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U.S. Patent and Trademark Office Announces Proposed Changes to AIA Proceedings

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On August 19, 2015, the United States Patent and Trademark Office (“Office”) presented proposed amendments to the rules governing trial practice for *inter partes* review, post-grant review, transitional post-grant review for covered business method patents, and derivation proceedings under the Leahy-Smith America Invents Act (“AIA”) in a Federal Register Notice (“Notice”).¹ The proposed rule amendments address a variety of subjects from claim construction to new Rule 11-type certification requirements. Notably, the proposed rule amendments would create a more robust preliminary stage, where patent owners can present expert testimony and petitioners can request to file replies before the Office’s institution decision.

Along with the proposed rule amendments, the Office provided extensive responses to comments from the public. In its responses, the Office concluded that its current rules generally provide a workable framework to administer AIA proceedings. The Office declined to adopt rigid rules that would limit the discretion of the Patent Trial and Appeal Board (“Board”) to make decisions on a case-by-case basis.

Taken together, the proposed rule amendments and responses to comments suggest that the Office has attempted to propose new rules that do not overly favor either petitioners or patent owners, while rejecting calls to reinvent the program.

THE HISTORY BEHIND THE NOTICE

In 2014, the Office solicited feedback on AIA proceedings. The Office received comments from bar associations, corporations, law firms, and individuals, and addressed those comments in two rounds of rule changes. The first round of changes in May 2015 made some “quick fixes,” which are now final. In yesterday’s Notice, the Office addressed the remaining comments and opened a 60-day window for additional comments.

A MORE ROBUST PRELIMINARY STAGE

The current rules define the “preliminary proceeding” as beginning “with the filing of a petition for instituting a trial” and ending “with a written decision as to whether a trial will be instituted.” 37 C.F.R. § 42.2. Currently, this stage permits only the petitioner to submit expert testimony before the Board’s institution decision.

The proposed rule amendments would allow the patent owner to submit expert testimony with its preliminary response as well. Although this new rule would favor patent owners, the Office further proposed: (1) resolving any material factual dispute in favor of the petitioner for the purposes of institution and (2) allowing the petitioner

¹ Available at <https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-20227.pdf>.

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to seek leave to file a reply to a preliminary response supported by a declaration. The Office also appeared to open the door to the possible cross-examination of the patent owner's expert before institution.

If the Office's proposed rule amendments are adopted, the right of the patent owner to submit expert testimony with its preliminary response, coupled with the right of the petitioner to request a reply and even cross-examine the patent owner's expert—all before institution—suggest a more robust preliminary stage.

Adding further weight to the preliminary stage is the Office's proposal to change the page limits of the petition and preliminary response from 60 pages to 14,000 words for *inter partes* review. (A similar change is proposed for post-grant review.) Such a change would permit the use of more figures and generally longer, more detailed presentations by both parties at the preliminary stage.

CLAIM CONSTRUCTION: "OPT IN" TO PHILLIPS?

The issue of the appropriate standard for claim construction in AIA proceedings has been a hot topic this summer, including the Federal Circuit's opinion in *In re Cuozzo Speed Technologies, LLC* (concluding that Congress implicitly approved broadest reasonable interpretation standard in enacting AIA).² In yesterday's Notice, the Office held firm to its broadest reasonable interpretation standard for patent claims that remain unexpired through trial. For patents that will expire before the anticipated end of the AIA proceeding, the Office proposed that the claim construction standard should be that of *Phillips v. AWH Corp.*,³ because the claims cannot be amended. Interestingly, the Office invited comments on any workable solution for allowing a patent owner to "opt in" to the *Phillips* standard by foregoing the right to amend. The Office also invited comments on whether it should consider briefing submitted after the petition is filed, but before the preliminary response, regarding what standard should be applied. These invitations suggest that, once again, the preliminary stage could see more advocacy as the parties jostle to define the appropriate claim construction standard.

MOTIONS TO AMEND: STAYING THE COURSE

Another hot AIA topic this summer has been the patent owner's right to amend. Such motions have been difficult so far, in part because the Board has required that the patent owner establish the patentability of the amended claims over both the "prior art of record" and "prior art known to the patent owner." Although motions to amend have rarely been granted, the Office refused to change the standards governing such motions in its Notice.

The Office, however, clarified the scope of the prior art that amended claims must overcome, by reference to the Board's decision in *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015- 00040, slip op. at 1–3 (P.T.A.B. July 15, 2015) (Paper 42). As set forth in *MasterImage 3D*, the "prior art of record" would encompass: (a) material art in the prosecution history of the patent; (b) material art of record in the concurrent proceeding, including art on which the Board did not institute review; and (c) material art of record in any other proceeding before the Office involving the patent. As further indicated in *MasterImage 3D*, the "prior art known to the patent owner" would consist of prior art that the patent owner makes of record in the current proceeding pursuant to its duty of candor and good faith. The Office also clarified that the Board "must consider" all motions to amend, and thus there exists no burden of

² No. 2014-1301, 2015 WL 4097949 (Fed. Cir. July 8, 2015).

³ 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

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persuasion to file such a motion. In short, the Notice does not depart from the Office's current course as to motions to amend in an AIA proceeding.

SERIAL PETITIONS: NO RIGID "ONE AND DONE" RULE

The success of *inter partes* reviews has led to situations where a patent owner faces serial petitions—sometimes by the same petitioner. In the Notice, the Office sought to address circumstances under which a petition for an AIA proceeding should be rejected because the same or substantially the same prior art or arguments were previously presented to the Office in an earlier-filed petition. The Office refused to adopt a rigid "one and done" rule, in which duplicative petitions are denied. Rather, the Office noted that the current rules and case law provide the Board with broad discretion to take all factors into account and to balance the interests of one or more petitioners, who seek to present new prior art and arguments in later-filed petitions, against the patent owner's interest in preventing harassment that takes the form of repetitive, serial petitions that challenge the same patent claims. The Office pointed to decisions in which the Board has used its broad discretion to deny petitions that raised challenges based on the same or substantially the same prior art or arguments as a prior petition, especially where the same petitioner filed the later petition.

THE BOARD'S BROAD DISCRETION

In the Notice, the Office also addressed several other practices governing AIA proceedings. As with the discussion of serial petitions above, the Office declined to adopt rigid rules that would limit the Board's discretion.

- *Additional discovery.* The proposed rule amendments did not include any change to the standards on discovery, which is currently governed by *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, slip op. at 6–7 (P.T.A.B. Mar. 5, 2013) (Paper 26). The Office indicated that the Board would continue to apply the *Garmin* factors. The Office also declined to change the rules regarding the discovery of evidence of non-obviousness in the possession of the petitioner, finding that the *Garmin* factors provided sufficient guidance as to how to handle requests for additional discovery.
- *Real Party-in-Interest.* The Office proposed to permit a patent owner to raise a real party-in-interest or privity challenge at any time during a trial proceeding. But with respect to a late challenge that reasonably could have been raised earlier in the proceeding, the Office proposed to consider the impact of such a delay on a case-by-case basis, taking into account whether the delay is unwarranted or prejudicial. The Office also clarified that the burden of proof on the issue of standing rests with the petitioner. With respect to other real party-in-interest or privity issues raised by the comments, the Office declined to make any changes.
- *Multiple Proceedings.* The Office declined to change its practices and rules governing the management of multiple proceedings (e.g., an AIA trial, reexamination proceeding, or reissue proceeding) involving the same patents, including whether these proceedings should be coordinated, stayed, transferred, consolidated, or terminated in favor of another. The Office instead opted for giving the Board discretion in making these determinations on a case-by-case basis.

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- *Oral Hearing.* The Office appeared to invite more live testimony at the hearing, and clarified that such testimony would become part of the record. The Office also confirmed that it would continue its practice of considering requests for live testimony on a case-by-case basis, and that the format of the live testimony would be left to the discretion of the Board.
- *Word Counts/Page Limits.* The Office proposed to change the limits on the length of the petition and preliminary response (as discussed above), as well as for the patent owner's response and petitioner's reply brief. Specifically, the Office proposed using word counts instead of page limits. As a result, the Office also proposed allowing a petitioner to present attorney argument in the form of claim charts. Page limits would continue to be used for all other briefs.
- *Pilot Program.* The Office also proposed seeking comments on a pilot program in which one administrative patent judge would be designated to determine whether to institute a proceeding and two additional judges would be assigned if trial is instituted.
- *Rule 11 Certification.* The Office proposed requiring a Rule 11-type certification for all papers filed with the Board, including a provision for sanctions for noncompliance. The proposed rules implement a more explicit duty of candor and good faith for all persons practicing before the Board. In her blog post, Office Director Michelle Lee noted that this Rule 11-like sanction would "give the [Office] a more robust means with which to police misconduct."⁴

CONCLUSION

The Office's Notice presents proposed rule amendments and responses to comments for AIA proceedings, and opens a 60-day window for additional comments by the public. Interested parties may offer submissions by October 19, 2015. Most of the proposed changes would affect both sides, such as the word count limits and Rule 11 certification. And even proposed modifications that seem to favor one party are tempered with protections for the other party. For example, although the Office proposed allowing a patent owner to submit expert testimony with its preliminary response, it also provided the petitioner with the ability to request a reply to the preliminary response. Apart from such proposed rule amendments, the Office found that many of its current rules provide a workable framework to administer AIA proceedings and declined to adopt rigid rules that would limit the Board's discretion to make decisions on a case-by-case basis. In short, the Office considers the AIA proceedings to be highly successful, and is thus reluctant to revamp them at this stage.

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⁴ Available at http://www.uspto.gov/blog/director/entry/ptab_update_proposed_changes_to.

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