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Office Patent Trial Practice Guide; Rule

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2011-0094]

Office Patent Trial Practice Guide

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Notice of practice guide.

SUMMARY: The Leahy-Smith America Invents Act (AIA) establishes several new trial proceedings to be conducted by the Patent Trial and Appeal Board (Board) including *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. In separate rulemakings, the United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement these provisions of the AIA that provide for the trial proceedings before the Board. The Office publishes in this notice a practice guide for the trial final rules to advise the public on the general framework of the regulations, including the structure and times for taking action in each of the new proceedings.

DATES: Effective Date: This practice guide applies to *inter partes* review, post-grant review, and covered business method patent review proceedings commencing on or after September 16, 2012, as well as derivation proceedings commencing on or after March 16, 2013.

FOR FURTHER INFORMATION CONTACT: Michael Tierney, Lead Administrative Patent Judge, Board of Patent Appeals and Interferences (will be renamed as Patent Trial and Appeal Board on September 16, 2012), by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:

Executive Summary: The patent trial regulations lay out a framework for conducting the proceedings aimed at streamlining and converging the issues for decision. In doing so, the Office's goal is to conduct proceedings in a timely, fair, and efficient manner. Further, the Office has designed the proceedings to allow each party to determine the preferred manner of putting forward its case, subject to the guidance of judges who determine the needs of a particular case through procedural and substantive rulings throughout the proceedings.

Background: The Leahy-Smith America Invents Act establishes several new trial proceedings to be conducted by the Board including: (1) *Inter partes* review (IPR); (2) post-grant review

(PGR); (3) a transitional program for covered business method patents (CBM); and (4) derivation proceedings. The AIA requires the Office to promulgate rules for the proceedings, with the PGR, IPR, and CBM rules to be in effect one year after AIA enactment and the derivation rules to be in effect 18 months after AIA enactment.

Consistent with the statute, the Office published a number of notices of proposed rulemaking in February of 2012, and requested written comments on the Office's proposed implementation of the new trial proceedings of the AIA. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules.

Additionally, the Office published a practice guide based on the proposed trial rules in the Federal Register to provide the public an opportunity to comment. *Practice Guide for Proposed Trial Rules*, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter "Practice Guide for Proposed Trial Rules" or "Office Patent Trial Practice Guide"). This Office Patent Trial Practice Guide is intended to advise the public on the general framework of the rules, including the structure and times for taking action in each of the new proceedings.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions of written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. In light of the comments, the Office has made modifications to the proposed rules to provide clarity and to balance the interests of the public, patent owners, patent challengers, and other interested parties, in light of the statutory requirements and considerations, such as the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely.

For the implementation of sections 3, 6, 7, and 18 of the AIA that are related to administrative trials and judicial review of Board decisions, the Office is publishing the following final rules in separate notices in the Federal Register: (1) *Rules of Practice for Trials before the*

Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions (RIN 0651-AC70); (2) *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents* (RIN 0651-AC71); (3) *Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention* (RIN 0651-AC75); and (4) *Changes to Implement Derivation Proceedings* (RIN 0651-AC74). The Office also provides responses to the public written comments in these final rules in the Response to Comments sections of the notices.

Further, the Office revised the Office Patent Trial Practice Guide based on the final rules. The Office has been working diligently to publish all of the final rules related to the new AIA trial proceedings and the Office Patent Trial Practice Guide in the Federal Register concurrently. Due to certain limitations, however, the Office Patent Trial Practice and the specific final rule for derivation proceedings will be published in the Federal Register after the other final rules. In particular, the specific rules for derivation, *i.e.*, §§ 42.404 through 42.412, will be published at a later date.

Statutory Requirements: The AIA provides certain minimum requirements for each of the new proceedings. Provided below is a brief overview of these requirements.

Proceedings begin with the filing of a petition to institute a trial. The petition must be filed with the Board consistent with any time period required by statute and be accompanied by the evidence the petitioner seeks to rely upon. *See, e.g.*, 35 U.S.C. 135(a) and 311(c), as amended, and § 42.3 (references to § 42.x or § 1.x refer to title 37 of the Code of Federal Regulations). For IPR, PGR, and CBM, the patent owner is afforded an opportunity to file a preliminary response. 35 U.S.C. 313, as amended, and 35 U.S.C. 323.

The Board acting on behalf of the Director may institute a trial where the petitioner establishes that the standards for instituting the requested trial are met taking into account any preliminary response filed by the patent owner. Conversely, the Board may not authorize a trial where the information presented in the petition, taking into account any patent owner preliminary response, fails to meet the requisite standard for instituting the trial. *See e.g.*, 35 U.S.C. 314, as amended, and 35 U.S.C. 324. Where there are multiple matters in the Office involving the same patent, the Board may determine how

the proceedings will proceed, including providing for a stay, transfer, consolidation, or termination of any such matter. *See, e.g.*, 35 U.S.C. 315, as amended, and 35 U.S.C. 325.

The AIA requires that the Board conduct AIA trials and that the Director prescribe regulations concerning the conduct of those trials. 35 U.S.C. 6, 135, and 316, as amended, and 35 U.S.C. 326. For example, for IPR, PGR, and CBM, the AIA mandates the promulgation of rules including motions to seal, procedures for filing supplemental information, standards and procedures for discovery, sanctions for improper use of the proceeding, entry of protective orders, and oral hearings. *See, e.g.*, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326. Additionally, the AIA mandates the promulgation of rules for IPR, PGR, and CBM concerning the submission of a patent owner response with supporting evidence and allowing the patent owner a motion to amend the patent. *Id.*

A petitioner and a patent owner may terminate the proceeding with respect to the petitioner by filing a written agreement with the Board, unless the Board has already decided the merits of the proceeding before the request for termination is filed. *See, e.g.*, 35 U.S.C. 317, as amended, and 35 U.S.C. 327. If no petitioner remains in the proceeding, the Board may terminate the review or proceed to a final written decision. For derivation proceedings, the parties may arbitrate issues in the proceeding, but nothing precludes the Office from determining the patentability of the claimed inventions involved in the

proceeding. 35 U.S.C. 135, as amended. Where a trial has been instituted and not dismissed, the Board will issue a final written decision with respect to the involved patent and/or applications. 35 U.S.C. 135 and 35 U.S.C. 318, as amended, and 35 U.S.C. 328.

For IPR, PGR, and CBM, the AIA requires that the Office consider the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete the proceedings. 35 U.S.C. 316, as amended, and 35 U.S.C. 326. In developing the general trial rules, as well as the specific rules for the individual proceedings, the Office has taken these considerations into account. Further, the specific rules for the individual proceedings take into account the jurisdictional and timing requirements for the particular proceedings.

General Overview of Proceedings:

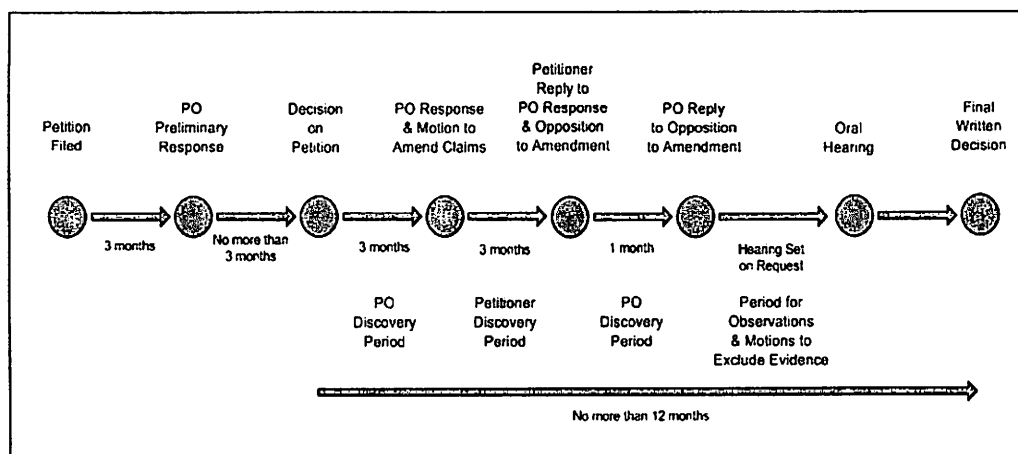
Generally, the proceedings begin with the filing of a petition that identifies all of the claims challenged and the grounds and supporting evidence on a claim-by-claim basis. Within three months of notification of a filing date, the patent owner in an IPR, PGR, or CBM proceeding may file a preliminary response to the petition, including a simple statement that the patent owner elects not to respond to the petition. The Board acting on behalf of the Director will determine whether to institute a trial within three months of the date the patent owner's preliminary response was due or was filed, whichever is first.

In instituting a trial, the Board will narrow the issues for final decision by

authorizing the trial to proceed only on the challenged claims for which the threshold standards for the proceeding have been met. Further, the Board will identify, on a claim-by-claim basis, the grounds on which the trial will proceed. Any claim or issue not included in the authorization for review will not be part of the trial. A party dissatisfied with the Board's determination to institute a trial may request rehearing as to points believed to have been overlooked or misapprehended. *See* § 42.71(d) and (c).

The Board will enter a Scheduling Order (Appendix A) concurrent with the decision to institute a trial. The Scheduling Order will set due dates for the trial taking into account the complexity of the proceeding but ensuring that the trial is completed within one year of institution.

For example, a Scheduling Order for an IPR or PGR might, consistent with §§ 42.120 and 42.220, provide a three month deadline for patent owner discovery and for filing a patent owner response and motion to amend. Once the patent owner's response and motion to amend have been filed, the Scheduling Order might provide the petitioner with three months for discovery and for filing a petitioner's reply to the response and the petitioner's opposition to the amendment. The Scheduling Order might then provide the patent owner with one month for discovery and for filing a patent owner reply to petitioner's opposition to a patent owner amendment. A representative timeline is provided below:



Sequence of discovery. Once instituted, absent special circumstances, discovery will proceed in a sequenced fashion. For example, the patent owner

may begin deposing the petitioner's declarants once the proceeding is instituted. After the patent owner has filed a patent owner response and any

motion to amend the claims, the petitioner may depose the patent owner's declarants. Similarly, after the petitioner has filed a reply to the patent

owner's response and an opposition to an amendment, the patent owner may depose the petitioner's declarants and file a reply in support of its claim amendments. Where the patent owner relies upon new declaration evidence in support of its amendments, the petitioner will be authorized to depose the declarants and submit observations on the deposition. Once the time for taking discovery in the trial has ended, the parties will be authorized to file motions to exclude evidence believed to be inadmissible. Admissibility of evidence is generally governed by the Federal Rules of Evidence.

Sequence of filing responses and motions. An initial conference call will be held about one month from the date of institution to discuss the motions that the parties intend to file and to determine if any adjustment needs to be made to the Scheduling Order. The patent owner may file a patent owner's response and/or a motion to amend the claims by the time set in the Scheduling Order. The petitioner will then file a reply to the patent owner's response and any opposition to the patent owner's amendment. Both parties will then be permitted an opportunity to file motions to exclude an opponent's evidence believed to be inadmissible. After all motions have been filed, the parties will be afforded an opportunity to have an oral argument at the Board.

Summary of the Rules: The following is a general summary of the rules for the proceedings.

I. General Procedures

The rules are to be construed so as to ensure the just, speedy, and inexpensive resolution of a proceeding and, where appropriate, the rules may be modified to accomplish these goals. § 42.1(b); § 42.5(a) and (b).

A. Jurisdiction and Management of the Record

1. **Jurisdiction:** 35 U.S.C. 6(b), as amended, provides that the Board is to conduct derivation proceedings, *inter partes* reviews, and post-grant reviews. The Board also conducts the transitional program for covered business method reviews, which are subject to Board review under 35 U.S.C. 6(b), as amended, 35 U.S.C. 326(c), and Public Law 112-29, section 18. The Board therefore will have exclusive jurisdiction within the Office over every application and patent that is involved in a derivation, IPR, PGR, or CBM proceeding. *Ex parte* reexamination proceedings and *inter partes* reexamination proceedings are not "involved" patents (as defined in § 42.2) in derivation, IPR, PGR, and CBM

proceedings and are thus treated separately except as ordered by the Board.

2. **Prohibition on Ex Parte Communications:** All substantive communications with the Board regarding a proceeding must include all parties to the proceeding, except as otherwise authorized. § 42.5(d). The prohibition on *ex parte* communications does not extend to: (1) Ministerial communications with support staff (for instance, to arrange a conference call); (2) conference calls or hearings in which opposing counsel declines to participate; (3) informing the Board in one proceeding of the existence or status of a related Board proceeding; or (4) reference to a pending case in support of a general proposition (for instance, citing a published opinion from a pending case or referring to a pending case to illustrate a systemic problem).

Arranging a conference call with the Board. The Board encourages the use of conference calls to raise and resolve issues in an expedited manner. The Board envisions that most of the procedural issues arising during a proceeding will be handled during a conference call or shortly thereafter, *i.e.*, in a matter of days. When arranging a conference call, parties should be prepared to discuss with a Trial Section paralegal why the call is needed and what materials may be needed during the call, *e.g.*, a particular exhibit.

Refusal to participate. The Board has the discretion to permit a hearing or conference call to take place even if a party refuses to participate. In such cases, the Board may order as a condition for the call additional safeguards, such as the recording of the communication and the entry of the recording into the record.

B. Counsel

Need for lead and back-up counsel. A party represented by counsel must designate both a lead as well as a back-up counsel who can conduct business on behalf of the lead counsel, as instances may arise where lead counsel may be unavailable. § 42.10(a).

Power of attorney. A power of attorney must be filed with the designation of counsel, unless the designated counsel is already counsel of record. § 42.10(b).

Pro hac vice. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, and subject to the requirement that lead counsel is a registered practitioner. § 42.10(c). The Board may impose other considerations as well. *Id.* Proceedings before the Office can be technically complex. For example, it is

expected that amendments to a patent will be sought. The grant of a motion to appear *pro hac vice* is a discretionary action taking into account the specifics of the proceedings. Similarly, the revocation of *pro hac vice* is a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Rules of Professional Conduct, and incivility.

The Office expects that lead counsel will, and back-up counsel may, participate in all hearings and conference calls with the Board and will sign all papers submitted in the proceeding. In addition, the role of back-up counsel is to conduct business with the Office on behalf of lead counsel when lead counsel is not available. Actions not conducted before the Office (*e.g.*, taking of deposition) may be conducted by lead or back-up counsel.

C. Electronic Filing

Electronic filing is the default manner in which documents are to be filed with the Board. § 42.6(b). Electronic filing of legal documents is being implemented across the country in state and federal courts. The use of electronic filing aids in the efficient administration of the proceeding, improves public accessibility, and provides a more effective document management system for the Office and parties. The manner of submission will be established by the Board. The Board will publish electronic submission information on its Web site (www.uspto.gov/PTAB) in August of 2012. Due to system constraints, no single uploaded file may exceed 250 megabytes in size.

Paper filing may be used where appropriate, but must be accompanied by a motion explaining the need for non-electronic filing. § 42.6(b). Based upon experience with contested cases, the Board does not expect to receive many requests to file paper submissions. Circumstances where a paper filing may be warranted include those occasions where the Office's electronic filing system is unable to accept filings. Alternatively, if a problem with electronic filing arises during normal business hours, a party may contact the Board and request a one-day extension of time for due dates that are set by rule or orders of the Board. § 42.5. In the unlikely event that an administrative patent judge is not available to rule on the extension, the Board may grant an extension the day after the paper is due, which includes situations where electronic filing problems are shown to have occurred.

D. Mandatory Notices

The rules require that parties to a proceeding provide certain mandatory notices, including identification of the real parties-in-interest, related matters, lead and back-up counsel, and service information. § 42.8. Where there is a change of information, a party must file a revised notice within 21 days of the change. § 42.8(a)(3).

1. *Real Party-in-Interest or Privy*: The core functions of the “real party-in-interest” and “privies” requirement to assist members of the Board in identifying potential conflicts, and to assure proper application of the statutory estoppel provisions. The latter, in turn, seeks to protect patent owners from harassment via successive petitions by the same or related parties, to prevent parties from having a “second bite at the apple,” and to protect the integrity of both the USPTO and Federal Courts by assuring that all issues are promptly raised and vetted. *Cf.* Fed. R. Civ. P. 17(a) (Advisory Committee Note to 1966 Amendment to Rule 17(a)) (“[T]he modern function of the rule in its negative aspect is simply to protect the defendant against a subsequent action by the party actually entitled to recover, and to insure generally that the judgment will have its proper effect as *res judicata*.”). The USPTO will apply traditional common-law principles with these goals in mind and parties will be well-served to factor in these considerations when determining whom to identify.

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a “real party-in-interest” or “privy” to that proceeding is a highly fact-dependent question. *See generally Taylor v. Sturgell*, 553 U.S. 880 (2008); 18A Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice & Procedure* §§ 4449, 4451 (2d ed. 2011) (hereinafter “Wright & Miller”). Such questions will be handled by the Office on a case-by-case basis taking into consideration how courts have viewed the terms “real party-in-interest” and “privy.” *See, e.g., Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). Courts invoke the terms “real party-in-interest” and “privy” to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion. Accordingly, courts have avoided rigid definitions or recitation of necessary factors. Similarly, multiple Federal Rules invoke the terms without attempting to

define them or what factors trigger their application. *See, e.g., Fed. R. Civ. P. 17; Fed. Cir. R. 47.4.*

The typical common-law expression of the “real party-in-interest” (the party “who, according to the governing substantive law, is entitled to enforce the right”) does not fit directly into the AIA trial context. *See* 6A Charles Alan Wright, Arthur R. Miller, Mary Kay Kane, & Richard L. Marcus, *Federal Practice & Procedure Civil* section 1543 (3d ed. 2011) (discussing Fed. R. Civ. P. 17). That notion reflects standing concepts, but no such requirement exists in the IPR or PGR context, although it exists in the CBM context. In an IPR or PGR proceeding, there is no “right” being enforced since any entity (other than the patent owner) may file an IPR or PGR petition. However, the spirit of that formulation as to IPR and PGR proceedings means that, at a general level, the “real party-in-interest” is the party that desires review of the patent. Thus, the “real party-in-interest” may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed. In this regard, the Office’s prior application of similar principles in the *inter partes* reexamination context offers additional guidance. *See generally In re Guan et al. Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008). Similar considerations apply to CBM proceedings, although the statute governing those proceedings also requires that the party seeking the proceeding, or its real party-in-interest or privy, have been sued for infringing the subject patent, or been charged with infringement under that patent.

The notion of “privy” is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a “real party-in-interest.” The Office intends to evaluate what parties constitute “privies” in a manner consistent with the flexible and equitable considerations established under federal caselaw. Ultimately, that analysis seeks to determine whether the relationship between the purported “privy” and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels. This approach is consistent with the legislative history of the AIA, which indicates that Congress included “privies” within the parties subject to the statutory estoppel provisions in an effort to capture “the doctrine’s practical and equitable nature,” in a manner akin to collateral estoppel. In that regard, the legislative history endorsed the expression of “privy” as follows:

The word “privy” has acquired an expanded meaning. The courts, in the interest of justice and to prevent expensive litigation, are striving to give effect to judgments by extending “privies” beyond the classical description. The emphasis is not on the concept of identity of parties, but on the practical situation. Privy is essentially a shorthand statement that collateral estoppel is to be applied in a given case; there is no universally applicable definition of privy. The concept refers to a relationship between the party to be estopped and the unsuccessful party in the prior litigation which is sufficiently close so as to justify application of the doctrine of collateral estoppel.

154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (citing *Cal. Physicians’ Serv. v. Aoki Diabetes Research Inst.*, 163 Cal.App.4th 1506 (Cal. App. 2008)); *see also* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (incorporating prior 2008 statement). Subsequent legislative history expanded on the prior discussion of “privy” by noting that “privy is an equitable rule that takes into account the ‘practical situation,’ and should extend to parties to transactions and other activities relating to the property in question.” 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

There are multiple factors relevant to the question of whether a non-party may be recognized as a “real party-in-interest” or “privy.” *See, e.g., Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding. *See, e.g., id.* at 895; *see generally* Wright & Miller section 4451. The concept of control generally means that “it should be enough that the nonparty has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” Wright & Miller § 4451. Courts and commentators agree, however, that there is no “bright-line test” for determining the necessary quantity or degree of participation to qualify as a “real party-in-interest” or “privy” based on the control concept. *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994). *See also* Wright & Miller section 4451 (“The measure of control by a nonparty that justifies preclusion cannot be defined rigidly.”). Accordingly, the rules do not enumerate particular factors regarding a “control” theory of “real party-in-interest” or “privy” under the statute.

Additionally, many of the same considerations that apply in the context of “*res judicata*” will likely apply in the

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