July 31, 2017

Via Electronic Mail to: PTABAIAITrialSuggestions@uspto.gov

Mr. Wilbur L. Ross, Jr.
U.S. Secretary of Commerce
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, Virginia 22314

Re: ABA-IPL Comments on “PTAB Procedural Reform Initiative”

I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”) to provide comments on the “PTAB Procedural Reform Initiative” (“Reform Initiative”) in response to the request the United States Patent and Trademark Office (the “Office” or the “USPTO”) published online on April 6, 2017. The views expressed herein are those of the Section, not the American Bar Association as a whole, its House of Delegates, or its Board of Governors.

The Section appreciates the continuing efforts of the USPTO and the Patent Trial and Appeal Board (“PTAB”) to improve review proceedings (“AIA review proceedings”) implemented by the America Invents Act (“AIA”), and welcomes the opportunity to comment on the Office’s Reform Initiative. While the Office and the PTAB have made progress in addressing some perceptions that AIA review proceedings are biased against patent owners, the Section believes that the Office and the PTAB need to make further changes to the PTAB’s standards and procedures to ensure that patent rights are not rescinded without fair consideration of the issues on both sides. To address those perceptions, this letter provides a number of suggested improvements, categorized into three sections: changes requiring regulatory revisions, changes not requiring regulatory revisions, and changes requiring the consideration of potential statutory revisions.

Of the suggested changes discussed in this letter, the Section believes the following are the most important:
• Providing more detailed and formal guidance (e.g., an update to the Office Patent Trial Practice Guide or precedential decisions) concerning factors to consider when deciding whether to institute an AIA review proceeding using prior art the Office previously considered;

• Applying the same claim construction standard employed by district courts to AIA review proceedings;

• Providing independent review of requests for rehearing of final written decisions, and independent consideration of institution and trial;

• Developing a list of factors the PTAB will consider when deciding whether to authorize a sur-reply; and

• Revising the processes for deciding when to issue precedential, informative or representative opinions.

These suggested changes are discussed in more detail below, along with other issues that are important to the Section.

I. Revisions of Regulations

A. Use the Same Claim Construction Standard Applied by District Courts

The Section believes that the PTAB should apply the same claim construction standard applied by district courts when determining the patentability of issued claims. Thus, as the PTAB assesses the patentability of issued claims, those claims should be construed according to the ordinary and customary meaning of the terms as understood by a person of ordinary skill in the art, and not in accordance with their broadest reasonable interpretation in light of the specification of the patent. It has long been argued that because a reasonable opportunity to amend claims in AIA review proceedings is contemplated by the AIA, the broadest reasonable interpretation should be the claim construction standard before the Office. To date, however, a reasonable opportunity to amend claims has been largely illusory in part due to the PTAB’s practice of placing the burden of persuasion on patent owners to prove patentability of all proposed substitute claims.¹ See Idle Free Sys., Inc. v. Bergstrom, Inc., Paper 26 at 7 (PTAB June 11, 2013).

¹ The Section has previously recommended using the Phillips claim construction standard in AIA review proceedings when there is no reasonable opportunity to amend, as is currently the case. See, e.g., the Section’s October 16, 2014 letter to the Office on “Comments of the American Bar Association Section of Intellectual Property Law in Response to the USPTO’s Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board.” Further, on August 1, 2015, the Section passed a resolution stating that “[a]s long as there is no reasonable opportunity to amend one or more claims of the patent under review, Section supports, in principle, that the PTAB, in post-issuance proceedings, construe patent claims according to the ordinary and customary meaning of the terms as understood by a person of ordinary skill in the art,
Utilizing the *Phillips* standard in AIA review proceedings should lead to greater conformity in claim construction rulings between the PTAB and the district courts, and should reduce the risk of inconsistent patentability/validity determinations between the PTAB and the district courts. To the extent amended claims are permitted in a particular PTAB proceeding, it is highly unlikely that new terminology not subject to the *Phillips* standard could be introduced in such claims because those claims must be based on the existing specification and will be subject to their own prosecution history. The application of the *Phillips* standard for both original and amended claims avoids the potential of added complexity and inconsistencies between PTAB and district court proceedings. Additionally, consistent claim construction standards in the PTAB and the district courts provide greater certainty and predictability about the scope of a patent right for the benefit of both patent owners and alleged infringers alike, and it avoids the risk of differing opinions on the same patent at the United States Court of Appeals for the Federal Circuit upon parallel appeals of PTAB and district court decisions.

**B. Claim Constructions Should Not Be a Moving Target**

The PTAB also should implement procedures to reach a final decision on all disputed claim constructions before the oral hearing occurs. Because parties are prohibited from presenting new arguments and/or evidence at an oral hearing, the parties should know the PTAB’s final claim construction before the oral hearing. Claim construction should not be a moving target finally decided only after the parties have completed their briefing in the proceeding. If the PTAB intends to change any of its previous claim construction rulings after the parties have completed their substantive briefing (e.g., at oral hearing or when the PTAB is preparing the final written decision), the PTAB should provide notice to the parties of such changes and should allow the parties to submit additional briefing to address the PTAB’s concerns regarding claim construction. Similarly, the PTAB should provide notice and authorize additional briefing if the PTAB believes that a claim term requires construction and the construction of that term was neither addressed in the institution decision nor previously briefed by the parties. If the additional briefing period causes the proceeding to extend beyond the one-year time frame for concluding the trial, the PTAB should exercise its authority to extend the pendency of the proceeding beyond the one-year period for good cause. See 35 U.S.C. §§ 316(a)(11) and 326(a)(11). Due to the often dispositive nature of claim construction on patentability determinations, the equities weigh in favor of the PTAB placing greater emphasis on providing the parties with adequate briefing opportunities to address any unresolved claim construction issues, over concluding a trial within the one-year time limit.

**C. Have Different APJs Handle Institution and the Trial**

The Federal Circuit held that the Director of the USPTO has the authority to delegate the decision to institute an inter partes review to the PTAB and that “the PTO's assignment of the institution and final decisions to one panel of the PTAB does not violate due process and not in accordance with its broadest reasonable construction in light of the specification of the patent.” The Section currently favors the *Phillips* standard because there is no reasonable opportunity to amend.
under governing Supreme Court precedent.” *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1029 (Fed. Cir. 2016). In her dissenting opinion, Judge Newman noted that exercising that authority, such that the same judges handle both the institution decision and the ultimate trial as to the patentability of the claims of the patent, raises concerns regarding fairness and impartial decision-making. *Id.* at 1036 (“Congress unambiguously placed these separate determinations in different decision-makers…[to] guarantee ‘fair and impartial decision-maker’”). When the same panel renders the decision to institute and the final written decision, at a minimum the proceeding does not serve to convey the appearance of impartial decision-making, the hallmark of fairness, or worse, it risks a prejudicial/biased outcome for the patent owner. The Director and the PTAB would significantly improve the balance and fairness of AIA review proceedings, as well as the perception of impartiality, by separating the important functions of institution and final decision making. The rationale for doing so is clear:

1) In rendering its final written decision, the panel is no longer sitting as an objective trier of fact. It has formed a prior opinion on an incomplete record. Human nature is such that, consciously or unconsciously, a panel of judges will tend to “defend” its decision rather than tend to start afresh in reaching its final decision.

2) PTAB staffing and budget are proportional to the volume of petitions instituted and tried. Having the PTAB act as both the gatekeeper of its workload and final arbiter creates tension. Separating these decisions will wipe out the perception that case workload, particularly at the petition phase, influences PTAB decision-making.

II. Changes that Do Not Require Regulatory Revisions

A. The PTAB’s Decision Must Provide a Clear Explanation of Its Rationale, and the PTAB Cannot Substitute Its Own Opinion for the Evidence Presented

The PTAB is obliged to clearly explain in its decision how it arrived at each factual finding based on the evidence presented during the proceeding. But this has not been a uniform practice. Additionally, in a number of instances, the PTAB has based its factual findings on its own expertise independent of the record evidence.

Turning first to the issue of clarity in final decisions, in *Personal Web Technologies*, the Federal Circuit vacated the PTAB’s final written decision because the PTAB did not sufficiently explain (1) how the asserted references disclose all the limitations of the challenged claims, and (2) why one skilled in the art would have been motivated to combine the asserted references. *Personal Web Technologies, LLC v. Apple, Inc.*, 848 F.3d 987, 993-94 (Fed. Cir. 2017). Below are several other cases where the Federal Circuit faulted the PTAB for providing inadequate rationales in its decisions:

- *In re Nuvasive, Inc.*, 842 F.3d 1376, 1382-84 (Fed. Cir. 2016);
Turning to the issue of relying on PTAB expertise instead of sticking to the record, the Federal Circuit has emphasized that a petitioner in an AIA review proceeding has the burden of persuasion to establish that the challenged claims are unpatentable, and that 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 requirement, administrative patent judges (APJs) in AIA review proceedings should be neutral decision-makers who judge whether the petitioner has met its burden of persuasion, and in doing so, they should not substitute their own judgment for that of the evidence presented in the proceeding.

In ex parte prosecution before the Office, examiners bear the burden of establishing unpatentability of a claim (“[a] person shall be entitled to a patent unless….,” 35 U.S.C. § 102(a)) and therefore they are charged with finding and reviewing the prior art in order to make findings as to patentability while applying their technical expertise and experience. In contrast, AIA review proceedings are adversarial, and each party introduces evidence in the form of prior art and/or expert testimony. APJs are charged with judging this evidence – the record established by the parties – as neutral decision-makers. The PTAB goes astray when it deviates from the evidence before it by forming its own “expert” opinion in contrast to the evidence presented, or ignoring the evidence altogether in order to support its findings. In Magnum Oil Tools, the Federal Circuit emphasized that the PTAB may not adopt arguments that the petitioner could have made but did not, and that the PTAB “must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.” 829 F.3d 1364, 1381. The Section’s concern about the PTAB substituting its own “expert” opinion over the evidence presented in a proceeding is illustrated by the following examples where the Federal Circuit intervened to reverse and/or vacate findings not supported by evidence:

- Rovalma v. Böhler-Edelstahl GmbH & Co. KG, 856 F.3d 1019, 1025-26 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB’s “implicit factual findings” and a finding that a person of ordinary skill in the art “would have at least inherently completed” the claimed step for failing to sufficiently ground its finding on the relevant evidence or explanation of the inferences that may flow from the evidence.

- Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co., 851 F.3d 1270, 1274-75 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB for finding that “a skilled artisan would immediately envision” the missing claim element.
• *Duke University v. BioMarin Pharmaceutical Inc.*, 2017 WL 1458866 at *10 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB on claim 19 because there was not substantial evidence supporting the obviousness conclusion.

• *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1361-62 (Fed. Cir. 2016). The Federal Circuit reversed the PTAB’s final written decision because the PTAB used “common sense” to supply a missing limitation from an asserted reference when the reference did not disclose the limitation.

**B. Accord Deference to District Court Findings of Fact**

It is now established law that the PTAB is not bound by the decision of a district court or the Federal Circuit’s review of the district court’s decision. *See In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012); *Novartis AG v. Noven Pharmaceuticals Inc.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017). While the ultimate finding of a district court that a patent is not invalid based on the evidence of record before it may differ from a PTAB finding that a claim is unpatentable, a significant overlap often occurs in the underlying findings of fact. In any case in which such overlap occurs, the PTAB should take cognizance of what occurred in the district court with respect to any overlapping evidence. Examiners are ordinarily obligated to accord factual findings of a district court deference, unless “sufficient reasons” justify that claims upheld by that court are to be rejected. *See, e.g.*, M.P.E.P. § 2686 IV (“Deference will, however, ordinarily be accorded to the factual findings of the court, where the evidence before the Office and the court is the same. If sufficient reasons are present, claims upheld by the court may be rejected in reexamination.”). In such cases, the PTAB should explain why any such differences dictate a different outcome than that reached by the district court, and if the record is the same in both proceedings, arguments that cloaked in the guise of a “different” expert or redundant art should be given little weight. Instead, the PTAB generally should defer to the prior findings of the district court in the interest of fairness and judicial comity, and in the absence of exceptional circumstances.

Comity flows from the notion that a second tribunal should consider and weigh in a subsequent decision the values of consistency, fairness, predictability, and efficiency in considering the applicability of a decision of a first tribunal. Comity has been applied between state and federal courts, amongst federal district courts, and between federal and foreign courts. Tribunals often defer to earlier decisions of other tribunals because they recognize that serial and conflicting findings of fact are problematic to consistency, fairness, and predictability. Absent exceptional circumstances, fact finding should not change merely because the fact-finder changes. This is particularly true with findings of fact reached by a federal district court. The federal district courts generally review a much more extensive and thorough record than the record before the PTAB, and on top of that they are required to make findings of fact by clear and convincing evidence. These fact findings are less likely to be “wrong” and warrant greater deference.

*In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012), the Federal Circuit acknowledged that the PTAB had the authority to reach a contrary decision to the decision of the district court, and the Federal Circuit clearly recognized deviations in
findings of fact are less than ideal and that the PTO ordinarily should not reach a different result:

Lest it be feared that we are erroneously elevating a decision by the PTO over a decision by a federal district court, which decision has been affirmed by this court, the following additional comments must be made. When a party who has lost in a court proceeding challenging a patent, from which no additional appeal is possible, provokes a reexamination in the PTO, using the same presentations and arguments, even with a more lenient standard of proof, the PTO ideally should not arrive at a different conclusion.

*Id.* at 1365. The PTAB should exercise its authority to reach a different result with rare caution in the interest of consistency, fairness, and predictability. Two further examples of cases where the PTAB considered a prior finding by a district court are discussed below. In the first case, the PTAB deferred and appropriately explained why it did so. In the second case, the PTAB did not defer, but should have deferred, to district court findings following a full trial by a district court:

1) *TradeStation Group, et al. v. Trading Technologies Int’l*, CBM2015-00161, Paper 12 at 4 (PTAB Feb. 17, 2017). In this CBM proceeding, the PTAB panel considered whether the petition provided a “persuasive reason” for the tribunal to ignore the “guidance” of a prior Federal Circuit decision in determining whether the claims were directed to an abstract idea. The panel further rejected the notion that a different record, including different challengers, justified a different result: “[w]e are also not apprised of a persuasive reason to arrive at a different outcome with respect to whether the claims are directed to an abstract idea based on the differences between the record before us and that before the Federal Circuit alleged by the Petitioner.”

2) *Noven Pharm. et al. v. Novartis and LTS Lohmann Therapie-Systeme AG*, IPR2014-00549, Paper 69 at 4-5 (PTAB Sept. 28, 2015). In contrast to the panel in *TradeStation*, the *Noven* panel appeared to give no deference to the prior district court decisions, only citing without explanation “additional prior art and declaratory evidence” that was not before the district court as well as the difference in evidentiary burden. The panel, however, failed to articulate why such differences mattered in reaching its decision. Respectfully, in doing so the PTAB undermined a sense of consistency, fairness, and predictability.

Having the authority to decide a case differently is a different question than whether the PTAB should decide the case differently. If an issue has been fully litigated and findings of fact have been determined by a district court, the PTAB should justify clearly why it is reaching a contrary conclusion. Otherwise, AIA review proceedings fail to provide consistency, fairness, and predictability, both in fact and appearance.
C. Establish Guidance on Remands

The AIA does not provide a framework for treating cases on remand from the Federal Circuit—nor has the PTAB promulgated rules or procedures for handling remanded proceedings. To date, there have been several cases remanded to the PTAB, and each has been handled somewhat differently. To remove much of the uncertainty surrounding this process, the PTAB should set forth guidance and/or establish procedures establishing a timeline for handling proceedings on remand. The guidance should specify whether the parties or the PTAB should begin the process for remanded proceedings after the mandate from the Federal Circuit has issued. Moreover, the PTAB should establish guidelines detailing when additional briefing and/or evidence may be presented by the parties, and establish procedures for additional briefing by the parties, including a schedule for submitting briefs and formal requirements for the briefs (e.g., page/word count).

D. Improve Consideration of Requests to Rehear Institution Decisions

The PTAB grants requests to rehear a decision to institute too infrequently, at a rate less than 5% of the time. Given the relatively small number of cases in which no claims are found unpatentable, that rate has the appearance of being too low.

According to the PTAB’s Standard Operating Procedure, the Chief APJ is delegated the Director’s authority under 35 U.S.C. § 6 to designate a three-judge panel for adjudicating AIA trials. Under 37 C.F.R. § 42.4, the PTAB is delegated the authority to institute a trial. A party dissatisfied with an institution decision may file a request for rehearing for issues it believes the PTAB misapprehended or overlooked (see e.g., 37 C.F.R. § 42.71(d)). The current practice at the PTAB is to assign review of the request for rehearing to the same three-judge panel that rendered the institution decision. This practice may have the inadvertent effect of being prejudicial to the requesting party because the same three-judge panel is likely to be averse to considering a reversal of its initial decision upon a finding that facts or evidence were “misapprehended or overlooked.” That may explain the low success rate of rehearing requests on institution decisions. To improve perception and invoke more trust in the legitimacy of the rehearing process, the Section believes it would be helpful to implement procedures that require including PTAB members who did not author the original decision to decide the merits of the rehearing request.

E. Clarify When Estoppel Applies

The Section believes that it would be helpful to have guidance clarifying the factors the PTAB uses for determining whether a petitioner, real party in interest, or a privy of the petitioner should be estopped from raising grounds of challenge presented in a subsequent AIA review proceeding that the petitioner “reasonably could have raised” in a previously filed AIA review proceeding. This guidance would provide clarity in light of the differing standards or scope of estoppel between the PTAB and the district courts. The guidance should be based on the body of PTAB decisions on this issue. For example, the guidance could specify that factors considered during an estoppel determination include:
1) whether the asserted prior art is identified in the challenged patent (e.g., on the front page of the patent), or is identified in another patent sharing a common priority claim with the challenged patent (“related patent”);

2) whether the petitioner asserted the prior art in another AIA review proceeding against the same challenged patent or a related patent that was filed prior to or concurrently with the current petition filed; and

3) whether a skilled searcher conducting a diligent search reasonably could have been expected to discover the asserted prior art.


F. Provide a Meaningful Opportunity to Amend

The Section believes that the PTAB should lower the burden on patent owners and the showing required to grant Motions to Amend in AIA review proceedings. The Section believes that the PTAB should make claim amendments more permissive and reduce the burden on patent owners of proving the patentability of any proposed substitute claim. While the patent owner should bear an initial burden of production with respect to a motion to amend, the burden of persuasion should always remain with the petitioner and should not be shifted to the patent owner. The patent owner should have the initial burden of production on the patentability of proposed substitute claims, which burden is limited to (a) presenting argument or evidence that the proposed substitute claims are supported by the original disclosure of the patent as a whole, (b) presenting arguments for how the proposed substitute claims overcome the grounds of unpatentability instituted in the proceeding, and (c) presenting argument or evidence that the proposed substitute claims do not enlarge the scope of the claims of the patent. The Section does not believe the language of the statute that places the burden of persuasion on the petitioner makes any exception as to the nature of the claims at issue, that is, whether they are original, amended or substitute claims. Thus, placing the burden of persuasion that all proposed substitute claims are patentable over all known prior art on the patent owner, which is the PTAB’s current practice, puts too strict a burden on the patent owner.

G. Multiple Proceedings

1. Provide Clarity in Allowing “Follow-on” Petitions

The PTAB should deny petitions that clearly harass patent owners, but should consider expanding the factors considered to allow institution of “follow-on” petitions when petitioners could not have reasonably anticipated new arguments or circumstances that led to the denial of their first petition.

2 The Section notes that some of these issues are the subject of the Aqua Products case, which is presently under en banc consideration by the Federal Circuit.
Petitioners and patent owners would appreciate clarity on when, after having a first petition denied, a petitioner may file a second petition. Last year, the PTAB issued a decision listing factors for deciding whether to deny a petition as relying on substantially the same prior art or arguments under 35 U.S.C. § 325(d):

1) the finite resources of the PTAB;
2) the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review;
3) whether the same petitioner already previously filed a petition directed to the same claims of the same patent;
4) whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known about it;
5) whether at the time of filing of the second petition the petitioner already received patent owner’s preliminary response to the first petition or received the PTAB’s decision on whether to institute review in the first petition;
6) the length of time that elapsed between the time petitioner learned of the prior art asserted in the second petition and filing of the second petition; and
7) whether petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent.

*NVIDIA v. Samsung*, IPR2016-00134, Paper 9, at 6-7 (May 4, 2016).

The Section recognizes the importance of avoiding patent owner harassment, and agrees that the PTAB should deny petitions when a petition raises substantially the same prior art or arguments, but these factors do not consider reasonable bases for petitioners to request second reviews. First, patent owners or the PTAB may make new, reasonably unanticipated claim construction arguments, inconsistent with prior positions. Second, patent owners might make other reasonably unanticipated arguments, such as changing priority dates through certificates of correction, claiming joint ownership of prior art, or attempting to antedate asserted references based on an earlier date of conception or reduction to practice. The Section suggests that the PTAB consider expanding these factors to allow institution of “follow-on” petitions when petitioners could not have reasonably anticipated the arguments or changing circumstances that led to the denial of a first petition. The Section also suggests that the PTAB consider similar factors when denying a petition under § 314(a). The PTAB should deny petitions that are clearly harassing patent owners, but petitioners should be able to choose their venue within the statutory 1-year period, or else the parties will be forced to litigate, more expensively, in district court when defendants are not estopped.
The Section suggests that the PTAB expand upon the list of factors to consider in applying § 325(d) to deny a petition and issue a corresponding precedential decision to give the public better predictability over how the PTAB handles such issues.

2. Consolidating AIA Trials and Reexaminations

The Section encourages the PTAB to be more receptive to consolidating related reexamination and AIA review proceedings.

Congress granted the PTAB plenary powers to consolidate AIA trials and reexaminations. 35 U.S.C. § 315(d). In some instances, defendants who are time-barred from challenging a patent have no opportunity to request review of new or amended claims issued in reexamination certificates. This causes an unforeseen problem of allowing new or amended claims to issue outside of the PTAB’s purview, which is a concern for the public and the Office. Congress granted the PTAB plenary powers to stay, transfer, consolidate, or terminate a parallel proceeding during the pendency of an AIA review proceeding. To date, however, the PTAB has chosen not to exercise its power to consolidate an AIA review proceeding with a non-AIA proceeding. Doing so would prevent gamesmanship, ensure fairness to all parties, and ultimately strengthen our patent system by allowing for more robust patent reviews.

Petitioners/defendants are often time-barred from challenging claims issuing in reexaminations, even if they petition for review before the one-year deadline. Patent owners have to defend themselves again in district court because petitioners will not be estopped from challenging new or amended claims that issued from reexamination. This increases cost and time to reach a final resolution because district courts offer a slower and more expensive forum in which to resolve validity issues. The PTAB has discretion to consolidate proceedings, such as reexaminations and AIA review proceedings, and should preemptively consider how such consolidation could work when a situation warrants it. However, the PTAB has not yet exercised its discretion to consolidate.

It would be useful to the PTAB and stakeholders to establish factors to weigh when considering whether to consolidate a reexamination and an AIA review proceeding, including:

- The stage of the reexamination and the AIA review proceeding;
- Whether all the original claims in reexamination are also reviewed in the AIA review proceeding, and vice versa;

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3 This letter focuses on ex parte reexamination, whether ordered due to a supplemental examination or otherwise. This letter does not discuss reissue because the time bar tolled by the parent of the reissue patent does not apply to the reissued patent.
• Whether claims are patentably distinct, *i.e.*, whether the amended claims could be rejected via an obviousness-type double patenting rejection over the claims challenged in the AIA review proceeding;

• Whether overlap of prior art weighs in favor of consolidation, *i.e.*, lack of overlap may weigh against consolidation;

• Whether the claims are rejected, allowed, or amended; and

• Whether the petitioner will be time-barred from challenging claims.

In short, the Section encourages the PTAB to be more receptive to consolidations of reexamination and AIA review proceedings, taking into account factors such as those listed above. The Section also encourages the PTAB to adopt procedures for the consolidation process, so as to promote consistent treatment for different cases.

**H. Revise the Precedential Decision Process**

The PTAB’s current procedure for nominating and approving decisions as precedential is unworkable because it requires the approval of the majority of APJs, and the PTAB currently consists of nearly 300 APJs. As a result, to date, the PTAB has made only eight decisions from AIA review proceedings precedential. The need for more precedential decisions is especially pronounced when the PTAB addresses procedural issues, many of which are not appealable. The PTAB can achieve greater consistency in its decisions across panels with an increase in the number of precedential decisions.

The PTAB should form a committee of twenty or fewer APJs to review nominations for precedential decisions from other APJs and the public. The committee can then vote internally with the participation of the Chief Judge to designate decisions as precedential, representative or informative. In addition, the PTAB should permit the public to nominate decisions as representative or informative. Under the current procedure, the public can only nominate decisions for consideration as precedential.

**I. Provide Guidance on Factors Supporting a Sur-Reply**

To improve the perceived fairness of AIA review proceedings, the PTAB should provide guidance and examples of the circumstances under which the PTAB will authorize a patent owner to file a sur-reply to address new evidence submitted for the first time in the proceeding by the petitioner’s reply. A common patent owner objection to the fairness of AIA review proceedings is the introduction of new evidence in petitioner replies, and the inability of patent owners to respond meaningfully. Observations on cross-examination testimony have proven to be of limited value due to the prescribed limitations on what may be presented in the observations. Patent owners may not present further arguments or evidence in response to new evidence submitted with a petitioner’s reply, nor present

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4 The PTAB’s procedure for nominating and approving decisions as precedential is set forth in Standard Operating Procedure (SOP) No. 2, Rev. 9 (Sept. 22, 2014).
rebuttal testimony in response to new testimonial evidence submitted with a petitioner’s reply. Since patent owners’ property rights are at stake in AIA review proceedings, and since new evidence may not be presented at oral argument, the PTAB should authorize patent owners to submit a short sur-reply (e.g., 5 pages) limited to the issue raised by the new evidence presented in the petitioner’s reply. If the petitioner presents new testimonial evidence with the reply, the PTAB should, as a matter of right, allow the patent owner to submit rebuttal testimony in such a limited sur-reply. To facilitate completion of trials within the mandated one-year period, the PTAB should require patent owners to submit such sur-replies within the current time period for filing observations on cross-examination testimony. Alternatively, the PTAB could make a patent owner sur-reply a default part of the normal scheduling order.

The PTAB should also decide whether new evidence presented with a petitioner’s reply will be permitted or excluded before the oral hearing occurs. Since no new arguments or evidence are permitted at oral hearing, the parties should have certainty on whether such new evidence will be admitted before the hearing.

J. Provide Guidance on Requests for an Expanded Panel and Establish Deadlines for Decisions on Requests for Rehearing

The PTAB should provide parties a meaningful opportunity to present reasons why an expanded panel is requested. Currently, no such meaningful opportunity exists. Under the PTAB’s current procedure set forth in SOP No. 1 §III.C, Rev. 14 (May 8, 2015), a party may not request an expanded panel, but may only suggest the need for an expanded panel when requesting rehearing. Most requests for an expanded panel are denied without explanation. The PTAB should provide guidance and examples of the circumstances under which a request for an expanded panel would be considered, and provide guidance on the number of APJs who might serve on an expanded panel if the request is granted. Requests for rehearing are rarely successful, partly due to the fact that the same panel which issued the decision also reconsiders that decision. The PTAB should provide guidance on how a request for an expanded panel should be made, including whether it is to be part of the request for rehearing or it is to be presented in a separate paper, and establish a page/word count limit for such a request.

In addition, the PTAB also should specify a deadline when a decision on a request for rehearing, including a request for an expanded panel, will be issued. To promote the timely conclusion of AIA trial proceedings, it is suggested that the PTAB issue decisions on rehearing requests within three months, with an extension of an additional two months in case a request for an expanded panel is granted.

III. Changes that Require the Consideration of Potential Statutory Revisions

A. Limitations on the “Second Window” of Inter Partes Review Proceedings

A properly issued patent is currently subject to challenge before the Office by anyone at any time. That is a questionable policy for inter partes review (IPR) proceedings.
Because the threat of a challenge to the validity of an issued patent is so unbounded, patent owners cannot rely with reasonable certainty on those patents to protect their inventions, and those interested in their technology have little confidence in the metes and bounds of what is protected. This constant threat to issued patents, and the resulting weakening of our patent system, might be addressed in large part by (1) limiting the window of time for filing an IPR petition and/or (2) limiting who has standing to file a petition to only those at risk of having the subject patent asserted against them. The standing requirement to challenge a patent in an IPR might mirror the requirements for standing to bring a declaratory judgment action in district court, i.e., there has to be an “actual controversy” surrounding the patent, including the threat of suit or license negotiations.

Section 8 of Article 1 of the U.S. Constitution provides the fundamental directive to Congress and provides authority to “promote the Progress of Science and the useful Arts.” In its more than two hundred years of operation, Congress has done so. But promotion of useful arts necessarily requires a predictable and stable investment climate. In practice, the IPR procedure established by the AIA has achieved Congress’ mandate to provide a more efficient and cost-effective process for challenging the patentability of issued patent claims. However, these proceedings may be inadvertently undermining the predictability of all patents and stifling the investment climate necessary to promote and support new innovation. Jack Lu, of IP Market Advisory Partners, reports that the “AIA had significantly depressed the transaction prices of patent assets.”5 Richard Baker, President of New England Intellectual Property, LLC, similarly noted that the invalidation rate of the IPR proceedings caused a 60-70% drop in the value of patents, and that “[t]his one act of Congress, the IPR proceeding of the AIA bill, destroyed $546 Billion of the US economy” according to the methodology set out in his article.6 While the methodologies used by various parties to quantify the precise value of this decline may be debated, the potential harm to the patent system is of utmost concern to our economy which relies on a strong patent system to stimulate investment in new technologies. A viable argument can be made that a need exists for greatly improved certainty in the patent system, and part of that need potentially could be fulfilled by improvements to IPR proceedings by making them more predictable and fair as set out above, but also by considering broader changes.

When Congress changed the U.S. patent system to move from a first-to-invent priority system to a first-to-file priority system, it provided two mechanisms for challenging an issued patent. First, post grant review (PGR) proceedings allow petitioners to challenge an issued patent on any invalidity grounds available in district court. 35 U.S.C. §321(a). But those challenges must be brought within a narrow window, the first nine months from the issuance of the patent. 35 U.S.C. §321(c). An IPR proceeding, on the other

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hand, is limited in the types of challenges that may be brought to challenges under sections 102 or 103, based on prior art patents or printed publications. However, that second challenge can be filed almost any time after the PGR window closes. Specifically, an IPR can be filed any time after either the 9-month window for filing a PGR closes or, if a PGR is filed within that time, after the PGR review terminates. 35 U.S.C. § 311(c).

And for patents that issued under a first-to-invent priority system that are not subject to PGR review, there is no time limit on when an IPR challenge may be brought. Exposing issued patents to unlimited attacks places these patents under a permanent cloud of uncertainty, as discussed above, and exposes these patents to multiple attacks, both having the effect of weakening the value of all patents, including those issued under the first-to-file system.

The Section is concerned about the existence of an unlimited “second window” in which a challenger can bring an IPR petition to challenge an issued patent for the entire life of the patent. That continuing threat upsets business expectations and may significantly discourage investment in new technologies, especially in areas where the U.S. has traditionally led the world and on which our economy is heavily dependent. Under the present IPR process, the average patent age at the time of IPR petition filings is seven years and three months with the oldest patent approaching 18 years old. This is generally well after significant economic investment has been made by the patent owner, but well within the expectation of a return on investment. Limiting the timing of the “second window”, i.e., when an IPR challenge can be brought, and thereby encouraging challengers to rely more heavily on PGR proceedings, would encourage parties to challenge patents early. Consideration of limits to the window for filing an IPR may provide greater certainty in the value of patents and foster investment in new innovations.

In addition, adding a more rigorous standing requirement for petitioners would help improve the system. For example, limiting standing to parties meeting the requirements for standing to bring a declaratory judgment action in district court would provide a well-established legal standard for IPR standing that would ensure that petitions would be brought only when there is a cognizable controversy involving the patent. Currently, any person can challenge the validity of a patent at any time. 35 U.S.C. §§ 311, 321. This is very broad. Because anyone can challenge a patent regardless of whether they have a legitimate interest in the patent or subject technology, various patent attack entities have been formed which file frivolous IPR petitions seeking to “extort” settlement from a patent owner so that the patent owner can discharge risk, or even to allow attack entities to use IPR petitions to influence or manipulate stock prices. These challengers seek to profit by undermining investment. This is perhaps the antithesis of promoting an investment climate to support innovation. Thus, standing requirements for bringing a challenge in the second window provided by the IPR procedure should be limited. Consistent with Congress’ intent to provide an alternative to district court litigation to challenge patents, consideration should be given to providing standing requirements for IPR proceedings on a par with existing declaratory judgment jurisdictional requirements for challenging patents in federal district court.
B. Consideration of the Implementation of Consistent Evidentiary Standards

The Section urges consideration and study of a heightened evidentiary standard for IPR proceedings. Under 35 U.S.C. §§ 316(e) and 326(e), a petitioner need only establish unpatentability by a preponderance of the evidence in an IPR proceeding or a PGR proceeding. But unlike a PGR proceeding that occurs within a limited window after issuance of a patent, an IPR proceeding can occur any number of years after patent issuance. As a result, patent owners constantly face the uncertainty of an IPR proceeding at any point during the term of a patent without the benefit of a heightened standard of proof. Contrastingly, in district court litigation, a clear and convincing evidence standard attaches to the presumption of validity required under 35 U.S.C. § 282. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95, 102 (2010).

The differing evidentiary standards of an IPR proceeding and district court litigation lead to further uncertainty. Because the timing for pursuing an IPR proceeding is unbounded, an IPR proceeding, unlike a PGR proceeding, can be fully coextensive with district court litigation. Therefore, when patent owners concurrently face a patentability/validity challenge in both an IPR proceeding and district court litigation, patent owners have the added uncertainty and complication of defending against the same patentability/validity challenge under different evidentiary standards.

Uncertainties caused by IPR proceedings greatly risk stifling innovation and investment. While a patent owner may seek a stay of district court litigation, the possibility of a stay does not eliminate these uncertainties. Likewise, the limited types of patentability challenges available in an IPR proceeding fail to eliminate these uncertainties. Thus, the Section is concerned that IPR proceedings are depriving patent owners of quiet title in their patents.

A further point in favor of consistency in the evidentiary standard in IPR proceedings and the district court may be found in the statutory presumption of patent validity. That statutory presumption does not contain an exception for IPR proceedings, and thus should not be lost by patent owners during the unbounded window of availability to bring an IPR challenge. Therefore, consistent with the implementation by the courts of a clear and convincing evidence standard as a function of the presumption of validity, a possible solution for IPR proceedings would be to raise the evidentiary standard in IPR proceedings from a preponderance of the evidence to clear and convincing evidence. This might appropriately balance promoting public confidence in the validity of patents and providing a quicker, less expensive, and more efficient venue than district court litigation for eliminating invalid patents.

The Section is continuing to study the "second window" provided by current law establishing IPR proceedings as well as the evidentiary standard for such proceedings, and intends to develop more specific policy and recommendations that it can subsequently provide to the USPTO and other governmental entities.
IV. Conclusion

The Section appreciates the continuing efforts of the USPTO and the PTAB to improve AIA proceedings, and the Section welcomes the opportunity to provide our comments. AIA proceedings have fundamentally changed the patent system. It is imperative that such proceedings strike the right balance – they need to be efficient, predictable and fair to both patent owners and petitioners. If the Section can be of any further assistance in this regard, please do not hesitate to contact us.

Very truly yours,

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cc: Mr. Joseph Matal, Acting Undersecretary of Commerce for Intellectual Property and Acting Director of the U.S. Patent and Trademark Office  
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