allowed to file a preliminary response that includes all evidence the patent owner chooses to rely upon to rebut the petition, including testimonial evidence (by affidavit or declaration). As such:

example, additional discovery may be authorized where the patent owner raises sufficient concerns regarding the petitioner's certification of standing.
77 Fed. Reg. at 7065.

- The Office should encourage a full disclosure of rebuttal evidence by the patent owner in the preliminary response, so that the Board may decide whether to institute the proceeding on the basis of the best available information.
- In the preliminary response, the patent owner should be allowed to present testimonial evidence in the form of affidavits, declarations and/or expert witnesses.
- Evidence presented by the patent owner, including testimonial evidence, should be weighed in the same manner as similar evidence presented by the petitioner.
- Because the declaration of a PGR or IPR will impose economic hardship on many patentees, the requested review should be instituted only when the Board determines, after considering all the evidence presented, that the statutory threshold has been met.
- The default time for the patent owner's preliminary response should be three months after the date of the notice indicating that a request to institute a review has been granted a filing date.

Proposed § 42.208 – Institution of post-grant review.

Section 42.208(c) requires that the petition “shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable.” AIPLA proposes that the Office clarify this rule to provide more guidance with regard to what this threshold means substantively, i.e., what level of proof will be required. In addition, AIPLA also proposes that the Office clarify this rule to provide more guidance as to the impact of denying review with respect to one or more claims, when another claim or claims of the same patent qualify for review. For example, the Office should clarify whether such claims will be swept into the review, possibly resulting in estoppel even if the petition does not meet the threshold with respect to those claims.

Proposed § 42.220 – Patent owner response.

Section 42.220(a) provides that a patent owner's response be filed as an opposition and be subject to the page limits provided in proposed Section 42.24. Section 42.24, in turn, limits petitions and oppositions to seventy pages for PGR. The Office alleges that the page limits are effective in reducing the time for decisions, but this does not account for proceedings involving patents that have large numbers of claims. AIPLA proposes that Section 42.220 and/or 42.24 be amended to provide additional pages for large numbers of claims. Proposed Section 42.24 regarding page limits should be modified to reflect the varying complexities of the proceedings.

Proposed Section 42.15 on fees recognizes that proceedings involving more challenged claims will require additional work by the Office. For example, the fee for a proceeding involving 51 challenged claims is more than double the fee for a proceeding involving 1–20 claims. The page limit rule should also recognize these realities, and should provide for increased numbers of pages in complex proceedings with numerous claims, e.g., in excess of 20. If the petitioner paid extra fees for review of additional claims, then the petitioner should be afforded extra pages to accommodate the extra claims.

Section 42.220(b) allows only two months from the date the PGR is initiated for a patent owner to file a response to a petition. This may not be sufficient time for a response. For example, this may not be sufficient time for a patent owner to obtain an expert opinion on new issues. As already noted, even in the case of Office Actions three months is allowed for response. AIPLA therefore proposes that the default time for response set forth in proposed Section 42.220(b) be extended to at least three months.

Proposed § 42.223 – Filing of supplemental information.

Proposed Section 42.223 provides that a petitioner may request authorization to file a motion identifying supplemental information relevant to a ground for which the trial has been instituted, within one month of the date the trial is instituted.

The comments on the proposed rules do not explain the rationale for this departure from the fundamental principle that the petition should define all grounds that are to form the basis for the review. The petitioner will have had substantial opportunity to prepare its showing before the petition is filed. In the case of a PGR petition, the petitioner typically will have had the opportunity to monitor the progress of the prosecution of the patent application at issue throughout much of its pendency, and generally will have been able to learn the exact language of the allowed claims several months prior to the patent's issuance. Thereafter, the petitioner will have had an additional nine months to prepare its petition and supporting materials. On balance, therefore, it is difficult to understand why the petitioner should receive a second opportunity to submit additional evidence following the filing of its petition.

Similarly, given the expedited timing of the review, forcing the patent owner to face new evidence of alleged unpatentability once the review has commenced, with such evidence potentially surfacing for the first time during the patent owner's limited period for discovery, could be seen as placing an undue burden and hardship on the patent owner. The Office's proposed rules do not reflect how the Office balanced the petitioner's need to submit additional evidence against the hardship that a belated submission of new evidence might cause to the patent owner.

Moreover, with the Office estimating that 90% of the requested reviews will be instituted, 77 Fed. Reg. at 7069, the risk of blindsiding exists, where a petitioner, knowing that its odds of having a review instituted are very high, would hold back some evidence to spring upon the patent owner after the review is commenced, thereby compressing the time for the patent owner

to rebut the new evidence. Presumably, the Office would respond that motions to submit supplemental evidence will be denied if they appear abusive, but in practice it may be difficult, if not impossible, to identify those instances where the petitioner has intentionally withheld evidence for strategic reasons.

AIPLA therefore believes that the petition should disclose the entirety of the petitioner's case and should serve as the petitioner's main "trial brief," in keeping with the intent of the AIA. As such:

- The petition and its attachments should lay out all of the evidence upon which the petitioner may rely in its unpatentability challenge.
- Upon agreement to a Standing Protective Order, the patent owner should be given immediate access to any confidential information included with the petition, including all documents relied upon in support of the petition.
- The petitioner should not thereafter be allowed to introduce new arguments of unpatentability or new evidence in support of its contentions.
- Later introduction of evidence by the petitioner should be limited to rebuttal evidence of positions taken by the patentee, and/or evidence bearing on the credibility of patentee's witnesses.

Consequently, AIPLA believes that proposed Section 42.223 should not be adopted. Rather, AIPLA recommends adoption of a provision to the effect that a petitioner would have the opportunity to file a motion to introduce new information material to the issues before the Board. Such a motion should be granted only for good cause and under a strict standard, such as where the petitioner was not aware of the supplemental information at the time of filing the petition, and could not have reasonably discovered the information at that time. Otherwise, petitioners could "blindsided" patent owners with late-filed information. If the motion is denied, the Board should clearly state the grounds for denial, to make it clear what is subject to estoppel and what is not.

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AIPLA appreciates the opportunity to provide these comments on the subject Notice of Proposed Rulemaking. We would be pleased to answer any questions these comments may raise, and look forward to participation in the continuing development of rules for implementation of the Leahy-Smith America Invents Act.

Sincerely,



William G. Barber
AIPLA President