

AIPLA

American Intellectual Property Law Association



July 14, 2017

Mr. Joseph Matal
Performing the Functions and Duties of
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office
U.S. Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via email: PTABAIATrialSuggestions@uspto.gov

Re: Response to the Request for Comments on “PTAB Procedural Reform Initiative”

Dear Mr. Matal:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views on the United States Patent and Trademark Office’s (“Office”) request for comments on the “PTAB Procedural Reform Initiative” (“Initiative”).

AIPLA is a national bar association of approximately 13,500 members who are primarily practitioners engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.

As noted in the Office’s announcement of the Initiative, “[t]he purpose of the initiative is to ensure that the proceedings are as effective and fair as possible within the USPTO’s congressional mandate to provide administrative review of the patentability of patent claims after they issue.”

AIPLA appreciates the Office’s commitment to revisit the rules and practice guide after initial experience with the new AIA trials, and the following comments in response to the Initiative are submitted for Office consideration. Generally, AIPLA is concerned about the fairness of AIA trials to patent owners and about the overall effect that AIA trials have on patent rights. In view of these concerns, AIPLA respectfully submits the following comments to encourage the Office to implement changes to AIA trial practice to ensure that petitioners and patent owners alike have

adequate notice and an opportunity to fully address issues affecting the PTAB's decisions on patentability of issued patent claims, and to address other procedural issues in AIA trials as well.¹

AIPLA's suggestions for procedural reforms at the PTAB include the following:

1. Revise the PTAB Precedent Process

The Board can achieve greater consistency in its decisions across panels by increasing the number of precedential decisions. To date, the Board has made only eight (8) decisions from AIA trials precedential. The need for more precedential decisions is especially pronounced when the Board rules on procedural or jurisdictional issues, many of which are not appealable.

The current process for establishing Board precedent – Standard Operating Procedure (SOP) 2 – is outdated and unworkable. The Board's website does not even list the current version of SOP 2 as it links to SOP 2 (Rev 8) (8/12/2013), and not SOP 2 (Rev 9) (9/22/2014).

An article last year on the PatentlyO website provides a good background for understanding the Board's precedential designation process. (<https://patentlyo.com/patent/2016/05/precedent-process-patent.html>)

There are several major challenges with the current approach the Board uses for establishing precedent:

- (i) the process for approving a designated case as precedential is cumbersome as it requires approval of the majority of all Board judges, which was workable when the total number of APJs was less than 50, but that process is now almost unworkable as the total number of APJs approaches 300;
- (ii) the process for identifying cases to be considered is haphazard and not driven by any overall set of goals and criteria because there is no standardized mechanism for identifying cases for consideration, and only the Board, not the public, is able to nominate cases as either representative or informative;
- (iii) the process is overwhelmed by the massive number of procedural decisions that the Board renders in review proceedings, and those procedural decisions are generally not subject to any form of appellate review that can provide a secondary mechanism for establishing precedent for substantive decisions on the merits.

To enhance the precedent process for procedural decisions, the Board should develop an overall framework that correlates the rules and other non-rule based procedural matters with a corresponding set of designated opinions. In a similar manner, it would be useful to practitioners for the Board to provide a more robust framework for correlating and cross-referencing the existing designated Board decisions by topic, subject matter, and holding. The current approach of

¹ AIPLA has previously provided suggestions on PTAB procedures and, as applicable, incorporates those suggestions by reference for further consideration by the Office. *See, e.g.*, the following AIPLA comment letters: October 21, 2015 on "Proposed Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board"; October 16, 2014, on "Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board"; April 9, 2012 on "Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions"; and April 6, 2012, on "Practice Guide for Proposed Trial Rules."

identifying such decisions for the most part only by name and date does little to promote practitioners' understanding and correct use of such decisions.

To improve the process for approving decisions as precedential, the Board should form a committee of APJs (*e.g.*, 20-30 APJs) to review nominations for precedential decisions from other APJs and the public. The committee can then vote internally on whether to make nominated decisions precedential, representative, or informative, with the approval of the Chief Judge.

The Board should also consider using the request for rehearing as part of the process for winnowing down the number of decision candidates for designation by the Board. For example, if a request for rehearing included a request to be considered for designation, the Board could implement a two-step process of reviewing the request to decide whether the request to be considered for designation was meritorious and, if so, provide for an expanded panel to review the request for rehearing and participate in the decision. This would provide a smaller set of more thoroughly considered decisions on procedural matters which could be used upon issuance of a decision in response to the Request for Rehearing to identify representative, informative, and precedential categories of procedural decisions with those already so identified by the Board. *See also*, Suggestion (6) on *Providing Guidance on Requests for Expanded Panel and Timing of Decisions for a Request for Rehearing*.

2. Provide a Mechanism for Early Briefing and Decision on Claim Construction Disputes

A mechanism for early claim construction decisions is supported both by the due process implications of changing a claim construction in the Final Written Decision and by the early claim construction process under the *Markman* framework. (*cf. SAS Institute, Inc. v. Complement Soft LLC*, 825 F.3d 1341 (Fed. Cir. 2016) (on review at the Supreme Court, No. 16-969, cert. granted 5/22/2017) and *Intellectual Ventures II LLC v. Ericsson Inc.*, 2017 WL 1842527 (Fed. Cir. May 8, 2017) (IPR2014-00915)).

One suggestion is to provide for a limited extension of the one-year deadline to allow for briefing and a ruling on claim construction at the beginning of the trial phase if there is a legitimate dispute over claim construction after the Decision to Institute. Under this suggestion, each party could request briefing and a conference call with the panel shortly after the Decision to Institute (*e.g.*, two weeks) to present their case for authorizing claim construction briefing. If the request is granted, each party would submit briefing and the panel would rule on the claim construction to be used during the trial phase (*e.g.*, each party could 2-3 weeks to cross-brief, with a one week cross-reply, and the panel then rules on the briefings). Whatever delay might result, such briefing and decision would nonetheless result in an improved record for the Board to decide claim construction issues. Such a procedure would better serve the resources of the Board and the parties by allowing a patent owner's request for an early motion to dismiss. The Board should provide guidance on the facts and circumstances that might merit such a request and on the timing for such a request.

In providing such guidance, the Board is requested to consider the following recommendations. If the Board provides a claim construction determination in the institution decision but then decides to alter that determination (*e.g.*, when preparing the Final Written Decision), the Board should provide the parties with notice and an opportunity to brief the claim construction issue if they had not previously done so. Similarly, if the Board did not provide a construction for a particular claim term in the institution decision but then concludes that the

construction of that term is required, the Board should provide notice and authorize additional briefing on claim construction issues that were not previously addressed by the parties.

Due to the dispositive nature of claim construction on patentability determinations, the parties should have an adequate opportunity to appropriately brief all claim construction issues before the Board issues its Final Written Decision. Claim construction determinations should only be made in Final Written Decisions after the parties have had notice of all claim construction issues the Board is considering and an opportunity to address all of such claim construction issues.

3. Provide Guidance on Early Motions to Exercise Discretion to Dismiss Petition

There are situations in which the resources of the Board and the patent owner would be better served by entertaining an early motion for the panel to exercise the Board's discretion under 35 U.S.C. § 314(a) to dismiss the petition. Providing guidance on the circumstances and when such a motion might be made prior to the Patent Owner Preliminary Response would be helpful in these circumstances.

Below are some examples of when such a motion might be appropriate:

- Complex cases where the patent is already being actively litigated, *e.g.*, in Hatch-Waxman litigation and in biosimilar litigation under the BPCIA. AIA review proceedings were adopted as a cheap, fast alternative to litigation, but in complex cases, the 12-month time line is not adequate to allow for fair proceedings. In Hatch-Waxman cases, for example, there is an extensive, carefully-balanced statutory scheme that allows for a 30-month window for the resolution of the infringement/validities disputes in district court. The rushed PTAB proceedings upset that balance.
- Cases where the filing is a second or serial petition involving the same parties, the same patent, and the same challenged claims, and where the second petition filed after a prior Decision to Institute corrects errors in the first petition as noted in the prior Decision. *See, e.g., LG Electronics, Inc. v. Core Wireless Licensing S.A.R.L.*, IPR2016-00986 (PTAB Aug.22, 2016) (Paper 12) (Decision Denying Institution and Dismissing Motion for Joinder).

4. Provide Standardized Guidance on Addressing Multiple/Serial Petitions Against the Same Patent

Multiple attacks against the same patent reduce investment certainty in patents, which can lead to the devaluation of patents. The institution of review is discretionary under 35 U.S.C. §§ 314(a) and 324(a), and 37 C.F.R. §§ 42.108(a) and 42.208(a). The Board should not encourage gamesmanship by petitioners using prior institution decisions as roadmaps in constructing challenges to patent claims in "follow-on" petitions. More formal guidance on the circumstances and standards that will be applied for determining whether or not to institute trial in these kinds of situations would be helpful. Such guidance could reduce workload by relieving the Board from considering petitions that will be rejected as impermissible "second bite" petitions.

The Board should provide standardized guidance that includes the following factors for panels to consider in deciding whether to exercise their discretion to institute review for subsequently filed petitions under 35 U.S.C. §§ 314(a), 324(a), or 325(d):

- (a) whether the same petitioner previously filed a petition directed to the same claims of the same patent;
- (b) whether the petitioner knew or should have known of the prior art asserted in the later petition when it filed its earlier petition;
- (c) whether at the time of filing of the later petition, the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the earlier petition;
- (d) how much time elapsed from when the petitioner had the patent owner's or Board's analysis on the earlier petition to when petitioner filed the later petition;
- (e) whether the petitioner provides adequate explanation why the Board should permit another attack on the same claims of the same patent.

See Xactware Sols., Inc. v. Eagle View Techs., Inc., IPR2017-00034, Paper 9 at 7-8 (PTAB Apr. 13, 2017); *see also NVIDIA Corp. v. Samsung Elec. Co.*, IPR2016-00134, Paper 9 at 8 (PTAB May 4, 2016).

The Board is encouraged to make the *Xactware Sols.* decision precedential to provide standardized guidance to PTAB panels in deciding whether to institute "follow-on" petitions. The Board should also weigh the factors in *Xactware Sols.* in deciding whether to institute petitions that are based on cumulative prior art considered during prosecution of the patent, during a prior instituted AIA trial, and/or during reexamination of the challenged patent.

5. Provide Guidance on When a Request to the Board to Extend the One-Year Deadline for a Final Written Decision Might Be Considered

The Board should provide guidelines on the possible conditions and considerations that would merit a party request for the panel to use at least some portion of the six-month extension of time for making a Final Written Decision. Even though no PTAB panel wants to be the first to use the extension, a panel might be more willing to do so where the extension first had to be requested by a party, and where a panel had guidelines to follow in deciding whether to use an extension rather than just exercising its discretion.

Possible guidelines for when it is permissible to request and declare an extension might include:

- Instances when the PTAB consolidates multiple cases (*e.g.*, 5 or more) together during a single oral hearing. Often multiple IPRs are filed on one patent or a group of related patents. The PTAB tends to keep each case separate, but then consolidates them on oral hearing. Because of cases are related, issues are often times intertwined and the number of papers filed can be quite voluminous. The increased workload on the panel may justify an extension.
- Instances when the PTAB wants additional briefing on an issue that was not adequately addressed on the record. For example, there may be a need to address pertinent issues raised by a petitioner in a reply brief if the panel would be left with an incomplete record on which to make a decision. Under these circumstances, either party could initiate a conference call and request a short period of time (*e.g.*, 2-3 additional weeks) for a limited-page cross-briefing to address the issue with a similarly short period of time (*e.g.*, 1-2

weeks) for a cross-replies. Those time periods could be adjusted as the panel sees fit, and could be accommodated by a limited extension of the one-year deadline.

6. Provide Guidance on Requests for Expanded Panel and Timing of Decisions on Requests for Rehearing

The Board should provide guidance and examples of when a request for an expanded panel would be considered, as well as guidance on the number and nature of the APJs who might serve on such an expanded panel if granted. It would also be useful to have guidance on how such a request should be made, *i.e.*, should it be part of the request for rehearing page/word count limits, or should it be submitted as a separate paper with separate page/word count limits.

Consistent with the intent of the AIA provisions providing for the timely disposition of AIA review proceedings, it is suggested that the PTAB provide deadlines for the decision on the request (*e.g.*, 3 months), with an option for extensions (*e.g.*, 3 months), in which a Decision on a Request for Rehearing will be made. If there were a request for consideration for possible designation as set forth in Suggestion (1), then these deadlines could be extended.

7. Use Separate Panels for Making Institution Decisions and Conducting Instituted Trials

Section 6(c) of Title 35 requires a three-member panel of the PTAB to hear all AIA trials. For administrative efficiency, the same three-member panel that decides whether to institute an AIA trial also conducts the AIA trial and issues the final written decision in the AIA trial. The Federal Circuit has held that “the PTO’s assignment of the institution and final decisions to one panel of the PTAB does not violate due process under governing Supreme Court precedent.” *Ethicon-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1029 (Fed. Cir. 2016).

Despite the Federal Circuit decision on the legality of this practice, there remains the perception that the panel deciding to institute an AIA trial is too close to the required decision on patentability for that same panel to impartially decide that issue in the trial on the merits. This perception is reinforced by the fact that only 18% of claims reviewed in AIA trials are determined to be patentable in final written decisions. *See* May 2017 PTAB Trial Statistics.

When the same panel that issues the institution decision also decides on the patentability of issued claims in a final written decision, there is the perception that the panel will be biased in favor of reinforcing its decision to institute trial in the first place. To improve the perceived fairness of AIA trials, AIPLA recommends that the decision to institute the trial and the decision to issue a final written decision be made by different panels.

8. Provide Standardized Guidelines, Procedures and Deadlines for Remands

When the initial rules and guidance for PTAB procedures were promulgated, neither the Board nor practitioners had any experience or expectations as to how remands might work. Now that there are a significant number of such remands, the Board should provide formal guidance on this, including timelines and default procedural options for when and how additional briefing and consideration of the issues on remand will be handled on remand. The Board’s guidance should specify a default procedure for parties to follow for requesting briefing on whether additional arguments and/or evidence are appropriate in view of the issues on remand.

9. Provide a Default Patentee Sur-reply, or Provide Guidance on Factors Supporting a Patentee Sur-reply

To improve the perceived fairness of AIA trial proceedings, AIPLA encourages the Board to permit patentees to file a sur-reply as a matter of right. Providing a default sur-reply would obviate some of the objections that patent owners have about the conduct of AIA trials, and would give patentees the opportunity to rebut any new or modified arguments or evidence presented in a petitioner's reply. Since patentee's rights are at stake, the Board should afford patentees an opportunity to rebut arguments or evidence presented in a petitioner's reply.

Alternatively, it is suggested that the Board provide guidance on factors that would support a patentee's request to file a sur-reply to address without additional testimony new evidence in the petitioner's reply for the first time in the proceeding. The provision allowing observations on cross-examination of any petitioner rebuttal witness has proven to be of limited value given the limited nature of the observations relative to the extent of the rebuttal testimony, and the fact that there is no rebuttal testimony submitted. The limited nature of the observations precludes introduction of any further legal argument or non-testimony evidence.

Given that no further arguments or testimony can be introduced at oral hearing, the availability of a limited (*e.g.*, 5 page) sur-reply on a short time frame (like that for observations) would allow patentee a final opportunity to rebut any further arguments made in a petitioner's reply.

10. Provide A Mechanism for Decisions on Motions to Strike/Exclude Before Oral Hearing

It would be of assistance to know prior to the oral hearing that a motion to strike/exclude evidence was going to be granted, even though most such motions to strike/exclude evidence are routinely denied. The presentation and arguments at the oral hearing will be meaningfully different where a motion to strike/exclude is granted, and it would be more efficient for both the Board and the parties not to have to consider arguments about evidence that is not in the record. Since new evidence and/or arguments may not be presented at the oral hearing, the parties should have certainty before the oral hearing as to whether evidence presented with a party's earlier briefing will be stricken or excluded.

The Board should consistently deny attempts by petitioners to present new or modified grounds of challenge based on new evidence presented with a petitioner reply. AIPLA recognizes, however, that petitioners may present new evidence that is responsive to arguments and/or evidence presented in a patent owner's response. *See Genzyme Therapeutics Prods. LP v. Biomarin Pharm., Inc.*, 825 F.3d 1360, 1366-67 (Fed. Cir. 2016).

11. Provide a Mechanism for Decisions on the Admissibility of Demonstratives Before the Oral Hearing

Since new evidence and/or arguments may not be presented at the oral hearing, the Board should rule, prior to the oral hearing, on the admissibility of any demonstratives that are objected to by one of the parties in the trial. The admissibility of demonstratives should not be left for debate at the oral hearing.

12. Provide a Meaningful Opportunity to Amend Claims in AIA Trials²

Patent owners should have a meaningful opportunity to amend their claims in an AIA trial. To date, there is no such opportunity because the Board places the burden of persuasion on patent owners, not petitioners, to prove patentability over all known prior art. *See Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26 at 7 (PTAB June 11, 2013); *Masterimage 3D, Inc. v. RealD Inc.*, Paper 42 (PTAB July 15, 2015) (precedential).

Patent owners should have the initial burden of production limited to (a) demonstrating that the proposed substitute claims overcome the grounds of challenge instituted in the trial, (b) demonstrating that the proposed substitute claims are supported by the original disclosure as a whole, and (c) demonstrating that the proposed substitute claims do not enlarge the scope of the claims under review in the trial.

If the patent owner satisfies this initial burden of production, the burden of production should shift to the petitioner. The ultimate burden of persuasion should always remain with the petitioner. *See* 35 U.S.C. §§ 316(e) and 326(e).

13. Provide More Transparency on Panel Assignment and Conflict Issues

There is concern about the fairness of both the manner that APJs are assigned to panels and the current rules on potential for conflicts of interest with, for example, past clients of an APJ. The Board should provide more guidance and increase the transparency of its conflict review process. It should also increase the period during which an APJ would be automatically recused if a former client was or became a party to a review proceeding.

The Board should also consider modifying current practice of assigning by default the primary authorship of the Final Written Decision to the same APJ who authored the Decision to Institute. The perceived fairness of the process (as well as the engagement of all of the APJs on the panel during the trial) will be enhanced where the two decisions are authored by different APJs.

14. Provide An Option for “Me-Too” Joinder That Reduces the Burden on All Parties

In many circumstances, joinder petitions are a procedurally unnecessary burden. Often additional petitioners request to be joined where the petitioner does not want to make any “new” filings, doing so only for purposes of participating in settlement discussions.

It is suggested that such Joinder petitioners could be better accommodated by providing for something like an electronic joinder process under which the Petitioner on PTAB E2E have an option to pay a reduced fee within a certain time frame and could then be joined as a named party on the existing Petition. However, such a joined petitioner would not be permitted any opportunity for separate additional briefings, for submitting evidence to be submitted, or for participating in the oral hearing. It would also have to agree to be bound by and accept any additional matters that had occurred in the proceedings after the filing of the original petition.

This kind of electronic “me too” joinder would reduce the burden on the Board and patent owners as no additional briefings or filings would be involved. At the same time, it would permit

² AIPLA recognizes that the Federal Circuit is examining the Board’s procedures regarding motions to amend in its en banc review of the panel decision in *In re Aqua Prods.*, 833 F.3d 1335 (2016).

those otherwise qualifying joinder parties to be joined for purposes of participating in any potential settlement discussions as the approval of such joinder parties would be needed.

15. Review the Time Allocation/Reservation for Oral Hearings

The current procedure allows only the Petitioner to reserve rebuttal time and does not provide any limits on the amount of such reserved time. Both of these practices contribute to the perception that the procedures may be biased against Patentees.

In terms of rebuttal time, the Board should consider permitting Patentees to reserve rebuttal time as well, given that the Patentee is arguing to preserve its patent rights. In terms of reservation of time, the proportion of time reserved for rebuttal should not be available for use as a strategic tactic. The Board should consider limiting the reservation of rebuttal time (including a final sur-rebuttal if Patentee also reserves rebuttal) to no more than one-half of the total time allocated for that party.

16. Provide More Guidance on the Fact Finding Procedures Used by APJs

While Final Decisions are based on the record, there is a perception that APJs may be substituting their own determination of facts outside of the evidence in the record. In addition, there is a concern that findings of fact made in other judicial proceedings are not being accorded the deference that should be due to the earlier decision maker on those findings on factual matters, as opposed to holdings on matters of law.

The Board should issue further guidance on how a panel should document its factual findings, and on how the evidence in the record should be addressed. This would help to increase confidence in the decisions by the Board and in the perceived fairness of AIA trials.

The petitioner in an AIA trial has the burden of persuasion to establish that the challenged claims are unpatentable, and this burden never shifts to the patentee. *See In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1375 (Fed. Cir. 2016) (citing *Dynamic Drinkware, LLC v. Nat'l Graphics, Inc.*, 800 F.3d 1378 (Fed. Cir. 2016)).

In view of this guidance from the Federal Circuit, APJs in AIA trials should be neutral decision-makers and should not substitute their own knowledge for the evidence presented in the proceeding. In *Magnum Oil*, the Federal Circuit emphasized that the Board may not adopt arguments that the petitioner could have made but did not, and that the Board “must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.” *Id.* at 1381.

17. Provide Guidance on Standards for Use of Hyperlinked Video Testimony in PTAB Papers

The Board should adopt a standardized mechanism and set of guidelines for integrating web links of snippets of video-recorded deposition testimony into briefings and decisions. Such a mechanism could provide for uploading of relevant clips to a password protectable video-hosting website, with a password and hyperlink to access the video provided in the papers. Publicly accessible documents could be accessible there without password protection.

Providing a more accessible way for APJs to view video-recorded material is also a good way to reduce the need for live testimony at an oral hearing.

18. Make Electronic Service of Process the Default

Instead of having the parties opt-in to using electronic email service, the Board should make the use of electronic email service the default practice, and should have the parties opt-out if one does not want to use such default method of service.

* * *

AIPLA appreciates the opportunity to provide feedback to the Office on the PTAB Procedural Reform Initiative. AIPLA looks forward to further dialog with the Office with regard to the issues raised above.

Sincerely,



Mark L. Whitaker

President

American Intellectual Property Law Association