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37 CFR Parts 1, 42 and 90

Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions; Final Rule

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Parts 1, 42 and 90

[Docket No. PTO–P–2011–0082]

RIN 0651–AC70

Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: The United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement the provisions of the Leahy-Smith America Invents Act (''AIA'') that provide for trials before the Patent Trial and Appeal Board (Board). This final rule provides a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. This final rule also provides a consolidated set of rules to implement the provisions of the AIA related to seeking judicial review of Board decisions.

DATES: *Effective Date:* The changes in this final rule take effect on September 16, 2012.

FOR FURTHER INFORMATION CONTACT: Michael P. Tierney, Lead Administrative Patent Judge, Scott R. Boalick, Lead Administrative Patent Judge, Robert A. Clarke, Administrative Patent Judge, Joni Y. Chang, Administrative Patent Judge, Thomas L. Giannetti, Administrative Patent Judge, Board of Patent Appeals and Interferences, by telephone at (571) 272–9797.

SUPPLEMENTARY INFORMATION: *Executive Summary: Purpose:* On September 16, 2011, the AIA was enacted into law (Pub. L. 112–29, 125 Stat. 284 (2011)). The purpose of the AIA and this final rule is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. The preamble of this notice sets forth in detail the procedures by which the Board will conduct trial proceedings. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, the rulemaking process is designed to ensure the integrity of the trial procedures. *See* 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). This final rule provides a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. *See* 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b).

Summary of Major Provisions: Consistent with sections 3, 6, 7, and 18 of the AIA, this final rule sets forth: (1) The evidentiary standards, procedure, and default times for conducting trial proceedings; (2) the fees for requesting reviews; (3) the procedure for petition and motion practice; (4) the page limits for petitions, motions, oppositions, and replies; (5) the standards and procedures for discovery of relevant evidence, including the procedure for taking and compelling testimony; (6) the sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding; (7) the procedure for requesting oral hearings; (8) the procedure for requesting rehearing of decisions and filing appeals; (9) the procedure for requesting joinder; and (10) the procedure to make file records available to the public that include the procedures for motions to seal, protective orders for confidential information, and requests to treat settlement as business confidential information.

Costs and Benefits: This rulemaking is *not* economically significant, but is significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

Background: To implement the changes set forth in sections 3, 6, 7, and 18 of the AIA that are related to administrative trials and judicial review of Board decisions, the Office published the following notices of proposed rulemaking: (1) *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,* 77 FR 6879 (Feb. 9, 2012), to provide a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, derivation proceedings, and the transitional program for covered business method patents, and judicial review of Board decisions by adding new parts 42 and 90 including a new subpart A to title 37 of the Code of Federal Regulations (RIN 0651–AC70); (2) *Changes to Implement Inter Partes Review Proceedings,* 77 FR 7041 (Feb. 10, 2012), to provide rules specific to *inter partes* review by adding a new subpart B to 37 CFR part 42 (RIN 0651–AC71); (3) *Changes to Implement Post-Grant Review Proceedings,* 77 FR 7060 (Feb. 10, 2012), to provide rules specific to post-grant review by adding a new subpart C to 37 CFR part 42 (RIN 0651–AC72); (4) *Changes to Implement Transitional Program for Covered Business Method Patents,* 77 FR 7080 (Feb. 10, 2012), to provide rules specific to the transitional program for covered business method patents by adding a new subpart D to 37 CFR part 42 (RIN 0651–AC73); (5) *Transitional Program for Covered Business Method Patents—Definition of Technological Invention,* 77 FR 7095 (Feb. 10, 2012), to add a new rule that sets forth the definition of technological invention for determining whether a patent is for a technological invention solely for purposes of the transitional program for covered business method patents (RIN 0651–AC75); and (6) *Changes to Implement Derivation Proceedings,* 77 FR 7028 (Feb. 10, 2012), to provide rules specific to derivation proceedings by adding a new subpart E to 37 CFR part 42 (RIN 0651–AC74).

Additionally, the Office published a Patent Trial Practice Guide for the proposed 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) (''Practice Guide'' or ''Office Patent Trial Practice Guide''). The Office envisions publishing a revised Patent Trial Practice Guide for the final rules. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules for the implementation of AIA.

In response to the notices of proposed rulemaking and the Office Patent Trial Practice Guide notice, the Office received 251 submissions offering 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. The Office's responses to the comments are provided in the 228 separate responses based on the topics raised in the 251 comments in the Response to Comments section *infra.*

In light of the comments, the Office has made appropriate modifications to the proposed rules to provide clarity and to take into account the interests of the public, patent owners, patent challengers, and other interested parties, with the statutory requirements and considerations, such as the effect of the regulations on the economy, the

Response: Section 42.70 does not set a time for oral argument. The time allocated for oral argument will be set by the Board on a case-by-case basis according to the individual circumstances of the case. When a party requests an oral argument, the party may recommend a time to be allocated for the oral argument and may provide additional reasons in support of the recommendation. The Board will take recommendations into consideration when setting the time allocated for oral argument.

Decision on Petitions or Motions (§ 42.71)

Comment 196: A few comments suggested that proposed § 42.2 or 42.71 should be revised to indicate that a panel, rather than a single Board member, has the authority to decide petitions and motions because 35 U.S.C. 6(c) requires that each *inter partes* review and post-grant review be heard by at least three members of the Board.

Response: The Office agrees that final written decisions under 35 U.S.C. 135(d) and 318(a), as amended and 35 U.S.C. 328(a) will be entered by a panel. For clarification, § 42.2, as adopted in this final rule, provides that, for final written decisions under 35 U.S.C. 135(d) and 318(a), as amended, and 35 U.S.C. 328(a), ''Board'' means a panel of the Board. As to other decisions in a trial proceeding, however, the AIA does not require a panel to decide petitions to institute a trial or motions. Further, 35 U.S.C. 135(a) and 314, as amended, and 35 U.S.C. 324 provide that the Director shall determine whether to institute a derivation proceeding, *inter partes* review, and post-grant review, respectively. Additionally, 35 U.S.C. 6(b)(3) and (4) provide that the Board shall conduct derivation proceedings, *inter partes* reviews, and post-grant reviews. The authorities to determine whether to institute a trial and conduct a trial have been delegated to a Board member or employee acting with the authority of the Board. As such, § 42.2, as adopted in this final rule, also provides that, for petition decisions and interlocutory decisions, ''Board'' means a Board member or employee acting with the authority of the Board.

Comment 197: One comment suggested that the standard of review for a rehearing of a non-panel decision should be *de novo* because 35 U.S.C. 6(c) requires that each *inter partes* review and post-grant review be heard by at least three members of the Board, and thereby no deference should be accorded. But, several other comments were in favor of the standard of review set forth in proposed § 42.71(c).

Response: As discussed previously, the AIA does not require a panel to decide petitions to institute a trial or motions. The authorities to determine whether to institute a trial and conduct a trial have been delegated to a Board member or employee acting with the authority of the Board. Moreover, 35 U.S.C. 135(a) and 314(d), as amended, and 35 U.S.C. 324(e) provide that the determination by the Director whether to institute a derivation proceeding, *inter partes* review, or post-grant review shall be final and nonappealable. Further, 35 U.S.C. 6(c) provides that only the Board may grant rehearings. Therefore, the *de novo* standard for rehearing a non-panel decision in a trial before the Office is not required.

Comment 198: A few comments requested clarification on requests for rehearing of a decision not to institute a review, and suggested that a rehearing of such a decision should be decided by a different administrative patent judge or panel that includes at least the Chief Administrative Patent Judge. One comment requested clarification on requests for rehearing of a decision to institute a review on some of the proposed grounds of unpatentability, but not all, and suggested a rule that would provide for rehearings and appeals of such a decision. Another comment requested clarification on whether a decision not to institute is a final and non-appealable decision.

Response: In view of the comments, the Office added a paragraph to the rule for petition decisions to clarify that a party may request a rehearing of a petition decision, but the decision is nonappealable. § 42.71(c) and (d). A decision to institute (including a decision that denies a ground of unpatentability) is a nonfinal decision. A request for rehearing a decision to institute, thus, must be filed within 14 days of the entry of the decision. In contrast, a decision not to institute is a final decision, and therefore a request for rehearing such a decision must be filed within 30 days of the decision. When rehearing a petition decision, the Office envisions that the decision will typically be reviewed by a panel of at least three administrative patent judges that may include the Chief Administrative Patent Judge. Under 35 U.S.C. 135(a) and 314(d), as amended, and 35 U.S.C. 324(e), a determination of whether to institute a review is final and nonappealable to the Federal Courts.

Comment 199: Two comments suggested that a request for rehearing of a panel decision should be decided by a panel having at least one member not on the original panel that rendered the decision. One comment requested clarification whether a request for rehearing is required. Other comments were in support of the rehearing practice.

Response: A request for rehearing of a panel decision may be decided by the same panel that entered the original decision. The Office envisions that the Board's rehearing practice for proceedings under part 42 will be consistent with the current Board practice used for appeals arising from original patent applications, reissue applications, *ex parte* reexamination, *inter partes* reexamination, as well as rehearing practice used in interference proceedings, and other contested cases.

Comment 200: One comment stated that the Office should set time frames for decisions on motions.

Response: Sections 42.100(c) and 42.200(c) provide that an *inter partes* review, post-grant review, or covered business method review shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge. As such, the Board will decide motions filed in an *inter partes* review, post-grant review, or covered business method review and provide a final written decision consistent with the time periods set forth in §§ 42.100(c) and 42.200(c).

Comment 201: One comment suggested that interlocutory decisions of an individual administrative patent judge should be merged automatically into the final decision and judgment of the panel.

Response: Interlocutory decisions generally are related to procedural matters (*e.g.,* whether to recognize counsel *pro hac vice*), and thereby should not necessarily be included in a final written decision on the patentability of the involved claims. In appropriate situations, the Board may incorporate an interlocutory decision into a final written decision.

Comment 202: One comment recommended that a section on the ''final written decision'' be added to the rules.

Response: Judgment is defined as a final written decision by the Board or a termination of a proceeding (§ 42.2) and is provided for in § 42.73.

Comment 203: One comment strongly agreed that the Board's decision not to institute a review should include a statement as to why the requirements were not met.

Response: The Office appreciates the comment. The Office envisions that decisions not to institute a review will

(2) The request must be filed as provided in § 104.2 of this title.

Dated: July 16, 2012.

David J. Kappos,

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

[FR Doc. 2012–17900 Filed 8–13–12; 8:45 am]

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