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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 13879 (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

integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely. The Office has decided to proceed with several separate final rules 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. This final rule adopts the proposed changes, with modifications, set forth in the *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).

Differences Between the Final Rule and the Proposed Rule

The major differences between the rules as adopted in this final rule and the proposed rules are as follows:

The final rule clarifies that the term “Board” also means “a Board member or employee acting with the authority of the Board” for petition decisions and interlocutory decisions, and it means “a panel of the Board” for final written decisions under 35 U.S.C. 135(d) and 318(a), as amended, and 35 U.S.C. 328(a) (§ 42.2).

With respect to the mode of service, the final rule clarifies that service may be made electronically upon agreement of the parties, or otherwise, by EXPRESS MAIL® or means at least as fast and reliable as EXPRESS MAIL® (§ 42.6(e)).

As to mandatory notices, the requirement for filing the notices as separate papers has been eliminated (§ 42.8(b)).

With respect to recognizing counsel *pro hac vice*, the final rule specifies that the Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to the condition that lead counsel be a registered practitioner and to any other conditions as the Board may impose (§ 42.10(c)). The final rule further provides an example to clarify that, where the lead counsel is a registered practitioner, a motion for appearance, *pro hac vice*, by counsel who is not a registered practitioner may be granted upon showing that counsel is an experienced litigating attorney and has an established familiarity with the subject matter at issue in the proceeding (§ 42.10(c)).

In addition, the final rule clarifies that parties and individuals involved in the proceeding, as opposed to those merely “associated with the parties,” have a duty of candor and good faith to the Office during the course of a proceeding (§ 42.11).

As to citations of authority, the final rule eliminates the requirements for

citing decisions to the United States Reports and the West Reporter System (§ 42.13). Instead, the final rule expresses a preference for these sources.

While this final rule adopts the proposed base fees for petitions challenging 20 claims or fewer, the final rule eliminates the fee escalation in block increments of ten claims by establishing flat fees per each challenged claim in excess of 20 claims for *inter partes* reviews, post-grant reviews, and covered business method patent reviews (§ 42.15(a) and (b)). In a separate rulemaking in which the Office proposes to set and adjust fees pursuant to section 10 of the AIA, the Office is proposing a limited subsidization of the petition fees, and a staged fee structure, which would permit a refund of a portion of the petition fees in cases where a review is not instituted.

This final rule also clarifies that the excess claims fees set forth in 35 U.S.C. 41(a)(2) are required where a motion to amend presents a certain number of additional claims (§ 42.15(e) and (f)).

As to the proposed page limits, the final rule increases the proposed page limits by ten pages for petitions, patent owner preliminary responses, and patent owner responses (§ 42.24), eliminates the requirement of presenting claim charts in double spacing (§ 42.6(a)(2)(iii)), and eliminates the requirement for a statement of material facts with respect to petitions and motions (§ 42.22). These collective modifications will permit parties to have greater flexibility in presenting their cases and in responding to petitions and motions.

As to discovery provisions, the final rule clarifies that the parties may agree to additional discovery between themselves without prior authorization from the Board (§ 42.51(b)(2)). Likewise, the final rule additionally provides where the parties agree to mandatory discovery requiring initial disclosures, parties may automatically, upon the institution, take discovery of the information identified in the initial disclosures (§ 42.51(a)(1)). In this regard, the final rule also provides that where the parties fail to agree, a party may seek the mandatory discovery of the initial disclosures by motion (§ 42.51(a)(2)).

As to routine discovery, the final rule eliminates the requirement to explain the relevance of the information that is inconsistent with a position advanced by the party, and eliminates the noncumulative requirement (proposed § 42.51(b)(3)). The final rule further limits the scope to relevant information, as opposed to any noncumulative information, that is inconsistent with a position advanced by the party during

the proceeding (§ 42.51(b)(1)(iii)), previously proposed § 42.51(b)(3)). In that regard, the final rule also tailors the scope by stating expressly that the requirement does not make discoverable anything otherwise protected by legally recognized privileges, and the requirement only extends to inventors, corporate officers, and persons involved in the preparation or filing of the documents (§ 42.51(b)(1)(iii)). The final rule further clarifies that the party must serve, rather than file, the relevant information (§ 42.51(b)(1)(iii)).

Additionally, the final rule provides the parties the flexibility to agree on the service of exhibits (§ 42.51(b)(1)(i)). The final rule also provides a new provision for production of documents (§ 42.51(c)).

As to the taking of testimony, the final rule permits parties to agree, without prior authorization of the Board, to video recording testimony (§ 42.53(a)), and taking un compelled deposition testimony outside the United States (§ 42.53(b)(3)). The final rule provides the default time limits for direct examination, cross-examination, and redirect examination for compelled deposition testimony, as well as cross-examination, redirect examination, and re-cross examination for un compelled direct deposition testimony (§ 42.53(c)). In the case of direct deposition testimony, the final rule clarifies that if there is no conference with the Board, the party seeking the direct testimony must serve the required information and documents at least ten days prior to the deposition (§ 42.53(d)(3)). The final rule provides a new provision for an additional party seeking to take direct testimony of a third party witness (§ 42.53(b)(5)(iv)). As to admissibility of evidence, the final rule eliminates the provision for motions in limine (proposed § 42.64(d)).

As to protective orders governing the exchange and submission of confidential information, the final rule clarifies that either the petitioner or patent owner may file a motion to seal containing a proposed protective order, such as the default protective order set forth in the Office Patent Trial Practice Guide (§ 42.54(a)). Similarly, the final rule clarifies that confidential information in a petition may be accessed by the patent owner prior to the institution by: (1) Agreeing to the terms of the protective order requested by the petitioner, (2) agreeing to the terms of a protective order that the parties file jointly, or (3) obtaining entry of a protective order by the Board (§ 42.55).

Regarding decisions by the Board, the final rule clarifies that while decisions

on whether to institute a trial (including decisions not to institute a trial and decisions to institute a trial based on one or some of the grounds of unpatentability asserted in the petition) are final and nonappealable to the Federal courts, a party may request a rehearing before the Board (§§ 42.71(c) and (d)). The final rule also clarifies that a judgment includes a final written decision by the Board, or a termination of a proceeding (§ 42.2). Additionally, the final clarifies that a judgment, except in the case of a termination, disposes all issues that were, or by motion reasonably could have been, raised and decided (§ 42.73(a)).

As to the estoppel provisions, the final rule clarifies that a petitioner who has not settled, or the real party in interest or privy of such petitioner, is estopped in the Office from requesting or maintaining a proceeding with respect to a claim for which it has obtained a final written decision on patentability in an *inter partes* review, post-grant review, or a covered business method patent review on any ground that the petitioner raised or reasonably could have raised during the trial (§ 42.73(d)(1)). Further, the final rule tailors the provisions to provide that a patent applicant or patent owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent: (1) A claim that is not patentably distinct from the finally refused or cancelled claim; and (2) an amendment of a specification or drawing that was denied during the trial (§ 42.73(d)(3)). In this regard, the final rule also eliminates the provision precluding obtaining a patent for a claim that could have been filed (proposed § 42.73(d)(3)(ii)).

Discussion of Relevant Provisions of the AIA:

This final rule refers to the rules in subparts B through E of part 42 set forth in other final rules (RIN 0651-AC71, RIN 0651-AC74, and RIN 0651-AC75). Moreover, rather than repeating the statutory provisions set forth in the AIA for the implementation of *inter partes* review, post-grant review, transitional program covered business method patents, and derivation that are provided in the other final rules, the instant final rule only summarizes the provisions related to the Board and judicial review of Board decisions that are not provided in the other final rules and provides the general framework for conducting trials.

Patent Trial and Appeal Board

Section 7 of the AIA amends 35 U.S.C. 6 and provides for the

constitution and duties of the Patent Trial and Appeal Board. 35 U.S.C. 6(a), as amended, provides that the Patent Trial and Appeal Board members will include the Director, Deputy Director, Commissioner for Patents, Commissioner for Trademarks, and administrative patent judges. 35 U.S.C. 6(a), as amended, further provides that “administrative patent judges shall be persons of competent legal knowledge and scientific ability and are appointed by the Secretary, in consultation with the Director.” 35 U.S.C. 6(b), as amended, specifies that the duties of the Patent Trial and Appeal Board are to: (1) Review adverse decisions of examiners in patent applications; (2) review appeals of reexaminations pursuant to 35 U.S.C. 134(b); (3) conduct derivation proceedings pursuant to 35 U.S.C. 135, as amended; and (4) conduct *inter partes* reviews and post-grant reviews pursuant to chapters 31 and 32 of title 35, United States Code. Further, section 7 of the AIA amends 35 U.S.C. 6 by adding paragraphs (c) and (d). New paragraph (c) of 35 U.S.C. 6 provides that each appeal, derivation proceeding, post-grant review including covered business method patent review, and *inter partes* review shall be heard by at least three members of the Board, who shall be designated by the Director.

Judicial Review of Patent Trial and Appeal Board Decisions

The AIA amends title 35, United States Code, to provide for certain changes to the provisions for judicial review of Board decisions, such as amending 35 U.S.C. 134, 141, 145, 146, and 306 to change the Board’s name to “Patent Trial and Appeal Board” and to provide for judicial review of the final decisions of the Board in *inter partes* reviews, post-grant reviews, covered business method patent reviews, and derivation proceedings. The AIA also revises the provisions related to filing an appeal or commencing a civil action in interferences under 35 U.S.C. 141 or 146, respectively.

In particular, section 3(j) of the AIA eliminates references to interferences. Section 3(j)(1) of the AIA amends each of 35 U.S.C. 145 and 146 by striking the phrase “Board of Patent Appeals and Interferences” each place it appears and inserting “Patent Trial and Appeal Board.” Section 3(j)(2)(A) of the AIA amends 35 U.S.C. 146 by: (i) striking “an interference” and inserting “a derivation proceeding”; and (ii) striking “the interference” and inserting “the derivation proceeding.” Section 3(j)(3) of the AIA amends the section heading for 35 U.S.C. 134 to read as follows: “§ 134. Appeal to the Patent Trial and

Appeal Board.” Section 3(j)(4) of the AIA amends the section heading for 35 U.S.C. 146 to read as follows: “§ 146. Civil action in case of derivation proceeding.” Section 3(j)(6) of the AIA amends the item relating to 35 U.S.C. 146 in the table of sections for chapter 13 of title 35, United States Code, to read as follows: “146. Civil action in case of derivation proceeding.”

Section 6(f)(3)(C) of the AIA provides that the authorization to appeal or have remedy from derivation proceedings in 35 U.S.C. 141(d) and 35 U.S.C. 146, as amended, and the jurisdiction to entertain appeals from derivation proceedings under 28 U.S.C. 1295(a)(4)(A), as amended, shall be deemed to extend to any final decision in an interference that is commenced before the effective date (the date that is one year after the enactment date) and that is not dismissed pursuant to section 6(f)(3)(A) of the AIA.

Section 6(h)(2)(A) of the AIA amends 35 U.S.C. 306 by striking “145” and inserting “144.”

Section 7(c)(1) of the AIA amends 35 U.S.C. 141, entitled “Appeal to Court of Appeals for the Federal Circuit.” 35 U.S.C. 141(a), as amended, provides that an applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under 35 U.S.C. 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141(a), as amended, further provides that, by filing an appeal to the United States Court of Appeals for the Federal Circuit, the applicant waives his or her right to proceed under 35 U.S.C. 145.

Section 7(c)(1) of the AIA amends 35 U.S.C. 141(b) to make clear that a patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under 35 U.S.C. 134(b) may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.

Section 7(c)(1) of the AIA amends 35 U.S.C. 141(c) to provide that a party to an *inter partes* review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 318(a), as amended, or 35 U.S.C. 328(a) may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.

Section 7(c)(1) of the AIA amends 35 U.S.C. 141(d) to provide that a party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal

shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with 35 U.S.C. 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in 35 U.S.C. 146, as amended. 35 U.S.C. 141(d), as amended, also provides that if the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under 35 U.S.C. 146, the Board's decision shall govern the further proceedings in the case.

Section 7(c)(2) of the AIA amends 28 U.S.C. 1295(a)(4)(A) to read as follows:

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or *inter partes* review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

Section 7(c)(3) of the AIA amends 35 U.S.C. 143 by striking the third sentence and inserting the following:

In an *ex parte* case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an *inter partes* or post-grant review under chapter 31 or 32.

Section 7(c)(3) of the AIA further amends 35 U.S.C. 143 by striking the last sentence.

Section 7(e) of the AIA provides that the amendments made by section 7 of the AIA shall take effect upon the expiration of the one-year period beginning on the date of the enactment of the AIA and shall apply to proceedings commenced on or after that effective date, with the following exceptions. First, the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by section 7(c)(2) shall be deemed to take effect on the date of the enactment of the AIA and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered

before, on, or after the date of the enactment of this Act. Second, the provisions of 35 U.S.C. 6, 134, and 141, in effect on the day before the effective date of the amendments made by section 7 of the AIA shall continue to apply to *inter partes* reexaminations requested under 35 U.S.C. 311 before such effective date. Third, the Patent Trial and Appeal Board may be deemed to be the Board of Patent Appeals and Interferences for purposes of appeals of *inter partes* reexaminations requested under 35 U.S.C. 311 before the effective date of the amendments made by section 7 of the AIA. And finally, the Director's right under the fourth sentence of 35 U.S.C. 143, as amended by section 7(c)(3) of the AIA, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to *inter partes* reexaminations requested under 35 U.S.C. 311 before the effective date of the amendments made by section 7 of the AIA.

Section 9(a) of the AIA amends 35 U.S.C. 32, 145, 146, 154(b)(4)(A), and 293 by striking "United States District Court for the District of Columbia" each place that term appears and inserting "United States District Court for the Eastern District of Virginia." Section 9(b) of the AIA provides that amendments made by section 9 of the AIA shall take effect on the date of the enactment of this Act and shall apply to any civil action commenced on or after that date.

Discussion of Specific Rules

This final rule provides 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 by adding a new part 42 including a new subpart A to title 37 of the Code of Federal Regulations. Interference proceedings would not be covered by a new part 42 and the rules in part 41 governing contested cases and interferences would continue to remain in effect so as to not disrupt ongoing interference proceedings. Additionally, the final rule also provides a consolidated set of rules to implement the provisions of the AIA relating to filing appeals from Board decisions by adding a new part 90 to title 37 of Code of Federal Regulations.

Title 37 of the Code of Federal Regulations, Parts 42 and 90, are added as follows:

Part 42—Trial Practice Before the Patent Trial and Appeal Board

General

Section 42.1: Section 42.1 would set forth general policy considerations for part 42.

Section 42.1(a) defines the scope of the rules.

Section 42.1(b) provides a rule of construction for all the rules in part 42. The rule mandates that all the Board's rules be construed to achieve the just, speedy, and inexpensive resolution of Board proceedings. This final rule reflects considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), which state that the Office is to take into account the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely in promulgating regulations.

Section 42.1(c) requires that decorum be exercised in Board proceedings, including dealings with opposing parties. Board officials similarly would be expected to treat parties with courtesy and decorum.

Section 42.1(d) provides that the default evidentiary standard for each issue in a Board proceeding is a preponderance of the evidence. The rule implements the statute, which directs that unpatentability issues must be proven by a preponderance of the evidence. 35 U.S.C. 316(e), as amended, and 35 U.S.C. 326(e). The rule is also consistent with 35 U.S.C. 135(b), as amended, which provides that the Director shall establish regulations requiring sufficient evidence to prove and rebut a claim of derivation. *See Price v. Symsek*, 988 F.2d 1187, 1193 (Fed. Cir. 1993).

Section 42.2: Section 42.2 sets forth definitions for Board proceedings under part 42.

The definition of affidavit provides that *affidavit* means affidavits or declarations under § 1.68. The definition also provides that a transcript of an *ex parte* deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.

The definition of Board would rename "the Board of Patent Appeals and Interferences" to "the Patent Trial and Appeal Board." The definition would also provide that *Board* means a panel of the Board or a member or employee acting with the authority of the Board, consistent with 35 U.S.C. 6(b), as amended. Further, for petition decisions and interlocutory decisions, *Board* means a Board member or employee acting with the authority of the Board. 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.

The definition of business day provides that *business day* means a day other than a Saturday, Sunday, or Federal holiday within the District of Columbia.

The definition of confidential information provides that *confidential information* means trade secret or other confidential research, development or commercial information. The definition is consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information.

The definition of final provides that *final* means final for purposes of judicial review. The definition also provides that a decision is final only if it disposes of all necessary issues with regard to the party seeking judicial review, and does not indicate that further action is required.

The definition of hearing makes it clear that a *hearing* is a consideration of the issues involved in the trial.

The definition of involved provides that *involved* means an application, patent, or claim that is the subject of the proceeding.

The definition of judgment provides that *judgment* means a final written decision by the Board, or a termination of a proceeding. The definition is consistent with the requirement under 35 U.S.C. 318(a), as amended, and 35 U.S.C. 328(a), as amended, that the Board issue final written decisions for reviews that are instituted and not dismissed. The definition is also consistent with 35 U.S.C. 135(d), as amended, which provides for final decisions of the Board in derivation proceedings.

The definition of motion clarifies that *motions* are requests for remedies but that the term motion does not include petitions seeking to institute a trial.

The definition of Office provides that *Office* means the United States Patent and Trademark Office.

The definition of panel provides that a *panel* is at least three members of the Board. The definition is consistent with 35 U.S.C. 6(c), as amended, that each derivation proceeding, *inter partes* review, post-grant review, and covered business method patent review proceeding shall be heard by at least three members of the Board.

The definition of *party* includes at least the petitioner and the patent owner, as well as any applicant or assignee in a derivation proceeding.

The definition of petition provides that a *petition* is a request that a trial be instituted and is consistent with the requirements of 35 U.S.C. 135(a) and 311, as amended, 35 U.S.C. 321.

The definition of petitioner provides that a *petitioner* is a party requesting a trial be instituted. This definition is consistent with the requirements of 35 U.S.C. 135(a) and 311(a), as amended, and 35 U.S.C. 321(a), which provide that persons seeking the institution of a trial may do so by filing a petition.

The definition of preliminary proceeding provides that a *preliminary proceeding* begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.

The definition of proceeding provides that a *proceeding* means a trial or preliminary proceeding. This definition encompasses both the portion of the proceeding that occurs prior to institution of a trial and the trial itself.

The definition of rehearing provides that *rehearing* means reconsideration.

The definition of trial provides that a *trial* is a contested case instituted by the Board based upon a petition. This definition encompasses all contested cases before the Board, except for interferences. The definition excludes interferences so that interferences will continue, without disruption, to use the rules provided in part 41. The existence of a contested case is a predicate for authorizing a subpoena under 35 U.S.C. 24. As with part 41, *inter partes* reexaminations under 35 U.S.C. 134(c) are not considered contested cases for the purposes of part 42. Similarly, written requests to make a settlement agreement available are not considered contested cases.

Section 42.3: Section 42.3 sets forth the jurisdiction of the Board in a Board proceeding.

Section 42.3(a) provides the Board with jurisdiction over applications and patents involved in a Board proceeding. This is consistent with 35 U.S.C. 6(b), as amended, which provides that the Board is to conduct derivation proceedings, *inter partes* reviews, and post-grant reviews. Additionally, the rule is consistent with the Board's role in conducting the transitional program for covered business method patent reviews pursuant to section 18 of the AIA, as covered business method patent reviews are subject to 35 U.S.C. 326(c), which provides that the Board conduct the review.

Section 42.3(b) provides that a petition to institute a trial must be filed with the Board consistent with any time period required by statute.

Section 42.4: Section 42.4 provides for notice of trial.

Section 42.4(a) specifically delegates the determination to institute a trial to the Board.

Section 42.4(b) provides that the Board will send a notice of a trial to every party to the proceeding.

Section 42.4(c) provides that the Board may authorize additional modes of notice. Note that the failure to maintain a current correspondence address may result in adverse consequences. *Ray v. Lehman*, 55 F.3d 606, 610 (Fed. Cir. 1995) (finding notice of maintenance fee provided by the Office to an obsolete, but not updated, address of record to have been adequate).

Section 42.5: Section 42.5 sets forth the conduct of the trial.

Sections 42.5(a) and (b) permit administrative patent judges wide latitude in administering the proceedings to balance the ideal of precise rules against the need for flexibility to achieve reasonably fast, inexpensive, and fair proceedings. The decision to waive a procedural requirement (for example, default times for taking action) is committed to the discretion of the administrative patent judge. By permitting the judges to authorize relief under parts 1, 41, and 42, the rule avoids delay and permits related issues to be resolved in the same proceeding in a uniform and efficient manner.

Section 42.5(c) provides that the Board may set times by order. The rule also provides that good cause must be shown for extensions of time and to excuse late actions. Late action will also be excused by the Board if it concludes that doing so is in the interests of justice. This requirement to show good cause to extend times and to file belated papers is consistent with the requirements of 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), which provide that the Board issue a final decision not less than one year after institution of the review, extendable for good cause shown. The rule is also consistent with 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.

Section 42.5(d) prohibits *ex parte* communications about a proceeding with a Board member or Board employee actually conducting the proceeding. Under the rule, the initiation of such an *ex parte* communication may result in sanctions against the initiating party. The prohibition includes communicating with any member of a panel acting in

the proceeding or seeking supervisory review in a proceeding by contacting the judge's supervisor, without including the opposing party in the communication. In general, under these rules, it is important to avoid substantive discussions of a pending trial with a Board member or Board employee. The prohibition on *ex parte* communications does not extend to: (1) Ministerial communications with support staff (for instance, to arrange a conference call); (2) 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 concern).

Section 42.6: Section 42.6 sets forth the procedure for filing documents, including exhibits, and service.

Section 42.6(a) provides guidance for the filing of papers. Under § 42.6(a), papers to be filed are required to meet standards similar to those required in patent prosecution, § 1.52(a), and in the filings at the Federal Circuit under Fed. R. App. P. 32. The prohibition against incorporation by reference minimizes the chance that an argument would be overlooked and eliminates abuses that arise from incorporation and combination. In *DeSilva v. DiLeonardi*, 181 F.3d 865, 866–67 (7th Cir. 1999), the court rejected “adoption by reference” as a self-help increase in the length of the brief and noted that incorporation is a pointless imposition on the court's time as it requires the judges to play archeologist with the record. The same rationale applies to Board proceedings. Cf. *Globespanvirata, Inc. v. Tex. Instruments, Inc.*, 2005 WL 3077915, * 1 (D. N.J. 2005) (Defendants provided cursory statements in motion and sought to make its case through incorporation of expert declaration and a claim chart. Incorporation by reference of argument not in motion was held to be a violation of local rules governing page limitations and was not permitted by the court); *S. Indus., Inc. v. JL Audio, Inc.*, 29 F. Supp. 2d 878, 881–82 (N.D. Ill. 1998) (Parties should not use line spacing, font size, or margins to evade page limits).

Section 42.6(b) sets electronic filing as the default manner in which documents in a proceeding are filed with the Board. The procedures for electronic filings in the rule is consistent with the procedures for submission of electronic filings set forth in § 2.126(b). Section 2.126(b) is a rule of the Trademark Trial and Appeal Board (TTAB) which

provides that submissions may be made to the TTAB electronically according to parameters established by the Board and published on the Web site of the Office.

The use of electronic filing, such as that used with the Board's Interference Web Portal, facilitates public accessibility and is consistent with the requirements of 35 U.S.C. 316(a)(1), as amended, and 35 U.S.C. 326(a)(1), which state that the files of a proceeding are to be made available to the public, except for those documents filed with the intent that they be sealed. Where needed, a party may file by means other than electronic filing but a motion explaining such a need must accompany the non-electronic filing. In determining whether alternative filing methods would be authorized, the Office will consider the entity size and the ability of the party to file electronically.

Section 42.6(c) requires that exhibits be filed with the first document in which the exhibit is cited so as to allow for uniformity in citing to the record.

Section 42.6(d) prohibits the filing of duplicate documents absent Board authorization.

Section 42.6(e) requires service simultaneous with the filing of the document, as well as requiring certificates of service. Service may be made electronically upon agreement of the parties, otherwise service may be by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Additional procedures to be followed when filing documents may be provided via a standing order of the Board. See *In re Sullivan*, 362 F.3d 1324 (Fed. Cir. 2004).

Section 42.7: Section 42.7 provides that the Board may vacate or hold in abeyance unauthorized papers and limits the filing of duplicate papers. The rule provides a tool for preventing abuses that can occur in filing documents and ensures that the parties and the Board are consistent in their citation to the underlying record.

Section 42.8: Section 42.8 provides for certain mandatory notices to be provided by the parties, including identification of the real parties in interest, related matters, lead and back-up counsel, and service information. The rule requires the identification of lead and back-up counsel and service information. The mandatory notices concerning real parties in interest and related matters are consistent with the requirements of 35 U.S.C. 315, as amended, and 35 U.S.C. 325. These statutes describe the relationship between the trial and other related matters and authorize, among other things, suspension of other proceedings before the Office on the same patent and

lack of standing for real parties in interest that previously have filed civil actions against a patent for which a trial is requested. Mandatory notices are also needed to judge any subject matter estoppel triggered by a prior Board, district court, or U.S. International Trade Commission proceeding.

Examples of related administrative matters that will be affected by a decision in the proceeding include every application and patent that claims, or which may claim, the benefit of the priority of the filing date of the party's involved patent or application, as well as any *ex parte* and *inter partes* reexaminations for an involved patent.

The identification of the real party-in-interest helps identify potential conflicts of interest for the Office. In the case of the Board, a conflict would typically arise when an official has an investment in a company with a direct interest in a Board proceeding. Such conflicts can only be avoided if the parties promptly provide information necessary to identify potential conflicts. The identity of a real party-in-interest might also affect the credibility of evidence presented in a proceeding. The Board will consider, on a case-by-case basis, relevant case law to resolve a real party-in-interest or privity dispute that may arise during a proceeding, as discussed in further detail in the Office Patent Trial Practice Guide. Further, in *inter partes* and post-grant review proceedings before the Office, the petitioner (including any real party-in-interest or privity of the petitioner) is estopped from relitigating any ground that was or reasonably could have been raised. See 35 U.S.C. 315(e)(1), as amended, and 35 U.S.C. 325(e)(1). What constitutes a real party-in-interest or privity is a highly fact-dependent question. See generally 18A Wright & Miller Fed. Prac. & Proc. §§ 4449, 4451; *Taylor v. Sturgell*, 553 U.S. 880 (2008).

While many factors can lead to a determination that a petitioner was a real party-in-interest or privity in a previous proceeding, actual control or the opportunity to control the previous proceeding is an important clue that such a relationship existed. See, e.g., *Taylor*, 553 U.S. at 895; see generally 18A Wright & Miller § 4451. Factors for determining actual control or the opportunity to control include existence of a financially controlling interest in the petitioner.

Section 42.9: Section 42.9 permits action by an assignee to the exclusion of an inventor. Orders permitting an assignee of a partial interest to act to the exclusion of an inventor or co-assignee rarely will be granted, and such orders will typically issue only when the

partial assignee was in a proceeding against its co-assignee. *Ex parte Hinkson*, 1904 Comm'r. Dec. 342.

Section 42.10: Section 42.10(a) requires a party to designate a lead counsel and back-up counsel who can conduct business on behalf of the lead counsel as instances arise where lead counsel may be unavailable.

Section 42.10(b) provides that a power of attorney must be filed for counsel not of record in the party's involved patent or application.

Section 42.10(c) allows for *pro hac vice* representation before the Board subject to the condition that lead counsel be a registered practitioner and to any other conditions as the Board may impose. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause. For example, where the lead counsel is a registered practitioner, a motion to appear *pro hac vice* by counsel who is not a registered practitioner may be granted upon showing that counsel is an experienced litigating attorney and has an established familiarity with the subject matter at issue in the proceeding.

Proceedings before the Office can be technically complex. For example, it is expected that amendments to a patent will be sought. Consequently, 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 rule allows for *pro hac vice* practice in the new proceedings authorized by the AIA. Individuals appearing *pro hac vice* under § 42.10(c) are subject to the USPTO Code of Professional Responsibility set forth in §§ 10.20 *et seq.* and disciplinary jurisdiction under § 11.19(a).

Section 42.10(d) provides a limited delegation to the Board under 35 U.S.C. 2(b)(2) and 32 to regulate the conduct of counsel in Board proceedings. The rule delegates to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule delegates to the Chief Administrative Patent Judge the authority to make final a decision to disqualify counsel in a proceeding before the Board for the purposes of judicial review. This delegation does not derogate from the Director the prerogative to make such decisions, nor would it prevent the Chief Administrative Patent Judge from further delegating authority to an

administrative patent judge. The Board also may refer a matter to the Office of Enrollment and Discipline for investigation and, if warranted, further proceedings under §§ 11.19 *et seq.*

Section 42.10(e) provides that counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal.

Section 42.11: Section 42.11 reminds parties, and individuals involved in the proceeding, of their duty of candor and good faith to the Office as honesty before the Office is essential to the integrity of the proceeding.

Section 42.12: Section 42.12 provides for sanctions in trial proceedings before the Board. 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) require that the Director prescribe sanctions for abuse of discovery, abuse of process, and any other improper use of the proceeding in *inter partes* review, post-grant review, and covered business method patent review proceedings. The rule is also consistent with 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting standards for the conduct of derivation proceedings.

Section 42.12(a) identifies types of misconduct for which the Board may impose sanctions. The rule explicitly provides that misconduct includes failure to comply with an applicable rule, abuse of discovery, abuse of process, improper use of the proceeding and misrepresentation of a fact. An example of a failure to comply with an applicable rule includes failure to disclose a prior relevant inconsistent statement.

Section 42.12(b) recites the list of sanctions that may be imposed by the Board.

Section 42.13: Section 42.13 provides a uniform system of citation to authority. The rule codifies existing Board practice and extends it to trial proceedings. Under the rule, a citation to a single source, in the priority order set out in the rule, is sufficient, thus minimizing the citation burden on the public.

Section 42.14: Section 42.14 provides that the record of a proceeding be made available to the public, except as otherwise ordered. An exception to public availability is those documents or things accompanied by a motion to seal the document or thing. The rule reflects the provisions of 35 U.S.C. 316(a)(1), as amended, and 35 U.S.C. 326(a)(1), which require that *inter partes* review and post-grant review files be made available to the public, except that any petition or document filed with the intent that it be sealed, if accompanied by a motion to seal, be treated as sealed

pending the outcome of the ruling on the motion to seal.

Fees

Sections 10(d) and (e) of the AIA set out a process that must be followed when the Office is using its authority under section 10(a) to set or adjust patent fees. *See* Pub. L. 112–29, 125 Stat. at 317–18. This process would not feasibly permit adoption of fees for the services described herein to be in place by September 16, 2012 (the effective date of many of the Board procedures required by the AIA and described herein). Therefore, the Office is instead setting fees for these services pursuant to its authority under 35 U.S.C. 41(d)(2) in this rulemaking, which provides that fees for all processing, services, or materials relating to patents not specified in 35 U.S.C. 41 are to be set at amounts to recover the estimated average cost to the Office of such processing, services, or materials. *See* 35 U.S.C. 41(d)(2).

The Office is also in a separate rulemaking proposing to set or adjust patent fees subsequently under section 10 of the AIA. Consequently, the fees set in this Final Rule will be superseded by the fees ultimately set in the section 10 rulemaking.

Section 42.15: Section 42.15 sets fees for the new trial proceedings.

The cost of preparing a petition for *inter partes* review is anticipated to be the same as the cost for preparing a request for *inter partes* reexamination. The American Intellectual Property Law Association's *AIPLA Report of the Economic Survey 2011* reported that the average cost of preparing a request for *inter partes* reexamination was \$46,000. Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Accordingly, the Office estimates that the cost of preparing a petition for *inter partes* review would be \$46,000 (including expert costs).

The cost of preparing a petition for post-grant or covered business method patent review is estimated to be 33.333% higher than the cost of preparing a petition for *inter partes* review because the petition for post-grant or covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. Therefore, the Office estimates that the cost of preparing a petition for post-grant or covered business method patent review would be \$61,333. It is expected that petitions for derivation would have the same complexity and cost as a petition for post-grant review because derivation

proceedings raise issues of conception and communication, which have similar complexity to the issues that can be raised in a post-grant review, *i.e.*, public use, sale and written description. Thus, the Office estimates that the cost of preparing a petition for derivation would also be \$61,333.

The filing of a petition for review would also require payment by the petitioner of the appropriate petition fee to recover the aggregate cost for providing the review. The appropriate petition fee would be determined by the number of claims for which review is sought and the type of review. The fees for filing a petition for *inter partes* review are: \$27,200 for requesting review of 20 or fewer claims and \$600 for each claim in excess of 20 for which review is sought. The fees for filing a petition for post-grant or covered business method patent review would be: \$35,800 to request review of 20 or fewer claims and \$800 for each claim in excess of 20 for which review is sought.

In setting fees, the estimated information technology cost to establish the process and maintain the filing and storage system through 2017 is to be recovered by charging each petition an IT fee that has a base component of \$1,705 for requests to review 20 or fewer claims. The IT component fee would increase \$75 per claim in excess of 20. The remainder of the fee is to recover the cost for judges to determine whether to institute a review and conduct the review, together with a proportionate share of indirect costs, *e.g.*, rent, utilities, additional support, and administrative costs. Based on the direct and indirect costs, the fully burdened cost per hour for judges to decide a petition and conduct a review is estimated to be \$258.32.

For a petition for *inter partes* review with 20 or fewer challenged claims, it is anticipated that about 100 hours of judge time would be required. An additional two hours of judge time for each claim in excess of 20 would be required.

For a petition for post-grant or covered business method patent review with 20 or fewer challenged claims, it is anticipated that about 130 hours of judge time will be required. An additional slightly under three hours of judge time for each claim in excess of 20 would be required.

Section 42.15(a) sets the fee for a petition to institute an *inter partes* review of a patent based upon the number of challenged claims, and reflects the requirements of 35 U.S.C. 311 and 312(a), as amended, that the Director set fees for the petition and that the petition be accompanied by

payment of the fee established. Basing the fees on the number of claims challenged allows for ease of calculation and reduces the chance of insufficient payment. Public comments that the Board should more strictly group claims in appropriate cases have resulted in an adjustment from the proposed regulations to a final flat estimated aggregate cost of \$600 per requested claim in excess of 20 for *inter partes* review and \$800 per requested claim in excess of 20 claim for post-grant review.

To understand the scope of a dependent claim, the claims from which the dependent claim depends must be construed along with the dependent claim. Accordingly, for fee calculation purposes, each claim challenged will be counted as well as any claim from which a claim depends, unless the parent claim is also separately challenged. The following examples are illustrative.

Example 1: Claims 1–30 are challenged where each of claims 2–30 are dependent claims and depend only upon claim 1. There are 30 claims challenged for purposes of fee calculation.

Example 2: Claims 21–40 are challenged where each of claims 21–40 are dependent claims and depend only upon claim 1. As claims 21–40 depend from claim 1, claim 1 counts toward the total number of claims challenged. Thus, there are 21 claims challenged for fee calculation purposes.

Example 3: Claims 1, 11–20, and 31–40 are challenged. Each of claims 1 and 31–40 are independent claims. Each of claims 11–20 are dependent claims and depend upon claim 9, which in turn depends upon claim 8, which in turn depends upon claim 1. As claims 11–20 depend upon parent claims 8 and 9, claims 8 and 9 would count as challenged claims towards the total number of claims challenged. As claim 1 is separately challenged, it would not count twice towards the total number of claims challenged. Thus, there are 23 claims challenged for fee calculation purposes.

Example 4: Claims 1, 11–20, and 31–40 are challenged. Each of claims 1 and 31–40 are independent claims. Claim 11 depends upon claim 1 and claims 12–20 depend upon claim 11. As each of the challenged claims is based on a separately challenged independent claim, there are 21 challenged claims.

Section 42.15(b) sets the fee for a petition to institute a post-grant review or a covered business method patent review of a patent based upon the number of challenged claims, and would reflect the requirements of 35 U.S.C. 321, as amended, and 35 U.S.C.

322(a) that the Director set fees for the petition and that the petition be accompanied by payment of the fee established. The analysis of the number of claims challenged for fee calculation purposes would be the same as for proposed § 42.15(a).

Item (B)(5) of the Rulemaking Considerations section of this notice, *infra*, provides the Office's analysis of the cost to provide the services requested for each of the proceedings.

Section 42.15(c) sets the fee for a petition to institute a derivation proceeding in the amount of \$400. Derivation proceedings concern allegations that an inventor named in an earlier application, without authorization, derived the claimed invention from an inventor named in the petition. 35 U.S.C. 135, as amended, does not require a fee be charged for a derivation proceeding. Accordingly, the fee is set to recover the treatment of the petition as a request to transfer jurisdiction from the examining corps to the Board and not the costs of instituting and performing the derivation trial.

Section 42.15(d) sets the fee for filing written requests to make a settlement agreement available in the amount of \$400.

Section 42.15(e) and (f) recite the statutory fees due when a patent owner presents additional claims during a review. *See* 35 U.S.C. 41(a)(2)(A)(i) and (ii).

Petition and Motion Practice

Section 42.20: Section 42.20(a) provides that relief, other than a petition to institute a trial, must be in the form of a motion. The rule is consistent with the requirements of 35 U.S.C. 316(a)(1) and 316(d), as amended, and 35 U.S.C. 326(a)(1) and 326(d) which provide that requests to seal a document and requests to amend the patent be filed in the form of a motion.

Section 42.20(b) provides that motions will not be entered absent Board authorization, and authorization may be provided in an order of general applicability or during the proceeding. Generally, the Board expects that authorization would follow the current Board practice where a conference call would be required before an opposed motion is filed as quite often the relief requested in such motions can be granted (or denied) in a conference call with a written order reflective of the results of the call. This practice has significantly increased the speed and reduced the costs in contested cases.

Section 42.20(c) places the burden of proof on the moving party. A motion that fails to justify the relief on its face

could be dismissed or denied without regard to subsequent briefing.

Section 42.20(d) provides that the Board may order briefing on any issue appropriate for a final written determination on patentability. Specifically, 35 U.S.C. 318(a), as amended, and 35 U.S.C. 328(a) require that where a review is instituted and not dismissed, the Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added. The rule provides for Board-ordered briefing where appropriate in order to efficiently and effectively render its final decision on patentability.

Section 42.21: Section 42.21(a) provides that the Board may require a party to file a notice stating the relief it requests and the basis for that relief in Board proceedings. The rule makes clear that a notice must contain sufficient detail to serve its notice function. The rule provides an effective mechanism for administering cases efficiently and placing opponents on notice.

Section 42.21(b) states the effect of a notice. The rule makes it clear that failure to state a sufficient basis for relief would warrant a denial of the request.

Section 42.21(c) permits correction of a notice after the time set for filing the notice, but sets a high threshold for entry of the correction, *i.e.*, if the entry was in the interests of justice. The rule is consistent with 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), which require good cause be shown to extend the time for entering a final decision. In determining whether good cause is shown, the Board will be permitted to consider the ability of the Board to complete the proceeding timely should the request be granted. Hence, requests made at the outset of a proceeding will be more likely to demonstrate good cause than requests made later in the proceeding.

Section 42.22: Section 42.22 concerns the general content of motions.

Section 42.22(a) requires that each petition or motion be filed as a separate paper to reduce the chance that an argument would be overlooked and reduce the complexity of any given paper. Sections 42.22(a)(1) and (a)(2) provide for a statement of precise relief requested, and statement of the reasons for relief. Vague arguments and generic citations to the record are fundamentally unfair to an opponent and do not provide sufficient notice to an opponent and creates inefficiencies for the Board.

Section 42.22(b) requires the movant to make showings ordinarily required

for the requested relief in other parts of the Office. Many actions, particularly corrective actions like changes in inventorship, filing reissue applications, and seeking a retroactive foreign filing license, are governed by other rules of the Office. By requiring the same showings, the rule keeps practice uniform throughout the Office.

Section 42.22(c) provides that a petition or motion may include a statement of facts with specific citations to the portions of the record that support a particular fact. Providing specific citations to the record gives notice to an opponent of the basis for the fact and provides the Board the information necessary for effective and efficient administration of the proceeding.

Section 42.22(d) allows the Board to order additional showings or explanations as a condition for authorizing a motion. Experience has shown that placing conditions on motions helps provide guidance to the parties as to what issues and facts are of particular importance and ensures that the parties are aware of controlling precedent that should be addressed in a particular motion.

Section 42.23: Section 42.23 provides that oppositions and replies must comply with the content requirements for a motion and that a reply may only respond to arguments raised in the corresponding opposition. Oppositions and replies may rely upon appropriate evidence to support the positions asserted. Reply evidence, however, must be responsive and not merely new evidence that could have been presented earlier to support the movant's motion.

Section 42.24: Section 42.24 provides page limits for petitions, motions, patent owner preliminary responses, patent owner responses, oppositions, and replies.

35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) provide considerations that are to be taken into account when prescribing regulations, including the integrity of the patent system, the efficient administration of the Office, and the ability to complete the trials timely. The page limits set forth in this rule are consistent with these considerations.

Federal courts routinely use page limits in managing motions practice as “[e]ffective writing is concise writing.” *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Many district courts restrict the number of pages that may be filed in a motion including, for example, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern, Central,

and Southern Districts of California, and the Eastern District of Virginia.

Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, at 1 (E.D. Tex. Sept. 2, 2010) (“The Local Rules’ page limits ease the burden of motion practice on both the Court and the parties.”); *Blackboard, Inc. v. Desire2Learn, Inc.*, 521 F. Supp. 2d 575, 576 (E.D. Tex. 2007) (The parties “seem to share the misconception, popular in some circles, that motion practice exists to require federal judges to shovel through steaming mounds of pleonastic arguments in Herculean effort to uncover a hidden gem of logic that will ineluctably compel a favorable ruling. Nothing could be farther from the truth.”); *Broadwater v. Heidtman Steel Prods., Inc.*, 182 F. Supp. 2d 705, 710 (S.D. Ill. 2002) (“Counsel are strongly advised, in the future, to not ask this Court for leave to file any memoranda (supporting or opposing dispositive motions) longer than 15 pages. The Court has handled complicated patent cases and employment discrimination cases in which the parties were able to limit their briefs supporting and opposing summary judgment to 10 or 15 pages.”) (emphasis omitted).

The Board's experience with page limits in contested cases motions practice is consistent with that of the Federal courts. The Board's use of page limits has shown it to be beneficial without it being unduly restrictive for the parties. Page limits have encouraged the parties to focus on dispositive issues, easing the burden of motions practice on the parties and on the Board.

The Board's experience with page limits in contested cases practice is informed by its use of different approaches over the years. In the early 1990s, page limits were not routinely used for motions, and the practice suffered from lengthy and unacceptable delays. To reduce the burden on the parties and on the Board and thereby reduce the time to decision, the Board instituted page limits in the late 1990s for every motion. Page limit practice was found to be effective in reducing the burdens on the parties and improving decision times at the Board. In 2006, the Board revised the page limit practice and allowed unlimited findings of fact and generally limited the number of pages containing argument. Due to abuses of the system, the Board recently reverted back to page limits for the entire motion (both argument and findings of fact).

Section 42.24(a) provides specific page limits for petitions and motions.

The rule sets a limit of 60 pages for petitions requesting *inter partes* reviews and derivation proceedings, 80 pages for petitions requesting post-grant reviews and covered business method patent reviews, and 15 pages for motions.

The Board's current practice in contested cases is to limit motions for judgment on priority of invention to 50 pages, miscellaneous motions to 15 pages and other motions to 25 pages. Hence, non-priority motions for judgment of unpatentability are currently limited to 25 pages. The Board's current page limits are consistent with the 25-page limits in the Northern, Central, and Southern Districts of California, and the Middle District of Florida and exceed the limits in the District of Delaware (20), the Northern District of Illinois (15), the District of Massachusetts (20), the Eastern District of Michigan (20), the Southern District of Florida (20), and the Southern District of Illinois (20).

In a typical proceeding currently heard by the Board, a party may be authorized to file: a single motion for unpatentability based on prior art; a single motion for unpatentability based upon failure to comply with 35 U.S.C. 112, lack of written description and/or enablement; and potentially another motion for lack of compliance with 35 U.S.C. 101, although a 35 U.S.C. 101 motion may be required to be combined with the 35 U.S.C. 112 motion. Each of these motions is currently limited to 25 pages in length, unless good cause is shown that the page limits are unduly restrictive for a particular motion.

A petition requesting the institution of a trial proceeding would be similar to motions currently filed with the Board. Specifically, petitions to institute a trial seek a final written decision that the challenged claims are unpatentable, where derivation is a form of unpatentability. Accordingly, a petition to institute a trial based on prior art would under current practice be limited to 25 pages, and by consequence, a petition raising unpatentability based on prior art and unpatentability under 35 U.S.C. 101 and/or 112 would be limited to 50 pages.

Under the final rule, an *inter partes* review petition will be based upon any grounds identified in 35 U.S.C. 311(b), as amended, *i.e.*, only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing single prior art motions, limited to 25 pages in length. The rule provides up to 60 pages in length for a motion requesting *inter partes* review. Thus, as the page limit more than doubles the

default page limit currently set for a motion before the Board, a 60-page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

Under the final rule, a post-grant review petition would be based upon any grounds identified in 35 U.S.C. 321(b); *e.g.*, failure to comply with 35 U.S.C. 101, 102, 103, and 112 (except best mode). Under current practice, a party would be limited to filing two or three motions, each limited to 25 pages, for a maximum of 75 pages. Where there is more than one motion for unpatentability based upon different statutory grounds, the Board's experience is that the motions contain similar discussions of technology and claim constructions. Such overlap is unnecessary where a single petition for unpatentability is filed. Thus, the 80-page limit is considered sufficient in all but exceptional cases.

Covered business method patent review is similar in scope to that of post-grant review as there is substantial overlap in the statutory grounds permitted for review. Thus, the page limit for covered business method patent reviews of 80 pages is the same as that for post-grant review.

Petitions to institute derivation proceedings raise a subset of the issues that are currently raised in contested cases in a motion for judgment on priority of invention. Currently, motions for judgment on priority of invention, including issues such as conception, corroboration, and diligence, are generally limited to 50 pages in length. Thus, the 60-page limit is considered sufficient in all but exceptional cases.

The rule provides that petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests of justice. A copy of the desired non-page limited petition must accompany the motion. Generally, the Board would decide the motion prior to deciding whether to institute the trial.

Current Board practice provides a limit of 25 pages for other motions and 15 pages for miscellaneous motions. The Board's experience is that such page limits are sufficient for the filing parties and do not unduly burden the opposing party and the Board. Petitions for instituting a trial would generally replace the current practice of filing motions for unpatentability. Most motions for relief are expected to be similar to the current contested cases miscellaneous motion practice.

Accordingly, the rule provides a 15-page limit for motions as this is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested. A party may contact the Board and arrange for a conference call to discuss the need for additional pages for a particular motion. Except for a motion to waive the page limit accompanying a petition seeking review, any motion to waive a page limit must be granted in advance of filing a motion, patent owner preliminary response, patent owner response, opposition, or reply for which the waiver is thought to be necessary.

Section 42.24(b) provides page limits for patent owner preliminary response, patent owner responses, and oppositions. Current contested cases practice provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in Federal courts. The rule would continue the current practice.

Section 42.24(c) provides page limits for replies. Current contested cases practice provides a 15-page limit for priority motion replies, a 5-page limit for miscellaneous (procedural) motion replies, and a 10-page limit for all other motions. The rule is consistent with current contested cases practice for procedural motions. The rule provides a 15-page limit for reply to petitions requesting a trial, which the Office believes is sufficient based on current practice. Current contested cases practice has shown that such page limits do not unduly restrict the parties and, in fact, provide sufficient flexibility to parties to not only reply to the motion but also help to focus on the issues.

Section 42.25: Section 42.25 provides default times for filing oppositions and replies. The expectation, however, is that the Board would tailor times appropriate to each case as opposed to relying upon the default times set by rule.

Testimony and Production

As a summary, this final rule provides limitations for discovery and testimony. Unlike in proceedings under the Federal Rules of Civil Procedure, the burden of justifying discovery in Board proceedings would lie with the party seeking discovery.

Proceedings before the Board differ from most civil litigation in that the proponent of an argument before the Board generally has access to relevant evidence that is comparable to its opponent's access. Consequently, the expense and complications associated with much of discovery can be avoided.

For instance, since rejections are commonly based on the contents of the specification or on publicly available references, there is no reason to presume that the patent owner has better access to evidence of unpatentability on these grounds than the petitioner. Exceptions occur particularly when the ground of unpatentability arises out of conduct, particularly conduct of a purported inventor. In such cases, discovery may be necessary to prove such conduct, in which case the proponent of the evidence may move for additional discovery. The Board may impose conditions on such discovery to manage the proceeding and to prevent abuse.

Section 42.51: Section 42.51(a) provides for mandatory initial disclosures. Where parties agree to mandatory discovery requiring the initial disclosures set forth in the Office Patent Trial Practice Guide, the parties may automatically, upon the institution of the trial, take discovery of the information identified in the initial disclosures. The parties must submit the agreement by no later than the filing of the patent owner preliminary response or the expiration of the time period for filing such a response. Where the parties fail to agree to such discovery, a party may seek such discovery by motion.

Section 42.51(b) provides for limited discovery in the trial consistent with the goal of providing trials that are timely, inexpensive, and fair. The rule is consistent with 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5), which provide for discovery of relevant evidence but limit the scope of the discovery, and 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.

Sections 42.51(b)(1)(i) and (ii) provide for routine discovery of exhibits cited in a paper or testimony and provide for cross examination of affidavit testimony without the need to request authorization from the Board. The rule eliminates many routine discovery requests and disputes. The rule will not require a party to create materials or to provide materials not cited.

Section 42.51(b)(1)(iii) would ensure the timeliness of the proceedings by requiring that a party to serve relevant information that is inconsistent with a position advanced by the party during the course of the proceeding, concurrent with the filing of the document or thing that contains the inconsistency. The requirement extends to inventors, corporate officers, and persons involved in the preparation or filing of documents in a proceeding.

The Office recognizes that this requirement may differ from the proposed changes to § 1.56. But, Board experience has shown that the information covered by § 42.51(b)(1)(iii) is typically sought through additional discovery and that such information leads to the production of relevant evidence. However, the practice of authorizing additional discovery for such information risks significant delay to the proceeding and increased burdens on both the parties and the Office. To avoid these issues, and to reduce costs and insure the integrity and timeliness of the proceeding, the rule makes the production of such information routine. Lastly, this requirement does not override legally recognized privileges such as attorney-client or attorney work product. The rule expressly states that requirement does not make discoverable anything otherwise protected by legally recognized privileges such as attorney client or attorney work product.

Section 42.51(b)(2) provides for additional discovery. Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. The parties may agree to additional discovery between themselves. Where the parties fail to agree, however, the rule would require a showing that the additional discovery sought in a proceeding other than a post-grant review is in the interests of justice, which would place an affirmative burden upon a party seeking the discovery to show how the proposed discovery would be productive. A separate rule (§ 42.224) governs additional discovery in post-grant review proceedings.

The interests-of-justice standard for additional discovery is consistent with considerations identified in 35 U.S.C. 316(b), as amended, including the efficient administration of the Board and the Board's ability to complete trials timely. Further, the interests-of-justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests of justice.

While the Board will employ an interests-of-justice standard in granting additional discovery in *inter partes* reviews and derivation proceedings, new subpart C will provide that a good cause standard will be employed in post-grant reviews, and by consequence, in covered business method patent reviews. Good cause and interests of justice are closely related standards, but the interests-of-justice standard is slightly higher than good cause. While a good cause standard requires a party

to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under the interests-of-justice standard, the moving party would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the non-moving party. In contrast, the interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

Section 42.51(c) provides for production of documents. Specifically, except as otherwise ordered by the Board, a party producing documents and things is required to either provide copies to the opposing party or make the documents and things available for inspection and copying at a reasonable time and location in the United States.

Section 42.52: Section 42.52 provides procedures for compelling testimony. Under 35 U.S.C. 23, the Director may establish rules for affidavit and deposition testimony. A party in a contested case may apply for a subpoena to compel testimony in the United States, but only for testimony to be used in the contested case. See 35 U.S.C. 24. Section 42.52(a) requires the party seeking a subpoena to first obtain authorization from the Board; otherwise, the compelled evidence would not be admitted in the proceeding. Section 42.52(b) would impose additional requirements on a party seeking testimony or production outside the United States because the use of foreign testimony generally increases the cost and complexity of the proceeding for both the parties and the Board. The Board would give weight to foreign deposition testimony to the extent warranted in view of all the circumstances, including the laws of the foreign country governing the testimony.

Section 42.53: Section § 42.53 provides for the taking of testimony. To minimize costs, direct testimony would generally be taken in the form of an affidavit. Cross-examination testimony and redirect testimony would generally come in the form of a deposition transcript. Parties may agree to video-recorded testimony, but may not submit such testimony without prior authorization of the Board. If the nature of the testimony makes direct observation of witness demeanor necessary or desirable, the Board may

authorize or even require that the testimony be presented live or be video-recorded in addition to filing of the required transcript. *Cf. Applied Research Sys. ARS Holdings N.V. v. Cell Genesys Inc.*, 68 USPQ2d 1863 (B.P.A.I. 2003) (non-precedential). The proponent of the witness will be responsible for the cost of producing the witness for the deposition. The parties will have latitude in choosing the time and place for the deposition, provided the location is in the United States and the time falls within a prescribed testimony period. Occasionally, the Board will require live testimony where the Board considers the demeanor of a witness critical to assessing credibility.

Section 42.53(c)(1) provides that unless stipulated by the parties or ordered by the Board, direct examination, cross-examination, and redirect examination for compelled deposition testimony will be subject to the following time limits: Seven hours for direct examination, four hours for cross-examination, and two hours for redirect examination.

Section 42.53(c)(2) provides that unless stipulated by the parties or ordered by the Board, cross-examination, redirect examination, and re-cross examination for uncompelled direct deposition testimony will be subject to the following time limits: seven hours for cross-examination, four hours for redirect examination, and two hours for re-cross examination.

Section 42.53(d)(2) provides for the time period for cross-examination and sets a norm for the conference in § 42.53(d)(1). A party seeking to move the deposition outside this period would need to show good cause.

Section 42.53(e) requires that the party calling the witness initiate a conference with the Board at least five business days before a deposition with an interpreter is taken. Based on the Board's experience, non-English language depositions can be highly complex. In order to ensure such depositions are productive and to minimize unnecessary cost and delay, prior Board authorization is required.

Section 42.53(f) provides for the manner of taking testimony.

Section 42.53(f)(1) requires that each witness, before giving deposition testimony, be duly sworn according to law by the officer before whom the deposition is to be taken. Section 42.53(f)(1) also requires that the officer be authorized to take testimony under 35 U.S.C. 23.

Section 42.53(f)(2) requires that testimony be taken with any questions and answers recorded in their regular order by the officer, or by some other

disinterested person in the presence of the officer, unless the presence of the officer is waived on the record by agreement of all parties.

Section 42.53(f)(3) requires that any exhibits used during the deposition be numbered as required by § 42.63(c), and must, if not previously served, be served at the deposition. Section 42.53(f)(3) also provides that exhibits objected to be accepted pending a decision on the objection.

Section 42.53(f)(4) requires that all objections be made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and that any other objection to the deposition be noted on the record by the officer.

Section 42.53(f)(5) requires the witness to read and sign (in the form of an affidavit) a transcript of the deposition after the testimony has been transcribed, unless the parties otherwise agree in writing, the parties waive reading and signature by the witness on the record at the deposition, or the witness refuses to read or sign the transcript of the deposition.

The certification of § 42.53(f)(6)(vi) provides a standard for disqualifying an officer from administering a deposition. The use of financial interest as a disqualification, however, would be broader than the employment interest currently barred. Payment for ordinary services rendered in the ordinary course of administering the deposition and preparing the transcript would not be a disqualifying financial interest. An interest acknowledged by the parties on the record without objection will not be a disqualifying interest.

Except where the parties agree otherwise, § 42.53(f)(7) requires the proponent of the testimony to file the transcript of the testimony. If the original proponent of the testimony declined to file the transcript (for instance, because that party no longer intended to rely on the testimony), but another party wishes to rely on the testimony, the party that wishes to file the testimony will become the proponent and will be permitted to file the transcript as its own exhibit.

Section 42.54: Section 42.54 provides for protective orders. 35 U.S.C. 316(a)(7), as amended, and 35 U.S.C. 326(a)(7) require that the Director prescribe rules that provide for protective orders governing the exchange and submission of confidential information. Section 42.54 provides such protective orders and follows the procedure set forth in Federal Rule of Civil Procedure 26(c)(1).

Section 42.55: Section 42.55 allows a petitioner filing confidential information to file, concurrently with the filing of the petition, a motion to seal as to the confidential information. The petitioner may serve the patent owner the confidential information and may file the information under seal. The patent owner may access the confidential information prior to institution of a trial by agreeing to the terms of the proposed protective order contained in the motion to seal. The institution of the trial will constitute a grant of the motion to seal, unless otherwise ordered by the Board. The rule seeks to streamline the process of seeking protective orders prior to the institution of the review while balancing the need to protect confidential information against an opponent's need to access information used to challenge the opponent's claims.

Section 42.56: Confidential information that is subject to a protective order ordinarily will become public 45 days after denial of a petition to institute a trial or 45 days after final judgment in a trial. Section 42.56 allows a party to file a motion to expunge from the record confidential information prior to the information becoming public. Section 42.56 reflects the considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), which state that the Office is to take into account the integrity of the patent system in promulgating regulations. The rule balances the needs of the parties to submit confidential information with the public interest in maintaining a complete and understandable file history for public notice purposes. Specifically, there is an expectation that information be made public where the existence of the information is referred to in a decision to grant or deny a request to institute a review or identified in a final written decision. As such, the rule encourages parties to redact sensitive information, where possible, rather than seeking to seal entire documents.

Section 42.61: Section 42.61 provides for the admissibility of evidence. Section 42.61(a) makes the failure to comply with the rules a basis for challenging admissibility of evidence. Section 42.61(b) does not require certification as a condition for admissibility when the evidence is a record of the Office that is accessible to all parties. The rule avoids disputes on what otherwise would be technical noncompliance with the rules. Section 42.61(c) provides that the specification and drawings of a U.S. patent application or patent are admissible only to prove what the specification and

drawings describe. The rule addresses a recurring problem in which a party mistakenly relies on a specification to prove a fact other than what the specification says. The rule makes clear that a specification of an application or patent involved in a proceeding is admissible as evidence only to prove what the specification or patent describes. If there is data in the specification upon which a party intends to rely to prove the truth of the data, an affidavit by an individual having first-hand knowledge of how the data was generated (*i.e.*, the individual who performed an experiment reported as an example in the specification) must be filed. *Wojciak v. Nishiyama*, 61 USPQ2d 1576, 1581 (B.P.A.I. 2001).

Section 42.62: Section 42.62 adopts a modified version of the Federal Rules of Evidence. The rule adopts the more formal evidentiary rules used in district courts in view of the adversarial nature of the proceedings before the Board. The Federal Rules of Evidence embrace a well-developed body of case law and are familiar to the courts charged with reviewing Board decisions in contested cases.

Section 42.63: Section 42.63 provides that all evidence is to be submitted as an exhibit. For instance, the rule provides that an exhibit filed with the petition must include the petitioner's name and a unique exhibit number, for example: POE EXHIBIT 1001. For exhibits not filed with the petition, the rule requires the exhibit label to include the party's name followed by a unique exhibit number, the names of the parties, and the trial number, in the format of the following example: OWENS EXHIBIT 2001
Poe v. Owens
Trial IPR2011OCT-00001

Section 42.64: Section 42.64 provides procedures for challenging the admissibility of evidence. In a district court trial, an opponent may object to evidence, and the proponent may have an opportunity to cure the basis of the objection. The rule offers a similar, albeit limited, process for objecting and curing in a trial at the Board.

Section 42.64(a) provides that objections to the admissibility of deposition evidence must be made during the deposition. Section 42.64(b) provides guidance as to objections and supplemental evidence for evidence other than deposition testimony. The default time for serving an objection to evidence other than testimony would be ten business days after service of the evidence for evidence in the petition and five business days for subsequent objections, and the party relying on

evidence to which an objection was served timely would have ten business days after service of the objection to cure any defect in the evidence. The Board will not ordinarily address an objection, unless the objecting party filed a motion to exclude under § 42.64(c), because the objection might have been cured or might prove unimportant in light of subsequent developments.

Section 42.65: Section 42.65 provides rules for expert testimony, tests, and data.

Section 42.65(a) reminds parties that unsupported expert testimony may be given little or no weight. *Rohm & Haas Co. v. Brotech Corp.*, 127 F.3d 1089, 1092 (Fed. Cir. 1997). United States patent law is not an appropriate topic for expert testimony before the Board, and expert testimony pertaining thereto would not be admitted under the rule.

Section 42.65(b) provides guidance on how to present tests and data. A party should not presume that the technical competence of the trier-of-fact extends to a detailed knowledge of the test at issue.

Oral Argument, Decision and Settlement

Section 42.70: Section 42.70 provides guidance on oral argument.

Section 42.70(a) provides that a party may request oral argument on an issue raised in a paper. The time for requesting oral argument would be set by the Board.

Section 42.70(b) provides that a party serve demonstrative exhibits at least five business days before the oral argument. Experience has shown that parties are more effective in communicating their respective positions at oral argument when demonstrative exhibits have been exchanged prior to the hearing. Cumbersome exhibits, however, tend to detract from the user's argument and would be discouraged. The use of a compilation with each demonstrative exhibit separately tabbed would be encouraged, particularly when a court reporter is transcribing the oral argument, because the tabs provide a convenient way to record which exhibit is being discussed. It is helpful to provide a copy of the compilation to each member of the panel hearing the argument so that the judges may better follow the line of argument presented.

Section 42.71: Section 42.71 provides for decisions on petitions and motions.

Section 42.71(a) provides that a petition or motion may be taken up in any order so that issues may be addressed in a fair and efficient manner. This rule is consistent with 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), which state that, among other

things, that the Director shall consider the efficient administration of the Office in prescribing regulations. Further, such a practice was noted with approval in *Berman v. Housey*, 291 F.3d 1345, 1352 (Fed. Cir. 2002).

Section 42.71(b) provides for interlocutory decisions. The rule makes clear that a decision short of judgment is not final, but a decision by a panel would govern the trial. Experience has shown that the practice of having panel decisions bind further proceedings has eliminated much of the uncertainty and added cost that result from deferring any final decision until the end of the proceeding. Thus, a party dissatisfied with an interlocutory decision on motions should promptly seek rehearing rather than waiting for a final judgment. A panel could, when the interests of justice require it, reconsider its decision at any time in the proceeding prior to final judgment. A belated request for rehearing would rarely be granted, however, because its untimeliness would detract from the efficiencies that result from making interlocutory decisions binding.

A decision on whether to institute a trial is final and nonappealable, consistent with 35 U.S.C. 314(d), as amended, and 35 U.S.C. 324(e). However, pursuant to § 42.71(d), a party may request a rehearing of that decision.

Section 42.71(d) provides for rehearings and would set times for requesting rehearing. Since 35 U.S.C. 6(b), as amended, requires a panel decision for finality, a party should request rehearing by a panel to preserve an issue for judicial review. The panel would then apply the deferential abuse-of-discretion standard to decisions on rehearing.

Section 42.72: Section 42.72 provides for termination of a trial pursuant to 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a), which provide for termination of a trial with respect to a petitioner upon joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.

Section 42.73: Section 42.73 provides for judgment.

Section 42.73(a) provides that a judgment, except in the case of a termination, disposes of all issues that were, or by motion reasonably could have been, raised and decided.

Section 42.73(b) provides guidance as to the conditions under which the Board would infer a request for adverse judgment.

Section 42.73(c) provides for recommendations for further action by an examiner or the Director.

Section 42.73(d) provides for estoppel.

Section 42.73(d)(1) applies to non-derivation proceeding trials and is consistent with 35 U.S.C. 315(e)(1), as amended, and 35 U.S.C. 325(e)(1), which provide for estoppel in proceedings before the Office where a final written decision was entered under 35 U.S.C. 318(a), as amended, or 35 U.S.C. 328(a).

Section 42.73(d)(2) sets forth estoppel provisions in derivation proceedings. The rule is also consistent with 35 U.S.C. 135(d), as amended, which provides for the effect of a final decision in a derivation proceeding. Section 42.73(d)(2) differs from § 42.73(d)(1) to take into account the differences in statutory language between 35 U.S.C. 135(d) and 315(e)(1), as amended, and 35 U.S.C. 325(e)(2).

Section 42.73(d)(3) applies estoppel against a party whose claim was cancelled or who requested an amendment to the specification or drawings that was denied. The rule is consistent with 35 U.S.C. 316(a)(4), as amended, and 326(a)(4), which require that the Office prescribe regulations establishing and governing the reviews and the relationship of such reviews to other proceedings under title 35.

Section 42.74: Section 42.74 provides guidance on settling proceedings before the Board. 35 U.S.C. 135(e) and 317, as amended, and 35 U.S.C. 327 will govern settlement of Board trial proceedings but do not expressly govern pre-institution settlement.

Section 42.74(a) reflects that the Board is not a party to a settlement agreement and may take any necessary action, including determination of patentability notwithstanding a settlement. The rule is consistent with 35 U.S.C. 135(e), as amended, where the Board is not required to follow the settlement agreement if it is inconsistent with the evidence. The rule is also consistent with 35 U.S.C. 317, as amended, and 35 U.S.C. 327, which provide that the Board may proceed to a final written decision even if no petitioner remains in the proceeding.

Section 42.74(b) provides that settlement agreements must be in writing and filed with the Board prior to termination of the proceeding. The rule is consistent with 35 U.S.C. 317(b), as amended, and 327(b), which require the agreement to be in writing and filed before termination of the proceeding. The rule is also consistent with 35 U.S.C. 135(e), as amended, which provides that parties may seek to terminate the derivation proceeding by filing a written statement.

Section 42.74(c) provides that a party to a settlement may request that the settlement be kept separate from an involved patent or application. The rule is consistent with the requirements of 35 U.S.C. 135(e) and 317(b), as amended, and 35 U.S.C. 327(b).

Certificate

Section 42.80: Section 42.80 provides for issuance and publication of a certificate after the Board issues a final decision and the time for appeal has expired or an appeal has terminated. The rule is consistent with 35 U.S.C. 318, as amended, and 35 U.S.C. 328.

Part 90—Judicial Review of Patent Trial and Appeal Board Decisions

The AIA amends chapter 13 of title 35, United States Code, to provide for certain changes to the provisions for judicial review of Board decisions. A new part 90 of title 37, Code of Federal Regulations, is added to permit consolidation of rules relating to court review of Board decisions and to simplify reference to such practices. The rules in part 90 also implement the provisions of the AIA associated with judicial review of agency actions addressed by the AIA.

Current §§ 1.301 through 1.304, which relate to rules of practice in patent cases, are removed from part 1 and relocated to part 90. Paraphrasing of the statute in those rules is eliminated in the new rules in favor of directing the reader to the relevant statutory provisions. This change avoids the need for the Office to amend the rules when statutory amendments are made. It also avoids undue public reliance on the Office's paraphrase of statutory text. The rules in part 90 better state the existing practice and are not intended to change the existing practice except as explicitly provided.

Section 90.1: Section 90.1 clarifies the scope of the rules in part 90. The rules in part 90 are limited to rules governing the procedure by which a party dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under 35 U.S.C. 134 may seek judicial review of the Patent Trial and Appeal Board decision pursuant to Chapter 13 of title 35, United States Code. This includes judicial review of the Patent Trial and Appeal Board decisions arising out of *ex parte* prosecution. The rules in part 90 will not apply to other avenues for judicial review of Office decisions that may be available, such as appeals from Trademark Trial and Appeal Board decisions pursuant to § 2.145, civil actions brought pursuant to the Administrative Procedure Act, or

mandamus actions. The title of part 90 indicates that this part applies only to judicial review of Patent Trial and Appeal Board decisions.

Section 90.1 clarifies that the rules in effect on July 1, 2012, will continue to govern appeals from *inter partes* reexamination proceedings. Section 7(e) of the AIA maintains the statutory provisions governing *inter partes* reexaminations requested under 35 U.S.C. 311, as amended, and the review provision of 35 U.S.C. 141 for Board decisions arising out of such reexaminations, as they existed at the time the AIA was enacted. Accordingly, the Office will continue to apply the regulations as they existed when the AIA was enacted (or as subsequently modified prior to July 1, 2012) for those proceedings. Further, section 3(n)(2) of the AIA provides that the provisions of 35 U.S.C. 135 “as in effect on the day before the effective date set forth in paragraph (1) of this subsection” shall apply to certain applications. Thus, interference proceedings will still be available for a limited period for certain applications under the AIA. Regarding judicial review of Board decisions arising out of such interferences, section 7(c) and (e) of the AIA makes review by the Federal Circuit available under 35 U.S.C. 141 only for proceedings commenced before September 16, 2012. Similarly, section 3 of the AIA makes review of interference decisions by a district court under 35 U.S.C. 146 available only if the provisions of section 3(n)(1) of the AIA are *not* satisfied. That is because if the involved application contains a claim satisfying the terms of section 3(n)(1) of the AIA (e.g., a continuation-in-part application), then section 3(j) of the AIA—changing 35 U.S.C. 146 from review of “an interference” to review of “a derivation proceeding”—applies, and district court review of a decision arising out of an interference proceeding under 35 U.S.C. 135 will not be available. To the extent that an interference proceeding under 35 U.S.C. 135 is available and judicial review of that decision is available, the Office will continue to apply the regulations as they existed when the AIA was enacted (or as subsequently modified prior to July 1, 2012) to those proceedings. Lastly, note that certain interferences may be deemed to be eligible for judicial review as though they were derivation proceedings. See section 6(f)(3) of the AIA.

Section 90.2: Section 90.2 addresses notice and service requirements associated with notices of appeal and civil actions seeking judicial review of Board decisions. The rule combines the notice and service requirements of

current §§ 1.301, 1.302, and 1.303 for proceedings addressed by those rules. Paraphrasing of the statute in those rules is eliminated in § 90.2 in favor of directing the reader to the relevant statutory provisions to streamline the rules and prevent confusion. The rule also includes references to pertinent statutory provisions or court rules that apply in such court proceedings. Section 90.2 further adds provisions associated with judicial review of Board decisions in *inter partes* reviews, post-grant reviews, covered business method patent reviews, and derivation proceedings. Section 90.2 requires parties filing a notice of appeal in such proceedings to provide sufficient information (such as a statement of the issues to be raised in the appeal) to allow the Director to determine whether to exercise the right to intervene in the appeal pursuant to 35 U.S.C. 143. The Office believes that such a requirement imposes no additional burden on the party filing the notice, other than filing a copy of its brief statement of the issues, as it must provide a brief statement of the issues to the Federal Circuit in its docketing statement (*see* Fed. Cir. Form 26) and again in its brief (*see* Fed. Cir. R. 28(a)(5)). The requirement, therefore, merely requires parties to provide similar information to the Office at a slightly earlier stage in the proceedings.

Section 90.2 requires parties filing an appeal under 35 U.S.C. 141, initiating a civil action pursuant to 35 U.S.C. 146, or electing under 35 U.S.C. 141(d) to proceed under 35 U.S.C. 146, to file a copy of the notice of appeal, complaint, or notice of election, respectively, with the Board in the appropriate manner provided in § 41.10(a), 41.10(b), or 42.6(b). The rule also requires that a complaint under 35 U.S.C. 146 be filed with the Board no later than five business days after filing the complaint in district court. These requirements ensure that the Board is aware of such proceedings and prevent further action within the Office consistent with the Board decision at issue in the appeal or civil action. Section 90.2 further requires that the complaint be filed with the Office pursuant to § 104.2 within the same five business day time period. That requirement similarly assures that the Office has adequate notice of the pending judicial review proceeding.

Section 90.3: Section 90.3 addresses the time for filing a notice of appeal under 35 U.S.C. 142 and a notice of election under 35 U.S.C. 141(d), as amended, and the commencement of a civil action.

Section 90.3(a) addresses the time for filing a notice of appeal or a civil action

seeking judicial review of a Board decision. The rule extends the period for filing a notice of appeal or a civil action under § 1.304 to sixty-three (63) days. This change avoids confusion regarding that period, which was two months except when the two-month period included February 28, in which case the period was two months and one day. The sixty-three (63) day period results in the deadline for filing a notice of appeal or a civil action falling on the same day of the week as the Board decision. Thus, the rule minimizes calculations regarding extensions of time pursuant to 35 U.S.C. 21(b), which applies when the time period ends on a Saturday, Sunday, or Federal holiday in the District of Columbia, by eliminating the possibility that a Saturday or Sunday would be the final day of the period.

Section 90.3(a) also removes language regarding the time for cross-appeals from § 1.304. Instead, the rule refers to the pertinent rules in the Federal Rules of Appellate Procedure and the Rules for the United States Court of Appeals for the Federal Circuit to avoid confusion or inconsistency. The rule also adds a reference to 35 U.S.C. 141(d) for both the relevant time for filing a notice of election under that statute and the relevant time for commencing a civil action pursuant to a notice of election under that statute.

Section 90.3(b) and (c) incorporates provisions from § 1.304 addressing computation of time and extension of time.

Response to Comments

As discussed previously, the Office received 251 written submissions of comments from intellectual property organizations, businesses, law firms, patent practitioners, and others. 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 that are directed to specifically *inter partes* review proceedings (77 FR 7041), post-grant review proceedings (77 FR 7060), and transitional post-grant review proceedings for covered business method patents (77 FR 7080) are provided in a separate final rule (RIN 0651-AC71). Additionally, the Office's responses to the comments that are directed to the definitions of the terms "covered business method patent" and "technological invention" are provided in another separate final rule (RIN

0651-AC75). The Office's responses to other comments that are directed to the consolidated set of rules relating to Board trial practice and judicial review of Board decisions are provided as follows:

Policy (§ 42.1)

Comment 1: One comment suggested that the rules should clarify that the burden of persuasion does not shift to the patentee.

Response: Section 42.1(d) provides that the default evidentiary standard for each issue in a Board proceeding is a preponderance of the evidence. A petitioner has the burden of proving the proposed ground of unpatentability as to the challenged patent claims by a preponderance of evidence. 35 U.S.C. 316(e), as amended, and 35 U.S.C. 326(e). In the event that a patent owner files a motion to amend the claims, the patent owner must include a statement of the precise relief requested and a full statement of the reasons for the relief requested, including a detailed explanation of the significance of the amended claims (*e.g.*, a statement that clearly points out the patentably distinct features for the proposed new or amended claims). *See* § 42.22.

Comment 2: One comment stated that the "just, speedy, and inexpensive" standard set forth in § 42.1(b) is inconsistent with the AIA.

Response: The Office believes that the standard for construction of the rules to secure the just, speedy, and inexpensive resolution of every proceeding as provided in § 42.1(b) is consistent with 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) which provide that "[i]n prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter." The Office has taken into account these considerations identified in the AIA in promulgating the rules and believes the standards and procedures set forth in this final rule will enhance efficiency of the review proceedings.

Comment 3: One comment questioned whether §§ 1.4(a)(2) and 1.25, related to signature requirements and deposit accounts, will be amended to incorporate *inter partes* review, post-grant review, covered business method review, and derivation proceedings.

Response: Section 42.1 lists several sections of part 1, including §§ 1.4(a)(2) and 1.25, and states that those sections also apply to proceedings before the Board. Further, the Office, in a separate

rulemaking, is amending § 1.4 in view of the AIA. See *Changes to Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act*, 77 FR 442 (January 5, 2012) (Notice of proposed rulemaking). However, no amendment to § 1.25 is necessary.

Definitions (§ 42.2)

Comment 4: One comment recommended that the Office should state in the rules that reexaminations are not considered as “involved” proceedings, and *inter partes* reexaminations are considered as “contested” cases.

Response: The rules of practice for reexaminations are set forth in part 1 of the CFR, rather than part 42. As stated previously in the discussion for § 42.2, *inter partes* reexaminations are not considered contested cases, unless consolidated with a contested case.

Comment 5: One comment suggested that the word “trial” should be replaced with the word “proceeding.”

Response: This comment is not adopted. The definitions of “trial” and “proceeding” as set forth in § 42.2 are consistent with the AIA. As stated previously, a proceeding starts when a petitioner files a petition for instituting a trial. A trial is a part of the proceeding that starts when the Board issues a written decision to institute a review.

Comment 6: One comment suggested that the phrase “motion means a request for relief other than by petition” should be revised to eliminate “other than by petition.”

Response: This comment is not adopted because a petition by definition is not a motion.

Comment 7: One comment suggested changing the definition of “party” to include “assignee of any applicant.”

Response: This comment is adopted to the extent that the definition of “party” set forth in § 42.2, as adopted in this final rule, includes any “assignee of the involved application.”

Comment 8: One comment requested clarification of the term “contested case.”

Response: *Inter partes* review, post-grant review, covered business method review, and derivation proceedings are contested cases for the purposes of part 42.

Comment 9: One comment requested clarification on whether part 42 incorporates the requirements of part 41.

Response: Sections 1.4, 1.7, 1.14, 1.16, 1.22, 1.23, 1.25, 1.26, 1.32, 1.34, and 1.36 of Chapter 37 are incorporated by reference into part 42. The requirements of part 41, however, have not been incorporated into part 42.

Comment 10: One comment suggested changing “rehearing” to “reconsideration” in situations where the reconsideration is not by a panel.

Response: This comment is not adopted. The definition of “rehearing” as set forth in § 42.2 is consistent with 35 U.S.C. 6(c).

Jurisdiction (§ 42.3)

Comment 11: Several comments suggested that the phrase “in a timely manner” in proposed § 42.3(b) should be changed to “consistent with any time period required by statute.”

Response: The comments are adopted. **Comment 12:** A comment suggested that proposed § 42.3(a) should be deleted because the AIA does not authorize the Office to govern activities of the parties after Board decisions.

Response: Section 42.3 provides that the Board may exercise exclusive jurisdiction within the Office over every involved application and patent during the proceeding. The Office believes that § 42.3(a) is consistent with 35 U.S.C. 6(c) and 315(d), as amended, and 35 U.S.C. 325(d). Under 35 U.S.C. 6(c), the Board may grant a rehearing of a Board decision.

Comment 13: One comment suggested that the statement “[a]ny claim or issue not included in the authorization for review is not part of the trial” in the Office Patent Trial Practice Guide should be added to proposed § 42.3.

Response: The written decision to institute a trial will define the scope of the review in each proceeding and it is envisioned that claims and issues not identified in the written decision will not form a part of the trial.

Comment 14: One comment requested clarification of the process and procedure for handling multiple proceedings involving the same patent, specifically when the Office will stay, transfer, consolidate or terminate a reexamination or reissue application.

Response: The Office will consider whether to stay, transfer, consolidate or terminate a copending reexamination or reissue application that involves the same subject patent on a case-by-case basis depending on the particular facts of each case. Factors that may be considered include a request made by a court, a request by the first petitioner for termination of the first review in view of strength of the second petition, and whether the petitioner requesting joinder has offered to pay the patent owner’s costs.

Notice of Trial (§ 42.4)

Comment 15: One comment suggested that proposed § 42.4 should be clarified to specify what address the Office will

use to send a party the notice of trial and when these additional modes of notice would be used, and whether the modes are supplemental or substitutes for the notice specified in § 42.4(b).

Response: The Office will send the notice to the address of record and, when necessary, e.g., when the address of record appears to be outdated, may use an additional mode of notice.

Comment 16: One comment stated that the notice of trial appears to be redundant because the decision will contain an authorization to act, obviating any notice of trial.

Response: 35 U.S.C. 314(c), as amended, and 324(d) require the Director to provide notice of the trial.

Comment 17: One comment suggested that the Board should include in the notice a statement of the claim construction applied by the Board in making the decision to institute and that it will be used by the parties during the trial and also that the Board should take cognizance of any district court and U.S. International Trade Commission claim constructions.

Response: Consistent with 35 U.S.C. 314(c), as amended, and 35 U.S.C. 324(d), the Office will provide a written determination of whether to institute a trial when deciding a petition. Where claim construction is in dispute, the Office envisions that the Board will provide an initial claim construction for the trial. Consideration of constructions applied in other proceedings will be part of the determination, but whether the same construction will be applied will be a case-by-case determination.

Conduct of the Proceeding (§ 42.5)

Comment 18: Two comments requested guidance as to how extensions of time should be requested and one suggested that proposed § 42.5 should be modified to state that such requests are made by motion, but that no opposition is allowed.

Response: The Office envisions that requests for extensions of time will be made during a conference call with the Board and the opposing party (i.e., an oral motion would be made). A decision on the request will be made during the call or shortly thereafter, without the need for the parties to file any briefing on the issue.

Comment 19: One comment requested clarification of the circumstances under which the rules may be modified and whether it could be by motion or only by Board discretion and another suggested incorporation of an objective standard for when the Board would undertake this action. This comment also suggested that the proposed rule be

changed to “a member of the Board defined in 35 U.S.C. 6(a).”

Response: This comment is not adopted. Under the rule, the Board may determine a proper course of conduct where a situation arises that is not specifically covered or may waive or suspend a rule with conditions if circumstances warrant. If a party wishes the Board to provide it relief under the rule, the party must move for the Board to do so. § 42.20(a). Whether the Board exercises its discretion is determined on a case-by-case basis.

Comment 20: One comment suggested the times exemplified in the Office Patent Trial Practice Guide times should be incorporated into this rule as default times, leaving the Board discretion to alter them if needed.

Response: Default filing times for the filing of oppositions and replies are set forth in § 42.25. Under the rule, the time for the filing of any authorized motions will be set after conferring with the parties, § 42.25(a), to allow the Board to consider what is appropriate under the particular circumstances of the proceeding. The times set out in the Office Patent Trial Practice Guide are intended to give parties a general idea of how the ordinary proceeding will be conducted.

Comment 21: One comment requested guidance as to what would be considered “good cause” or “in the interests of justice,” justifying an extension of time or a late submission to avoid inconsistent application of the rule.

Response: Whether a party has met a “good cause” or “interests of justice” standard is specific to the particular facts of the proceeding and must be made on a case-by-case basis. An example where times may be extended is where, through no fault of either party, relevant information comes to light that requires briefing that could not occur in the allotted times for taking action.

Comment 22: One comment suggested adding a provision to the rule requiring that all substantive communications with the Board are to be recorded.

Response: Under the rules, there is no prohibition on the parties providing for a record of any oral communications between the parties and the Board. Whether resources will allow for the providing of a record by the Board has not been determined at this time.

Comment 23: One comment stated that proposed § 42.5 is inconsistent with the AIA, which reserves the “good cause” standard to the special situations of third party access to an agreement in respect of settlement, and extension of a proceeding to up to 18 months.

Response: The comment is not adopted. The AIA does not explicitly reserve the “good cause” standard only for those situations mentioned in the statute.

Comment 24: One comment suggested that proposed § 42.5 be modified to deal with a situation where, if an electronic filing problem arises and if the due date is not extendable by the parties, and if a Board member cannot be reached that day, the party that encounters the problem may notify opposing counsel that it will not be filing that day but will be filing the next day and will schedule a conference call the next morning to obtain a one-day extension for both parties. Another comment suggested that the Board have staff available after hours to rule on extension requests when the Office electronic filing system malfunctions.

Response: Under the appropriate circumstances, a party may file in paper. § 42.6(b)(2)(i). In the Board’s experience, an administrative patent judge will be available during business hours to consider whether to grant an extension in these circumstances. In the unlikely event that an administrative patent judge is not available to rule on the extension, the rules allow for the granting of an extension the day after the paper is due, which includes situations where electronic filing problems are shown to have occurred.

Filing of Documents, Including Exhibits; Service (§ 42.6)

Comment 25: Some comments suggested that proposed § 42.6(a) should be made consistent with current § 41.106 on font size and spacing requirements. One comment also suggested limiting content of papers based on word count.

Response: The Office adopts proposed § 42.6(a) in this final rule without any modifications. Both current §§ 41.106 and 42.6(a) require double spacing and therefore do not appear to be inconsistent. The rule regarding font size is based on readability considerations. The requirement is also consistent with Rule 32(a)(5) of the Federal Rules of Appellate Procedure. The Office considered a word count limit, but determined that the best practice, based on fee setting and IT considerations, is a page limit. Use of a word count is more difficult and complex to administer than use of a page limit. Therefore, the suggested change to limit content of papers based on word count is not adopted.

Comment 26: One comment suggested that proposed § 42.6(a)(4) is confusing regarding signature requirements, since §§ 1.33 and 11.18(a), to which the rule

refers, do not contain information regarding signature requirements. The comment suggested amending the rule to provide for S-signatures in addition to ink signatures.

Response: The Office adopts proposed § 42.6(a)(4) in this final rule without any modifications. Section 42.6(a)(4) refers to §§ 1.33 and 11.18(a), which in turn do specify signature requirements, including S-signatures. See § 11.18(a) (referencing § 1.4(d)(1)). Therefore, no change has been made.

Comment 27: One comment suggested that proposed § 42.6(d) should provide for exceptions and that the rule should be rewritten such that pleadings may be identified as exhibits.

Response: The rule prevents the parties from filing multiple copies of the same papers and labeling the same papers with different numbers. The Office’s experience is that the rule will aid in avoiding confusion and maintaining an efficient record. The Office, therefore, adopts proposed § 42.6(d) in this final rule without any modifications.

Comment 28: Some comments suggested that the proposed rule be amended to specify the types of acceptable service. One comment suggested that service should be by electronic mail. One comment sought clarification on what is meant by simultaneous service.

Response: The Office has made modifications to § 42.6(e) to provide that upon the agreement of the parties, service may be made electronically. The Office anticipates that, in most situations, papers will be filed electronically. § 42.6(b)(1). Clarification on filing and electronic service of documents will be provided according to parameters established by the Board and published on the Web site of the Office.

Comment 29: One comment suggested that it is not clear whether “filed separately” in § 42.6(e)(3)(ii) refers to uploaded as a separate file in the electronic filing system, filed as a separate electronic transaction, or filed on a different day or in a different context.

Response: Filed separately means apart from a document. See § 42.6(e)(4)(ii). The two documents may be filed on the same day and in the same electronic submission.

Management of the Record (§ 42.7)

Comment 30: Several comments requested clarification on whether proposed § 42.7(b) includes actions in reexaminations and reissue applications when the subject patent is concurrently under the Board’s jurisdiction in an

inter partes review, post-grant review, or derivation proceeding. One comment expressed concern that the proposed rule may be inconsistent with 35 U.S.C. 305 which requires that all *ex parte* reexamination proceedings be conducted with special dispatch. Another comment was in favor of the proposed rules with respect to jurisdiction and management of the record.

Response: The Office envisions that the Board will consider the statutory provisions governing the various proceedings and reconcile them in an appropriate manner when exercising its discretion to vacate or hold in abeyance a non-Board action. As to the issue of whether the proposed rule is inconsistent with the AIA, 35 U.S.C. 315(d), as amended, provides that

[n]otwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an *inter partes* review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the *inter partes* review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

Likewise, 35 U.S.C. 325(d) provides the same authority for post-grant review and covered business method patent review. It is important to note that the Board may exercise the authority under 35 U.S.C. 315(d), as amended, or 35 U.S.C. 325(d) notwithstanding chapter 30 of U.S.C. title 35, including the special dispatch provision of 35 U.S.C. 305. Therefore, § 42.7(b) is consistent with 35 U.S.C. 315(d), as amended, and 35 U.S.C. 325(d), and is not in conflict with 35 U.S.C. 305. The Board will take the special dispatch requirement into consideration before vacating or holding in abeyance any non-Board action directed to a reexamination proceeding.

Mandatory Notices (§ 42.8)

Comment 31: One comment objected to the separate paper requirement in proposed § 42.8(b).

Response: This comment has been adopted. The requirement for filing the mandatory notices on separate papers has been eliminated in this final rule.

Comment 32: One comment noted that proposed § 42.8(b)(3) is inconsistent with proposed § 42.10(a) as one is mandatory and the other is permissive.

Response: Section 42.10(a), as adopted in this final rule, contains the mandatory language so that it is consistent with § 42.8(b)(3).

Comment 33: One comment requested clarification on whether service must be effected by the service information

provided in the mandatory notice under proposed § 42.8(b)(4).

Response: If service is required (e.g., § 42.21), service must be effected by the service information provided in the mandatory notice under § 42.8(b)(4), unless otherwise ordered by the Board or agreed upon by the parties.

Comment 34: One comment suggested that the Office should provide examples or more information on the “related matters” provision of § 42.8, specifically whether the requirement encompasses non-U.S. matters.

Response: Similar to current § 41.37(c)(1)(ii) for *ex parte* appeals, § 42.8(b)(2) requires each party to identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding. Thus, any statement that complies with current § 41.37(c)(1)(ii) most likely would also comply with § 42.8(b)(2). As stated in the Office Patent Trial Practice Guide, judicial matters include actions involving the patent in federal court. Administrative matters that would be affected by a decision in the proceeding may include every application and patent claiming the benefit of the filing date of the party’s involved patent or application, as well as any reexaminations for an involved patent. Further, such matters may also include any prior-filed domestic or foreign application for which priority is claimed by the party’s involved patent or application.

Comment 35: One comment suggested that the 21-day time period set forth in proposed § 42.8(a)(3) for updating the mandatory notices should be shortened to seven days.

Response: This comment is not adopted. The Office encourages the parties to notify the Office and other parties of any changes as soon as possible, especially address and counsel changes, so that papers will be delivered to the correct address and person. The Office, however, believes that the 21-day time periods will provide sufficient time for the parties to take appropriate action.

Action by Patent Owner (§ 42.9)

Comment 36: One comment suggested that the term “subject” as opposed to “involved” should be used throughout proposed § 42.9.

Response: This comment is not adopted. The term “involved” is clearly defined in § 42.2 as “an application, patent, or claim that is the subject of the proceeding.” Therefore, it is not necessary to replace “involved” with “subject.”

Comment 37: One comment suggested that the word “inventor” in proposed

§ 42.9(b) should be deleted because if an inventor is not a part owner, the part owner should be able to act to the exclusion of that inventor as in proposed § 42.9(a).

Response: This comment is not adopted. The word “inventor” in § 42.9(b) is necessary because § 42.9(a) provides only for an owner of the entire interest acting to the exclusion of the inventor, as opposed to an owner of a part interest.

Counsel (§ 42.10)

Comment 38: There were a number of comments on the *pro hac vice* provision of § 42.10(c). Several comments suggested limiting representation to registered practitioners in view of the technically, legally and procedurally complex nature of the proceedings. Other comments suggested that *pro hac vice* representation be permitted, but only in very limited circumstances. Several comments also suggested that the rule should require that the lead counsel be a registered practitioner, or that a registered practitioner be involved in the proceeding. Another comment suggested that the burden to both parties be considered before permitting *pro hac vice* representation. Another comment suggested that any party admitted *pro hac vice* should expressly agree to be bound by part 10 of the Office’s regulations, to certify that they had read and are familiar with the relevant statutes, rules of practice, standing order, and *inter partes* rules, and that they are personally able to represent the client competently in the proceeding under Rule 10.76.

Response: The Office agrees that a motion to appear *pro hac vice* by counsel who is not a registered practitioner will be granted in limited circumstances, e.g., where a practitioner is an experienced litigator who is familiar with the subject matter involved in the proceeding. Although the Board may authorize a person other than a registered practitioner who possesses appropriate qualifications to appear as counsel in a proceeding, § 42.10(c), as adopted in this final rule, provides that the lead counsel in such a proceeding must be a registered practitioner. The admission of a party *pro hac vice* may be made subject to conditions as suggested by the comment in appropriate circumstances. Compliance with all of the suggested conditions in all cases, however, would not be appropriate such as when the party requesting admission had previously been admitted in another proceeding and had demonstrated a high degree of competence.

procedures for handling invention dates in derivation proceedings. Another suggested the simultaneous filing of confidential and non-confidential/redacted versions of material for which confidentiality is sought. Another suggested additional procedures to retain confidentiality after a motion to strike is denied.

Response: The comments are noted, but not adopted. The rule reflects the Congressional mandate of an open record expressed in the provisions of the AIA amending 35 U.S.C. 316(a) and adding 35 U.S.C. 326(a). Those provisions require that the Director prescribe regulations providing that *inter partes* review and post-grant review files "shall be made available to the public," except that any petition or document filed with the intent that it be sealed, if accompanied by a motion to seal, will be treated as sealed pending the outcome of the ruling on the motion. The Office anticipates that, in any particular proceeding, the need for procedures for sealing certain types of confidential information or certain documents, beyond those mandated by the statute, will be addressed by a motion to the Board under § 42.54. It is also envisioned that a motion to seal could be accompanied by both a request to return the material should the motion to seal be denied as well as a redacted version of the material accompanied with a contingent motion to rely on the material as redacted should the motion to seal be denied.

Fees (§ 42.15)

Comment 50: Several comments supported the fee structure and fee amounts proposed.

Response: The Office adopts the proposed fee structure and base fee amounts in this final rule, with modifications to the fees for challenged claims in excess of 20 claims.

Comment 51: Several comments suggested that the Office return or refund part of the trial proceeding fees paid to recover the cost of trial after institution in the proceedings if the Director does not institute a trial or to charge a fee only if a trial progresses to the point that additional effort is required of the Board.

Response: The comment has been adopted in part in that the Office is proposing a staged fee structure for trial proceedings in a separate rulemaking implementing section 10 of the AIA. The Office, however, cannot adopt the proposal in this final rule. The fees set in this notice are being set to recover the aggregate cost of conducting the proceedings using the authority provided in 35 U.S.C. 41(d)(2).

Moreover, unlike 35 U.S.C. 312(c) in effect on September 15, 2012, there is no additional authority provided in 35 U.S.C. 311–319 in effect on September 16, 2012, to refund fees paid should review not be instituted. The Director's authority to refund fees under 35 U.S.C. 42 is limited to fees that were paid by mistake or in excess of that owed. Moreover, in contrast to 35 U.S.C. 311(b) and 312(c) in effect on September 15, 2012, the AIA does not provide for refund of any part of the fee when the Director determines that a review should not be initiated.

Comment 52: Several comments suggested that the Board underestimated the number of claims that will stand or fall together and should consider adopting processes for greater efficiency where large numbers of claims are presented in a petition. One of the comments suggested charging on a claim-by-claim basis because the proposed blocks of claims may result in more claims being requested after a block of claims is breached.

Response: The comments have been adopted. Section 42.15, as adopted in this final rule, provides a flat fee of \$600 for *inter partes* review, and \$800 for post-grant review or a covered business method patent review, for each claim in excess of 20 claims. The modification to the proposed rule is based on public input that the Office should expect more claims to stand or fall together. The Office will continue to monitor the costs associated with a large number of claims to determine if the fee needs to be reset or if other procedures need to be adopted.

Comment 53: Several comments suggested that the process be revised to control costs to the Office by limiting the process before the Board to considering the initial petition, conducting an oral hearing and issuing a final decision or by minimizing actions by the Board beyond those actions.

Response: The final rules have adopted many cost saving features. The AIA, however, explicitly provides for motion-based proceedings and requires that the effect on economy rather than merely the Board be considered in prescribing regulations. 35 U.S.C. 316(d), as amended, and 35 U.S.C. 326(d) provide for a motions practice before the Board during the trial, which is inconsistent with the suggestion. 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) require that the effect of any regulation on the economy be considered, which includes limiting discovery where appropriate.

Comment 54: Several comments suggested that patent applicant will

likely file a large number of claims to increase the filing fee for the new trial proceedings.

Response: This comment has been adopted in part. The Office has reduced the fee for petitions challenging more than 20 claims.

Comment 55: Several comments suggested that the fee for the new trial proceedings be set at a low level and that no additional fees be charged for seeking review of more than 20 claims.

Response: The Director's authority to set fees for service under 35 U.S.C. 41(d)(2) does not provide for setting fees below cost. Setting a single fee regardless of the cost to process a petition is inconsistent with the requirement of 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a) to set more than one fee for each petition, and the requirement of 35 U.S.C. 312(a)(1), as amended, and 35 U.S.C. 322(a)(1) that the fee be provided with the petition. The Office is proposing a limited subsidization of the review proceeding fees in a separate rulemaking implementing section 10 of the AIA.

Comment 56: A comment suggested that single-claim challenges are likely based on the statutory estoppel provisions and the fee setting in order to avoid the escalating fees for additional claims.

Response: The comment directed to the statutory estoppel provisions is not germane to this notice, which does not concern those provisions. Further, to the extent the comment was directed to the fee setting, the suggestion is inconsistent with both the proposed and final regulation as both impose a single fee for challenging the first 20 claims in a patent.

Comment 57: Several comments suggested that the fee charged be based on the number of grounds asserted in a petition rather than the number of claims challenged.

Response: The comments were not adopted. Determining how many grounds of unpatentability actually are asserted in a petition cannot always be determined with certainty, while determining the number of claims being challenged can be determined definitely. Using an uncertain process to determine the fee due on filing a petition for review likely will increase costs and uncertainty for the petitioner, patent owner and the Office.

Comment 58: One comment questioned how claims should be counted if review of a dependent claim is requested and if review of its parent claim(s) is not requested, and how a challenged multiple dependent claim would be counted.

Response: The number of claims for which review is requested is increased by the number of claims from which a claim depends if the petition seeks review of a dependent claim, but not all of the claims from which it depends. For example, where patent claim 4 depends from claim 3, claim 3 depends from claim 2, and claim 2 depends from independent claim 1, and the petition requests only review of claims 1 and 4, the proper claim count would be 4. Any multiple dependent claim will be counted as a single claim.

Comment 59: Several comments suggested the Office apply the small entity discount to the petition fees.

Response: The suggestion is not adopted. The Office's authority to apply a small entity discount to fees authorized by 35 U.S.C. 41 is provided in 35 U.S.C. 41(h). This authority does not permit the Office to provide a small entity discount on fees set under 35 U.S.C. 41(d)(2).

Comment 60: One comment suggested that the fee for filing a petition for review be discounted if the petition seeks review of claims that are not separately patentable.

Response: The comment is not adopted. While a patent owner may effectively waive any argument that a claim is separately patentable, the petitioner's determination as to which claims stand or fall together is not binding on the patent owner. For example, a petitioner's determination that species specific claims 2–10 should stand or fall with genus claim 1 for purposes of the prior art, and the same claims which stand or fall with specific claim 10 for purposes of written description or enablement, may not be credited.

Moreover, even the patent owner's argument that claims stand or fall with claim 1 may be ineffective where the additional claims have a later effective filing date. In this situation, it may be appropriate to find claim 1 patentable, while holding the additional claims unpatentable.

Petition and Motion Practice, Generally (§ 42.20)

Comment 61: One comment suggested that careful and active management of post-grant proceedings by the Board, particularly in connection with discovery and management of the amendment process, will result in early focusing of the issues and prevent the waste of time and harassment that might otherwise result from the party-managed discovery common in the Federal courts.

Response: The rules provide for an efficient and controlled procedure to

secure the just, speedy, and inexpensive resolution of every proceeding coming before the Board. § 42.1(a).

Comment 62: One comment suggested that prior to the first conference call with the Board contemplated under § 42.20, the petitioner and the patentee should be required to meet to try to resolve issues such as claim interpretation, level of skill, whether the alleged prior art identified is in fact prior art, and what factual issues the patentee intends to raise to reduce issues that must be decided within the proceeding.

Response: Under the rules, the parties may agree to meet and resolve issues among themselves prior to the conference call, where appropriate, the Board may require the parties to meet and confer prior to the initial conference call. It has been the Board's experience that parties' willingness to resolve issues among themselves often results in a less expensive, faster resolution of the proceeding.

Comment 63: One comment expressed support for active management of the proceedings, consistent with the statutory purpose of the AIA to create a mechanism for resolving patentability disputes that is more efficient and cost-effective than district court litigation.

Response: The rules provide for an efficient and controlled procedure to secure the just, speedy, and inexpensive resolution of every proceeding coming before the Board. § 42.1(a).

Comment 64: One comment suggested expanding subsection (b) of the rule to indicate when authorization is not required, e.g., motions for rehearing, motions to seal, motions to extend page limits, and when authorization is required.

Response: The comment is not adopted. Authorization is required for the filing of each motion either through Board order or as specified by rule, e.g., a motion to seal (§ 42.54(a)) and a motion to expunge confidential information (§ 42.56). As contemplated under the rules, once a proceeding is initiated, the Board may provide blanket authorization to file certain types of motions depending on the particular circumstances of the proceeding. § 42.20(b).

Comment 65: One comment suggested that authorization not be required for the single motion to amend as permitted by statute.

Response: Under the rules, authorization is not required to file the single motion to amend the claims permitted by statute. §§ 42.121(a) and 42.221(a). The rules instead require that the patent owner confer with the Board prior to the filing of the motion to

discuss compliance with the statutory requirement that a reasonable number of substitute claims be proposed. 35 U.S.C. 316(a)(9), as amended, and 35 U.S.C. 326(a)(9).

Comment 66: One comment suggested that proposed § 42.20 be modified to state that "Relief must be requested in the form of a motion" and "A motion, other than a petition to institute a proceeding, will not be entered without Board authorization."

Response: The comment is not adopted. Under the rules, relief, other than a petition, must be requested by a motion. A petition is not considered a motion since it has distinct requirements.

Comment 67: One comment suggested that proposed § 42.20 not be adopted in view of estoppel that accompanies the review proceedings and the briefing included in § 42.20(d) that may unnecessarily burden participants with redundant briefing issues and that may allow parties to present new arguments and otherwise add expense to the participants.

Response: This comment is not adopted. Under the rules, additional briefing ordered by the Board will take into account securing the just, speedy, and inexpensive resolution of the proceeding. § 42.1(b).

Comment 68: One comment suggests that the Office adopt the practice under current interference practice where observations and replies are simply papers authorized by the Standing Order, noting that certain requirements of the rule, e.g., statement of material facts, would not seem to be necessary for observations.

Response: The Office envisions that the Scheduling Order will authorize certain types of papers, including observations. Material facts are no longer required to be part of a motion. §§ 42.22(a)(2) and 42.22(c).

Comment 69: One comment suggests that the rules should specify the content requirements of a joinder request and set a time period for the patent owner to file a preliminary response to a joinder request and that the Office Patent Trial Practice Guide should list exemplary factors that the Board will consider when exercising its discretion under 35 U.S.C. 315(c), as amended, and 35 U.S.C. 325(c).

Response: This comment is not adopted. Under the rules, a request for joinder must be made by way of authorized motion and the final rules provide for such motions. § 42.122(b). The requirements for a motion are found in § 42.22. Factors that may be considered in entertaining a motion for joinder include a request made by a

court, a request by the first petitioner for termination of the first review in view of the strength of the second petition, and whether the petitioner requesting joinder has offered to pay the patent owner's costs.

Notice of Basis for Relief (§ 42.21)

Comment 70: Several comments suggested that the Board should clarify, in either the preamble or the Office Patent Trial Practice Guide, that a purpose of requiring a notice of basis for relief under § 42.21 is to help the Board decide whether it should authorize the filing of the underlying motion.

Response: The notice serves to provide notice to an opponent and the Board of the relief a party is seeking. The notice allows the Board to consider whether the filing of a motion should be authorized and an opponent to consider whether it would oppose such a filing.

Comment 71: One comment suggested that the Board should be liberal in its application of § 42.21(c), so as not to elevate formalities over substance such that so long as the motion is reasonably within the scope of the notice, the Board will address the motion on its merits.

Response: Under the rule, a notice must include sufficient detail to place the Board and each party on notice of the precise relief requested. In the Board's experience, the greater detail provided in the notice the more likely it is the party will be authorized to file a motion seeking the relief requested. If a party wishes to file a motion and is uncertain as to whether it is within the scope of a motion listed on its notice and authorized to be filed, it should seek clarification from the Board in the form of a conference call prior to filing the motion.

Comment 72: Several comments suggested that notice of motions should be deleted as unnecessary. Section 42.20 already provides that the motion may not be filed without prior authorization.

Response: The comments are not adopted. The notice provision aids the Board and an opponent and works in tandem with § 42.20. In the Board's experience, the notice has been a useful tool for preparation of conference calls for both the parties and the Board. The notice provides a written record of the relief requested from the perspective of the requesting party and allows for a more productive conference call as the administering judge and the opposing party can consider the relief that is being requested prior to any call. The notice allows parties to confer prior to the conference call and perhaps resolve issues preemptively.

Comment 73: One comment suggested that the rule be revised to remove the

"interests of justice" standard at § 42.21(d).

Response: This comment is not adopted. The rule is designed to discourage a party from withholding notice to the Board or to another party, either intentionally or inadvertently, such that it is able to gain an unfair advantage.

Content of Petitions and Motions (§ 42.22)

Comment 74: Several comments suggested that a statement of material facts should not be required.

Response: The comment has been adopted. The Office has made modifications to the rule regarding a statement of material facts in petitions and motions. In particular, the rule has been clarified to state that a petition or motion may, but is not required to, include a statement of material facts.

Comment 75: One comment suggested that the rule should be revised to provide that material facts are presented in an appendix rather than in a brief.

Response: The comment is not adopted. However, the Office understands the concerns expressed and has made modifications to the rule regarding a statement of material facts in petitions and motions. In particular, the rule has been clarified to state that a petition or motion may, but is not required to, include a statement of material facts. Rather than requiring a statement of material facts to be presented in petitions or motions, whether in the main body or in an appendix, the submission of a statement of material facts has been made optional. The Office believes this change gives greater flexibility to the parties than requiring the statement of material facts to appear in an appendix.

Comment 76: One comment suggested that all issues relating to admissibility of evidence should be raised in the petitioner's and patentee's responses and replies, rather than through later motion practice.

Response: Issues relating to credibility and the weight of the evidence may be raised in responses and replies. To the extent a party seeks to exclude the evidence in dispute, a party is to raise the issue in a motion to exclude. Motions to exclude help identify and focus the admissibility issue in dispute and are best handled later in the proceeding as many issues that arise early in the proceeding are no longer relevant at the time the motion to exclude is filed.

Oppositions and Replies (§ 42.23)

Comment 77: Several comments supported the proposed rule. One

comment stated that proposed § 42.23 should be adopted.

Response: The proposed rule has been adopted in this final rule.

Comment 78: One comment suggested that if the Office retains the requirement that all papers contain a statement of material facts, § 42.23 should be revised to clarify which material facts are to be addressed in oppositions and replies and that § 42.23 be revised to provide that material facts are to be presented in an appendix rather than in the body of a brief.

Response: The comment is not adopted because the Office has not retained the requirement that all papers contain a statement of material facts. The Office has made modifications to the rule regarding a statement of material facts in petitions and motions. In particular, the rule has been clarified to state that a petition or motion may, but is not required to, include a statement of material facts. Rather than requiring a statement of material facts to be presented in petitions or motions, whether in the main body or in an appendix, the submission of a statement of material facts has been made optional. The Office believes this change gives greater flexibility to the parties than requiring the statement of material facts to appear in an appendix.

Comment 79: One comment suggested that the rule should affirmatively state that a party has the right to file an opposition to a motion and that the movant has the right to file a reply to an opposition unless otherwise directed by the Board or the rules.

Response: The comment is not adopted. Section 42.23 permits oppositions and replies.

Comment 80: One comment suggested modifying § 42.23 to state that oppositions and replies must include a statement responding to each material fact.

Response: Section 42.23 provides that oppositions and replies must include a statement identifying material facts in dispute where the underlying motion contains such a statement. The Office believes that it is not necessary to respond to those that are not in dispute. Thus, section 42.23 also provides that any material fact not specifically denied may be considered admitted. The Office believes that this approach is more efficient for parties in identifying disputes of material fact.

Page Limits for Petitions, Motions, Oppositions, and Replies (§ 42.24)

Comment 81: Several comments supported the page limit structure and the page limits proposed. One comment specifically urged adoption of § 42.24(c).

Another comment stated that the precise number of pages is not critical, except that a reasonable limit needs to be imposed. One comment stated that the page limits are reasonable. Another comment stated that a major problem with *inter partes* reexamination is that there is no page limit on the size of the request which frustrates the Office's ability to do its job well and handicaps the patent owner who must then respond. One comment recognized that certain rules, even if unpopular, are necessary to contain the costs of litigating the new trial procedures.

Response: The proposed page-limit structure has been adopted, and § 42.24, as adopted in this final rule, permits higher page limit amounts. Not only have certain page limits been increased, but also the amount of space available for claim charts has been doubled and the requirement for a statement of material facts has been eliminated. These collective changes will permit a party to have a great deal of flexibility in presenting its case and in responding to the opposing party. Together, these changes are far more effective than a mere increase of page limits standing alone. In particular, the page limits are increased to 60 pages for a petition requesting *inter partes* review or derivation (a 20% increase) and 80 pages for a petition requesting post-grant review or covered business method patent review (a 14% increase). Likewise, because § 42.24(b) provides that page limits for oppositions are the same as those for corresponding petitions, the page limits are increased to 60 pages for an opposition to a petition requesting *inter partes* review (a 20% increase) and 80 pages for an opposition to a petition requesting post-grant review (a 14% increase). As discussed with respect to § 42.6, single spacing may be used for claim charts rather than double spacing—which results in a doubling of the space available to present claim charts. In addition, as discussed with respect to § 42.22, a statement of material facts no longer is required in petitions or motions.

Comment 82: Several comments suggested that the page limits should be increased. One comment suggested that the page limits be increased to approximately 85 pages for *inter partes* review petitions and 120 pages for post-grant review petitions. Some comments suggested the Office adopt the page limits of, and one comment suggested the Office adopt the formatting requirements of, *inter partes* reexamination.

Response: The comment has been adopted in part. The Office has made

modifications to the proposed page limits. In particular, the page limits are increased to 60 pages for a petition requesting *inter partes* review and 80 pages for a petition requesting post-grant review. As discussed with respect to § 42.6, single spacing may be used for claim charts rather than double spacing. In addition, as discussed with respect to § 42.22, a statement of material facts is no longer required. These collective changes will permit a party to have a great deal of flexibility in presenting its case and in responding to the opposing party. Together, these changes are far more effective than a mere increase of page limits standing alone.

Comment 83: Several comments suggested that the page limits should apply equally to petitioner and patent owner. One comment noted that § 42.204(b)(3) requires the petitioner to state how the challenged claim is to be construed and suggests that § 42.207 should provide the patent owner with a corresponding opportunity to rebut the petitioner's proffered construction. Another comment stated that the patent owner should be able to use the full number of pages within the limit even if the petitioner uses fewer than the allowed number of pages. One comment stated that, because the patent owner is permitted to have a preliminary response and a response after institution, patent owner will have twice the number of pages to address the issues. The comment further stated that the ability of the patent owner to present a motion to amend will further increase the number of pages for the patent owner to present its case.

Response: The proposed rules implicitly provided petitioner and patent owner equal page limits because a patent owner's preliminary response would have been filed as an opposition, which has the same page limit as those for corresponding petition. In view of the comments, § 42.24(b), as adopted in this final rule, adds new provisions that expressly provide that the page limits for a patent owner's preliminary response and a patent owner's response are the same as the page limits for the petition. Section 42.24 does not limit a party to a page limit based upon the number of pages used by another party. Also, a patent owner's preliminary response and a patent owner's response are not ordinarily expected to address the exact same issues. A patent owner's preliminary response is limited to setting forth the reasons why no review should be instituted. In the patent owner's response, any ground for unpatentability not already denied may be addressed. Under § 42.24(b), a petitioner will be provided with an

equal number of pages to oppose a motion to amend as the patent owner is provided in making the motion to amend.

Comment 84: One comment suggested that § 42.24 be modified to address expressly and set forth a page limit for patent owner responses.

Response: This comment has been adopted. The Office modified the rule to expressly provide that the page limits for a patent owner's preliminary response, or response, to a petition are the same as the page limits for the petition.

Comment 85: Several comments noted that page limits impact the rights of the parties and the ability of the parties to fully present arguments, especially in view of the estoppel provisions of 35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e). One comment stated that page limits will increase inefficiency and costs by forcing a petitioner to file multiple co-pending reviews if a petitioner only is able to effectively address a small subset of claims within the page limits. Several comments suggested that practitioners will move away from the proceedings if the page limits are too restrictive.

Response: The Office has made modifications to the proposed rules regarding page limits. In addition, the Office has made modifications to the proposed rules regarding the line spacing of claim charts to permit single spacing rather than double spacing and has eliminated the requirement for a statement of material facts. These collective changes will permit a party to have a great deal of flexibility in presenting its case and in responding to the opposing party. Together, these changes are far more effective than a mere increase of page limits standing alone. Furthermore, petitioners and patent owners may seek waiver of the page limits in appropriate circumstances.

Comment 86: Several comments suggested that the page limits should be removed. One comment suggested that page limits for claim charts should be removed. Several comments stated that there should be no page limit for petitions, noting that there are no page limits for requests for *inter partes* reexamination.

Response: The comment is not adopted. In promulgating the rules, the Office is to consider the integrity of the proceedings, the efficient operation of the Office, and ability to complete the proceedings timely. Allowing petitioners to file petitions and/or claim charts without page limits places a severe burden upon both the patent owner and the Board, and will affect

adversely the patent owner's ability to respond effectively to the patentability challenges and the Board's ability to complete the proceeding timely. Page limits assist the Board in effectively managing the proceeding without being unduly restrictive of the parties. The Office has made modifications to the proposed rules regarding page limits. In addition, the Office has made modifications to the proposed rules regarding the line spacing of claim charts to permit single spacing rather than double spacing and has eliminated the requirement for a statement of material facts.

Comment 87: Several comments suggested that certain components of petitions, motions, oppositions, and replies should either be excluded from the page limits or counted separately. One comment suggested that required portions should not be counted toward the page limits. Several comments suggested that separate page limits should apply for claim charts, claim construction arguments, and statement of material facts. One comment suggested the Office promulgate a rule that claim charts not include attorney argument or introduce new evidence.

Response: In promulgating the rules, the Office is to consider the integrity of the proceedings, the efficient operation of the Office, and ability to complete the proceedings timely. Although the Office understands the concerns expressed, allowing petitioners to file petitions where certain portions are exempt from page limits places a severe burden upon both the patent owner and the Board, and will affect adversely the patent owner's ability to effectively respond to the patentability challenges and the Board's ability to complete the proceeding timely. Page limits assist the Board in effectively managing the proceeding without being unduly restrictive of the parties. A rule prohibiting attorney argument or new evidence in claim charts would be difficult to enforce without inordinate expenditure of Board resources. The Office has made modifications to the proposed rules regarding page limits. In addition, the Office has made modifications to the proposed rules regarding the line spacing of claim charts to permit single spacing rather than double spacing and has eliminated the requirement for a statement of material facts.

Comment 88: Several comments suggested that a word count should be used in place of a page limit.

Response: The comment is not adopted. A word count is more difficult and complex to administer than a page limit.

Comment 89: One comment suggested that a substantial fee should be charged for submissions exceeding the page limit in order to encourage brevity without adopting a prescriptive rule.

Response: The comment is not adopted. Because the fee amounts for exceeding page limits in post-institution submissions cannot be known at the filing of the petition, the proposed fee is inconsistent with the requirement of 35 USC 312(a)(1) and 322(a)(1) that the fee be provided with the petition by the petitioner. It is noted that § 42.24(a)(2) provides that the petitioner may seek waiver of the petition page limits in appropriate circumstances.

Comment 90: Several comments suggested modification be made to the page limit waiver process. Some comments suggested that, because petitioner may lose the right to file a petition due to the passing of a statutory deadline if a motion to waive page limits is denied, the Office should implement a rule allowing the filing of a page limit compliant petition within a designated period of time after a motion to waive page limits is denied. One comment suggested that exceptions to the page limits should be allowed when numerous claims need to be addressed. One comment stated that there is no meaningful opportunity to seek a waiver of page limits in advance of the petition filing. One comment suggested that "the interests of justice" standard for page limit waivers should be lowered to "good cause," and also suggested that "good cause" should be presumed to exist when there is a payment of a fee for the review of extra claims.

Response: Section 42.24(a)(2) provides that petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show how a waiver of the page limits is in the interests of justice. A copy of the desired non-page limited petition must accompany the motion to waive the page limits. Generally, the Board would decide the motion to waive page limits prior to deciding whether to institute the trial. The Office understands the concerns expressed, however, because both the page-limited petition and non-page limited petition must accompany the motion to waive page limits, there is no need for a rule regarding the filing date of later-filed page limit compliant petitions. Section 42.24(a)(2) provides that any other motion to waive page limits must be granted in advance of filing the motion, opposition, or reply for which the waiver is sought. Each motion to waive page limits will be decided on the particular facts

presented on a case-by-case basis. However, exceptions to the page limits are not anticipated to be granted commonly. Lowering the standard from "the interests of justice" to "good cause" likely would result in a large increase in the number of page limit waivers granted, with corresponding adverse impact on the ability of the Board to complete the proceeding effectively and timely.

Comment 91: Several comments suggested that the page limits should be based on the complexity of the proceeding. Several comments suggested that the page limits should be based, in whole or in part, on the number of claims challenged and consequently the fees paid. Several comments suggested that the page limits be based, in whole or in part, on the number of grounds raised or number of proposed rejections in a petition. One comment suggested that, to the extent that determining the number of grounds raised can be subjective, a rule adopting such an approach should include clear examples of what constitutes a separate ground of unpatentability. One comment suggested that the Office require a table of contents identifying each separate ground of unpatentability with corresponding headings in the body of the petition. One comment suggested the Office encourage practitioners to present different grounds of unpatentability in the order in which they most easily satisfy the threshold.

Response: These comments are not adopted. Providing for additional pages merely because additional claims are added to a petition where the pages are used on the primary target claims would reduce the page limit rule effect in many proceedings and reduce the ability of the Office to conclude proceedings timely. Where a petitioner can demonstrate how a waiver of the page limit is in the interests of justice, a motion to waive the page limit should be considered. Alternatively, the filing of multiple petitions directed to subsets of related claims should be considered.

In addition, determining how many grounds of unpatentability actually are asserted in a petition cannot always be done with certainty, while a fixed number of pages can be determined with certainty. Using an uncertain process to determine the page limit for filing a petition for review or other submission will be difficult to administer and likely will increase costs and uncertainty for the petitioner, patent owner and the Office.

However, the Office has made modifications to the proposed rules regarding page limits. In addition, the

Office has made modifications to the proposed rules regarding the line spacing of claim charts to permit single spacing rather than double spacing and has eliminated the requirement for a statement of material facts.

Comment 92: Several comments noted that district court litigation is not analogous to a trial under the AIA. One comment suggested that interferences are not analogous to trials under the AIA. Some comments noted that in Federal courts issues are often broken across multiple briefs and negotiations. Some comments noted that Federal courts often do not impose limits on claim charts. Another comment noted that petitions under the AIA seem more analogous to complaints, for which page limits are rarely, if ever, applied by Federal courts.

Response: The Office recognizes that differences exist between trials under the AIA and Federal District Court litigation, as well as interferences. Among other things, Congress intended that trials under the AIA proceed more rapidly and at lower cost than Federal District Court litigation. However, the Office believes that the use of page limits in Federal courts and in contested cases is instructive when looking to trials under the AIA. The Office does not intend a one-to-one correspondence with either Federal District Court litigation practice or contested cases practice. However, page limits have assisted tribunals in effectively managing proceedings without being unduly restrictive of the parties.

Comment 93: A comment asked whether pages in an affidavit filed with a petition, motion, opposition, or reply would be counted toward the applicable page limit and whether the Office would place page limits on supporting affidavits.

Response: Section 42.24(a) provides that the page limits for petitions and motions do not include an appendix of exhibits. Section 42.24(b) provides that the page limits for oppositions are the same as those for corresponding petitions or motions. Section 42.24(c) provides that the page limits for replies do not include an appendix of exhibits. Accordingly, an affidavit filed in an appendix of exhibits to a petition, motion, opposition, or reply would not be counted toward the applicable page limits.

Default Filing Times (§ 42.25)

Comment 94: One comment recommended that the patent owner should be permitted to extend the time for response on a very low showing of good cause because the petitioner would have ample time to build its case.

However, a few comments noted that the example in the Practice Guide for Proposed Trial Rules provides a nine-month time frame for the patent owner to prepare its response with a four-month time period to take discovery, whereas the petitioner has only two months to reply to the patent owner's response that may include amended claims, secondary considerations of nonobviousness, and other evidence. One comment requested a longer time period for a party who is located outside the United States. In addition, one comment suggested that the Scheduling Order be issued after the initial conference, where the administrative patent judge has reviewed and made a determination on what motions will be authorized, and the parties would work out an acceptable schedule. One comment suggested that the reviews should be structured to minimize the number of miscellaneous motions.

Response: At the time of institution, the Board will enter a Scheduling Order that sets due dates for the proceeding. About one month from the date of institution, an initial conference call will be held to discuss the motions that the parties intend to file and to determine whether any adjustment to the Scheduling Order is needed. The Scheduling Order may be adjusted depending on the particular facts of each case, such as whether the patent owner will be filing a motion to amend or any secondary considerations of nonobviousness, and whether the petitioner would need additional time for taking discovery or filing a reply. The Board will conduct the proceeding in a streamlined manner taking into account the complexity of the proceeding and ensuring that the trial is completed within one year of institution, including minimizing any unnecessary miscellaneous motions.

Comment 95: One comment suggested that the oral hearing should not be scheduled sooner than 45 days from the last reply to provide the parties sufficient time to prepare.

Response: When a party requests an oral hearing, the party may recommend a date for the oral hearing. The Board will take into consideration the party's availability and whether sufficient time is provided.

Comment 96: One comment suggested that the Office should not take the full three-month time period to determine whether to institute a review.

Response: The Office will attempt to decide petitions to institute a review as quickly as practical before the expiration of the three-month statutory period.

Discovery (§ 42.51)

Comment 97: Several comments expressed concern that the proposed rules for discovery do not provide sufficient default limits on the scope and procedures for discovery. Further, several comments expressed concern that the scope of discovery and procedures would be decided on a case-by-case basis by the Board and that the Office should eliminate the need for discovery motions where the parties agreed to the additional discovery.

Response: The comments are adopted in part. The Office's rules provide for routine discovery and additional discovery. Routine discovery is designed to place the parties on a level playing field and to streamline the process. Additional discovery is that discovery that goes beyond the routine and, unless the parties agree to the additional discovery, would require a joint conference call with the Board to discuss a party's request for the additional discovery.

The Office adopts the suggestions to provide further detail on routine and additional discovery, including providing default time limits on the duration of depositions, providing for mandatory initial disclosures and eliminating discovery requests where the parties are in agreement. Discovery issues, however, will be decided on a case-by-case basis where there is a disagreement amongst the parties.

The AIA requires the Director of the USPTO to consider the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability to complete *inter partes* and post-grant review timely in promulgating regulations. Moreover, 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) limit the authority of the Director to authorize discovery. In particular, 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) limit the authority of the Director to promulgate regulations authorizing discovery. 35 U.S.C. 316(a)(5), as amended, states that discovery shall be limited to depositions of witnesses submitting affidavits and declarations and what is otherwise necessary in the interests of justice. 35 U.S.C. 326(a)(5) similarly limits the Director's authority to provide for discovery only if it is limited to evidence directly related to factual assertions advanced by either party. The legislative history for these provisions provides that additional discovery be restricted to particular limited situations justified by the special circumstances of the case. The legislative history further states that it

was anticipated that the Office would be conservative in its grants of discovery due to the time deadline constraints on the proceedings. 154 CONGRESSIONAL RECORD S9988–9, (daily ed. Sept. 27, 2008) (statement of Sen. Kyl); see also 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (incorporating prior 2008 statement). Consistent with the statutory provisions and the legislative history, the Office's rules provide that additional discovery will be ascertained on a case-by-case basis taking into account the special circumstances of the proceeding.

Comment 98: Several comments expressed support for the limited discovery provided for in the proposed rules to avoid the time-consuming and costly discovery battles that are typical of district court litigation. Other comments suggested that discovery was too limited and that a limited number of automatic discovery mechanisms should be put forth in the rules.

Response: The comments are adopted in part. The Office has considered the comments favoring additional automatic discovery against those cautioning against the increased costs and delays associated with broader discovery. 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) require the Office to promulgate standards and procedures for the limited discovery of relevant evidence. 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) require sanctions will be provided for abuse of discovery, which cautions against overly broad discovery. Further, the legislative history states that the Office is anticipated to be conservative in its grants of discovery due to time constraints on the proceedings. On balance, the Office believes that the rules provide the proper standards for discovery where the parties fail to agree amongst themselves as to additional discovery but the Office acknowledges the benefits to providing additional discovery where the parties are in agreement. Accordingly, although the Office does not adopt a specific number of automatic interrogatories, production requests and depositions due to concerns over imposing costs and potential delays upon a party desiring a quicker, lower cost alternative to district court litigation, the Office has rewritten the rules to provide for mandatory initial disclosures and additional discovery where the parties agree to such discovery. Further, additional discovery will be available even in the event that the parties do not agree to the scope of the additional discovery, but such requests will be handled on a case-by-case basis taking into account the specific facts presented.

Comment 99: One comment suggested that the Office promulgate a rule that parties may use conference calls with the Board to resolve disputes regarding their discovery obligations in a timely way.

Response: The comment is adopted in part. A party seeking relief other than by petition is to request relief via a "motion," which can be as simple as arranging a conference call with the Board. § 42.20. The Board envisions handling joint conference calls in an expeditious manner, especially for discovery disputes where the parties need resolution in order to continue development of their respective cases. In particular, the Board expects to resolve many issues via conference calls so as to ensure the timely resolution of the proceeding in a cost-effective manner.

Comment 100: One comment asked for clarification that the Board will uphold all recognized privileges and immunities against disclosure of otherwise discoverable information.

Response: The comment is adopted, although no change to the rule is required. The Board intends to recognize privileges and immunities normally available under the Federal Rules of Evidence. See § 42.62.

Comment 101: Several comments requested that patent owners be assured of at least three months of discovery once review is instituted.

Response: The comments are adopted. The rules of practice for *inter partes* review and post-grant review have been modified to provide patent owners with a default time of three months after institution to file a patent owner response. §§ 42.120(b) and 42.220(b). The Office envisions patent owners taking discovery during the three months after institution so that they may prepare and file their patent owner response.

Comment 102: Several comments requested that discovery commence immediately upon institution of the proceedings.

Response: The comments are adopted in part. The Office envisions that a Scheduling Order will be entered concurrent with a decision to institute a proceeding. The Scheduling Order will set due dates for the proceeding taking into account the complexity of the proceeding, but ensuring that the trial is completed within one year of institution. The Office envisions that the Scheduling Order will authorize the patent owner to begin taking routine discovery immediately of the petitioner's witnesses submitting affidavits or declarations. The Office, however, does not incorporate a specific

time for the commencement of discovery as there may be certain cases where discovery would be taken prior to commencement, e.g., additional discovery may be authorized prior to institution, where patent owner raises sufficient concerns regarding the petitioner's certification of standing.

Comment 103: Several comments were directed to the sequencing of discovery as between the petitioner and the patent owner. Certain comments spoke favorably of sequencing, whereas another comment opposed sequencing expressing the view that sequencing would unnecessarily complicate proceedings by requiring the Board to police multiple discovery deadlines.

Response: The comments favoring sequencing are adopted in part. The Office Patent Trial Practice Guide contains a proposed Scheduling Order that utilizes sequenced discovery whereby parties can conduct meaningful discovery before they are required to submit their respective motions and oppositions. In choosing to provide sequenced discovery in the proposed Scheduling Order, the Office took into account public commentary identifying the benefits associated with such a procedure. In particular, sequenced discovery allows for convergence of the issues as the trial progresses, and therefore, reduces the burdens on the parties and the Board. Rather than including this in the rules, however, the Office has elected to provide for sequencing in the Scheduling Order so that the parties may, where appropriate, agree to another schedule for discovery.

Comment 104: Several comments suggested that certain information appearing in the Practice Guide for Proposed Trial Rules be incorporated into the rules. Examples of this are the use of conference calls and the concept of sequenced discovery.

Response: The Office Patent Trial Practice Guide is intended to advise the public on the general framework of the regulations. The guide will be updated to reflect the final rules. Providing general guidance in a practice guide, as opposed to the rules themselves, allows for flexibility for efficient case management and is consistent with the considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) that the rules take into account the efficient operation of the Office and the ability to complete the proceedings in a timely manner. The Office expects that the Board will make liberal use of joint conference calls coupled with expeditious decision making on procedural issues to ensure the timely completion of the proceedings.

Comment 105: A comment asked for clarification whether § 1.56 applied during a proceeding.

Response: Proceedings, not being applications for patents, are not subject to § 1.56.

Comment 106: Several comments addressed the interplay between the Office's discovery rules and the statutory estoppel for the proceedings. One comment asked for guidance in the rules as to how such provisions would apply where a party was unable to discover evidence or bring a claim because discovery was limited by the Board or the applicable rules.

Response: 35 U.S.C. 315(e)(1), as amended, and 35 U.S.C. 325(e)(1) provide for petitioner estoppel on issues raised or those that reasonably could have been raised during the proceeding. Where an issue reasonably could not have been raised during a proceeding, no estoppel would occur.

Comment 107: One comment stated that live testimony on inequitable conduct is not to be considered in a trial.

Response: This comment is adopted in part. Inequitable conduct is not a basis for seeking the institution of a trial before the Board. However, 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) provide that the Office may determine and is allowed to prescribe sanctions for misconduct, such as abuse of process, or any other improper use of the proceeding, such as to harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

Comment 108: Several comments requested that the Office provide for the presentation of rebuttal evidence at the oral hearing and provide guidance with respect to the interplay between the rebuttal evidence and hearing under the Administrative Procedures Act.

Response: Generally, rebuttal evidence will be submitted prior to the hearing such that an opponent will have sufficient time to identify and brief admissibility challenges to the rebuttal evidence. As such, hearings typically will reflect an oral argument explaining arguments already made and supported in the existing record. Occasionally, where requested, the Board may order live witness testimony before an administrative patent judge, when it is necessary to resolve discovery disputes or where witness demeanor is particularly important, but it is envisioned that such live testimony will occur prior to the hearing, rather than during the hearing. In an appropriate case, however, where an appropriate showing has been made, live testimony

would be taken at a hearing before the Board.

Comment 109: Several comments recommended setting discovery limits by way of rule or in a Standing Order.

Response: The comments are adopted in part. The Office has modified several discovery rules to provide additional default limits on discovery. Further, the Office envisions providing guidance on discovery in the Office's Scheduling Order, which would accompany a decision to institute a proceeding.

Comment 110: Several comments expressed concern that the mechanism for obtaining additional discovery was too cumbersome, requiring authorization from the Board.

Response: The comments are adopted in part. The Office has modified the proposed rule. Section 42.51, as adopted in this final rule, permits parties to agree to certain mandatory initial disclosures, from which the parties would then automatically take discovery of the information identified in the initial disclosures. Additionally, § 42.51, as adopted, allows parties to agree to additional discovery between themselves at any time. By allowing the parties to agree to certain mandatory initial disclosures and additional discovery, the final rule seeks to streamline the discovery process and reduces the need for Board involvement on issues where the parties are in agreement.

Comment 111: Several comments suggested that certain discovery procedures under the Federal Rules of Civil Procedure should be available in the new procedures. In particular, several comments specifically identified Rule 30(b)(6) of the Federal Rules of Civil Procedure.

Response: The comments are adopted in part. Additional discovery under § 42.51 which is consistent with 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5), is limited. As discussed previously, § 42.51, as adopted in this final rule, allows parties to agree to mandatory initial disclosures and additional discovery, thereby allowing the parties flexibility in their approach to discovery.

Comment 112: Several comments urged the adoption of mandatory initial disclosures, and automatic discovery mechanisms without having to receive authorization from the Board. Other comments however, urged the Office to avoid the use of automatic disclosures as it would complicate the Office's ability to complete the proceedings within one year.

Response: The comments are adopted in part. Additional discovery under § 42.51 which is consistent with 35

U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5), is limited. Accordingly, providing for mandatory initial disclosures in all cases, including those where the parties do not consent to such disclosures, is not consistent with the statute, or with legislative intent in enacting the AIA as a less expensive and more efficient alternative to infringement litigation in Federal court. In any event, § 42.51, as adopted in this final rule, provides a new provision in paragraph (a), which permits mandatory initial disclosures by agreement of the parties. Furthermore, under the revised rule, the parties may agree to additional discovery at any time. Additionally, where only one party seeks mandatory initial disclosure, the party may file a motion requesting such initial disclosures upon a showing that such disclosures are in the interests of justice for *inter partes* review and for good cause in post-grant review. See 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5).

Comment 113: Several comments expressed concern that in cases involving public use and on-sale issues or objective evidence of non-obviousness, it might be appropriate to require initial disclosures of all relevant documents and all persons with knowledge of the facts and other special discovery procedures.

Response: The comment is adopted in part. The final rule provides a new provision in § 42.51(a), which permits mandatory initial disclosures by agreement of the parties. Section 42.51(a), as adopted in this final rule, further provides that where the parties fail to agree to mandatory initial disclosures, a party may seek such disclosures by motion. The party would first arrange for a conference call with the Board to have the issue resolved in an expeditious manner. A party seeking such initial disclosures would be required to identify the sought-after discovery and explain the need for the disclosures, *e.g.*, why the disclosures were necessary in the interests of justice or good cause, as appropriate, and the party opposing the request would be provided an opportunity to respond. When determining whether to grant such a motion, the Office will take into account the nature of the specific disclosures requested (*e.g.*, public use, on sale, and objective evidence of non-obviousness), as well as the party's access to the information sought (*e.g.*, public versus non-public information). While the Office declines to adopt a *per se* rule regarding disclosures of specific categories of information, as fact patterns will vary from case-to-case, the Office does require the disclosure of

information concerning inconsistent statements. Specifically, the Office requires the disclosure under § 42.51(b)(1)(iii) of non-privileged evidence that is inconsistent with a position advanced during the proceeding, such that relevant evidence is brought forward in a timely manner to ensure the orderly development of the issues and minimize the likelihood of later disputes.

Comment 114: One comment suggested rewriting proposed § 42.51(b) stating that section (b) is grammatically ambiguous as subsection (3) begins with a partial sentence whereas subsections (1) and (2) begin with complete sentences.

Response: The comment is adopted. Sections 42.51(b) (1) and (2), as adopted in this final rule, are internally consistent and begin with incomplete sentences, “(1) Routine discovery” and “(2) Additional discovery.”

Comment 115: One comment states that Section 42.51(b)(1) should be clarified to allow exhibits cited by an affiant under cross-examination to be served within a period of time after the cross-examination.

Response: Section 42.51(b)(1), as adopted in this final rule, provides that unless previously served or otherwise by agreement of the parties, exhibits must be served with the citing paper or testimony.

Comment 116: One comment suggested that § 42.51(b)(1) should be deleted and replaced with a requirement that all exhibits be served.

Response: The provision in proposed § 41.51(b)(1) provides that exhibits cited in a paper or in testimony must be served with the citing paper or testimony unless previously served. The Office adopts the proposed provision without any modification in § 41.51(b)(1)(i) of the final rule, as the suggested modification by the comment would not require parties to serve concurrent with the citing paper or testimony.

Comment 117: One comment suggested that cross-examination of witnesses in proposed § 42.51(b) should not be identified as discovery.

Response: Under 35 U.S.C. 316(a)(5), as amended, the Office is required to promulgate standards and procedures for discovery including the deposition of witnesses submitting affidavits or declarations. Consistent with the statutory requirement, cross-examination of witnesses is considered discovery for purposes of the proceedings before the Board.

Comment 118: Several comments recommended discovery obligations, such as those provided in proposed

§ 42.51(b)(3) (which has been redesignated as § 42.51(b)(1)(iii) in this final rule), be targeted to the need to disclose information known to the propounding party that is inconsistent with, or which may tend to rebut positions being taken by that party. Several comments suggested specific language to help calibrate the proposed rule so as to avoid overbreadth. Additionally, other comments suggested eliminating the proposed rule as counterproductive to the efficiency of the proceeding.

Response: The Office appreciates the thoughtful comments and has carefully considered those comments that suggested that the rule should be eliminated as well as those that suggested that the rule should be modified to better target its scope. To ensure the orderly development of the issues, and further the efficient resolution of the proceeding, § 42.51(b)(1)(iii), as adopted in the final rule, requires a party to provide relevant information that is inconsistent with a position advanced by the party during the proceeding. The Office, however, understands the concerns expressed in the comments regarding the broad scope of the requirement in the proposed rule. Accordingly, § 42.51(b)(1)(iii), as adopted, limits the scope by: (1) Excluding anything otherwise protected by legally recognized privileges, (2) eliminating the use of the word “noncumulative,” (3) eliminating the requirement that a party specify the relevance of the information, and (4) limiting the rule to only inventors, corporate officers, and persons involved in the preparation of filing of documents in a proceeding.

The following situations exemplify instances where disclosures are to be made. Example 1: Where a petitioner relies upon an expert affidavit alleging that a method described in a patent cannot be carried out, the petitioner would be required to provide any non-privileged work undertaken by, or on behalf of, the petitioner that is inconsistent with the contentions in the expert’s affidavit. Example 2: where a patent owner relies upon surprising and unexpected results to rebut an allegation of obviousness, the patent owner should provide the petitioner with non-privileged evidence that is inconsistent with the contention of unexpected properties.

Comment 119: Several comments expressed a concern that a party under proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) would have an affirmative duty to characterize the information disclosed.

Response: The Office understands the concern. Therefore, § 42.51(b)(1)(iii), as adopted in this final rule, does not contain the proposed requirement that the party specifies the relevance of the information.

Comment 120: Several comments expressed concern that proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) regarding routine discovery of information on inconsistent statements did not require disclosure until after a proceeding had been instituted.

Response: The comments have been adopted. Section 42.51(b)(1)(iii), as adopted in this final rule, provides that relevant information under the rule is to be served concurrent with the document or thing that contains the inconsistency.

Comment 121: Several comments indicated that proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) may discourage the use of the review proceedings and that disputes might arise as to whether information was cumulative or inconsistent.

Response: The comments have been adopted in part. Section 42.51(b)(1)(iii), as adopted in this final rule, limits the scope and the individuals subject to the requirement. For example, the term “cumulative” has been removed from the proposed rule. The Office, however, did not adopt the suggestion to remove the term “inconsistent statement” from the rule. The term “inconsistent statement” is one that is well recognized in the field, as it appears in the Federal Rules of Evidence, which will have general applicability to the proceedings (see § 42.62). For example, FRE 613 and 806 permit courts to admit evidence of a “declarant’s inconsistent statement or conduct.”

Comment 122: Several comments suggested that the petitioner should be required to make disclosures of all evidence of which it is aware that may bear on the resolution of the issues raised in the petition. In contrast, other comments suggested that the Office should not require any duty to disclose information beyond § 1.56, while others suggested that the Office should limit the information to only that which is material under *Therasense*.

Additionally, other comments suggested that the information sought could be obtained by employing a more liberal standard for routine additional discovery.

Response: The Office appreciates the varying points of view on what, if any, information the Office should require a party to disclose. Consistent with 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), the Office seeks to ensure that the information sought is suitably

targeted to ensure the orderly development of the issues, and further the efficient resolution of the proceeding. The information sought by the final rule typically is sought through discovery, which risks significant delay to the proceeding and increased burdens on both parties. To avoid these issues, and to reduce costs and ensure the integrity and timeliness of the proceeding, the production of the targeted information is made routine. § 42.51(b)(1)(iii).

In promulgating the rule, the Office has considered the various standards proposed in the comments, e.g., § 1.56, *Therasense*, all information relating to secondary considerations, etc. The Federal Rules of Evidence (FRE) provide for the treatment of inconsistent statements, e.g., FRE 613 and FRE 806. The Office has generally adopted the FRE as applying to the proceedings before the Board. The Office elects to employ the “inconsistent statement” standard for the routine discovery of information, as such terminology is already employed in the Office’s rules of evidence.

Comment 123: One comment requested clarification as to how proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) would be policed during the proceeding.

Response: Section 42.51(b)(1)(iii) is a discovery provision. 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) require that the Office promulgate rules that prescribe sanctions for abuse of discovery. Section 42.12(a)(5) provides that the Board may impose sanctions against a party for abuse of discovery.

Comment 124: One comment stated that the relevant statutes, 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) do not permit discovery of information that typically leads to the production of relevant evidence.

Response: Section 42.51(b)(1)(iii), as adopted in this final rule, limits the information that must be served to relevant information that is inconsistent with a position advanced by the party during the proceeding.

As to the statutory basis, 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) provide that the Office is to set forth the standards and procedures for discovery of relevant evidence. Further, 35 U.S.C. 316(a)(5), as amended, does limit additional discovery to that which is necessary in the interests of justice, but the Office believes that it is necessary in the interests of justice that a party provide its opponent with information inconsistent with a position the party has taken. For example, absent § 42.51(b)(1)(iii), a petitioner could allege that the claims are unpatentable

based upon an intervening prior art where 35 U.S.C. 120 benefit is allegedly lacking due to an enablement problem based on selected petitioner test data showing a lack of enablement. While a patent owner could obtain evidence of a petitioner’s contrary test data through additional discovery once the trial is instituted, the Office believes that the better course of action is to have the petitioner provide any inconsistent test data earlier in the process, such that the patent owner could potentially address the inconsistency in its preliminary patent owner response.

Additionally, even if 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5) did not permit the Office to set a standard for discovery of inconsistent information, 35 U.S.C. 316(a)(4), as amended, and 35 U.S.C. 326(a)(4) provide that the Office is to prescribe regulations establishing and governing the proceedings. Further, 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) require the Office to prescribe sanctions for abuse of process, including causing unnecessary delay or an unnecessary increase in the cost of the proceeding.

Comment 125: One comment requested clarification as to whether proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) would extend to information that is not otherwise admissible, such as test data published in a U.S. patent.

Response: Section 42.51(b)(1)(iii), as adopted in this final rule, specifies the relevant information is to be served, but not filed. The admissibility of the information served would not be an issue in the proceeding unless, and until, a party seeks to rely upon the information served.

Comment 126: One comment suggested modifying the language in proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) to state that the information be “directly related to a position advanced.”

Response: The comment has been adopted in part. Section 42.51(b)(1)(iii), as adopted in this final rule, limits the scope of the requirement to relevant information that is inconsistent with a position advanced by the party during the proceeding.

Comment 127: One comment suggested that proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) would cause parties to submit far more information than the Board would find useful and could be used to circumvent page limits. Another comment suggested that the information be served on the opposing party and have the receiving party determine whether the document

should be relied upon in the proceeding.

Response: The Office agrees with the insights provided in the comments. Section 42.51(b)(1)(iii), as adopted in this final rule, provides that the information is to be served, as opposed to filed.

Comment 128: One comment suggested that proposed § 42.51(b)(3) (redesignated as § 42.51(b)(1)(iii)) would require information not reasonably calculated to lead to relevant information. Examples include, arguing in the alternative, having a change in strategy due to information received during the proceeding or taking action inconsistent with the prosecution history.

Response: Section 42.51(b)(1)(iii), as adopted, does not preclude a party from arguing in the alternative or changing strategy based upon new information received, but requires that a prior inconsistent statement be served on the opponent. It is suggested, however, that a party seeking to change its strategy, or take action inconsistent with its prior statements, provide the Office with an explanation for the change in position, as the fact that a party’s position has changed may be relevant to a disposition of the issues.

Comment 129: Several comments suggested that additional discovery standards, interests-of-justice and good cause, be made clearer. For example, one comment suggested that the language of the rule more closely track the explanations used in the comments accompanying the proposed rules.

Response: The interests-of-justice standard for additional discovery is required under 35 U.S.C. 316(a)(5), as amended. The good cause standard is a slightly lower standard than the interests-of-justice standard and was selected to reflect the increased need for discovery given the broader range of issues presented in post-grant reviews. The good cause standard commonly is used in the discovery context. For example, Federal Rules of Civil Procedure, Rule 26(b)(1), provides that for good cause, a court may order discovery of any matter relevant to the subject matter involved in the action. Accordingly, the Office chooses not to modify the language of the rule, as the interests-of-justice terminology is a statutory requirement and the good cause terminology represents a recognized civil procedure standard for discovery.

Comment 130: One comment suggested that additional discovery be permitted when it was needed to respond to a new issue raised by an opponent.

Response: The comment is adopted in part. The Board will evaluate whether additional discovery is needed on a case-by-case basis, which would include considering whether the additional discovery was necessary to respond to a new issue raised.

Comment 131: One comment suggested that proposed § 42.51 be revised to provide that the interests of justice include a showing that the evidence requested is not available to the movant after diligent inquiry, a showing as to why the evidence is necessary to establish a *prima facie* case for relief, and that there would be no undue burden to the non-moving party.

Response: The comment is adopted in part. The interests-of-justice standard is required by 35 U.S.C. 316(a)(5), as amended. The Board will evaluate whether additional discovery is necessary in the interests of justice on a case-by-case basis, which would include consideration of the factors identified in the comment.

Comment 132: Several comments sought further clarification of the “interests-of-justice” standard for obtaining additional discovery in *inter partes* review and derivation proceedings under proposed § 42.51(c) (redesignated as § 42.51(b)(2)) and the “good cause” standard applicable to post-grant review proceedings under § 42.224.

Response: The interests-of-justice and good cause standards were set by Congress. Good cause and interests-of-justice standards are closely related standards, but the interests-of-justice standard is slightly higher than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under the interests-of-justice-standard, the moving party would also be required to show that it was fully diligent in seeking discovery, and that there is no undue prejudice to the non-moving party. In contrast, the interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

Comment 133: One comment suggested that the phrase “[e]xcept in post grant reviews” in proposed § 42.51(c)(1) (redesignated as § 42.51(b)(2)) is unclear and provided a specific edit.

Response: The comment has been adopted in part. Section 42.51(b)(2)(i), as adopted, contains the specific language suggested in the comment, placed at the end of the sentence, as opposed to the beginning of the sentence.

Comment 134: One comment suggested that the Board should permit additional discovery on issues where one party had the luxury of time to develop fully its position while the other party has not. The comment also suggested that in evaluating discovery requests the Board take into account whether the patent owner is opposing a no-document prior art challenge.

Response: The comments are adopted. The final rule provides that additional discovery, where the parties cannot agree, will be decided on a case-by-case basis taking into account the particular facts of the case. A party may bring the facts identified in the comment to the Board’s attention in requesting the additional discovery, as facts that weigh in favor of granting a particular request.

Comment 135: One comment suggested rewording proposed § 42.51(c)(2) (redesignated as § 42.51(b)(2)(ii)) to allow production of documents and things referred to during cross-examination.

Response: Section 42.51(b)(2)(ii), as adopted in this final rule, allows a party taking cross-examination to obtain production of documents and things of an opponent’s witness, or during authorized compelled testimony, should the witness have the document or thing at the cross-examination. The production of documents and things referred to during cross-examination is considered additional discovery that a party may request, with the requests handled on a case-by-case basis, taking into account the various factors, including whether a specific document was identified, or a broad category of documents was referred to during cross-examination.

Comment 136: One comment requested clarification as to whether the discovery in proposed § 42.51(c)(2) (redesignated as § 42.51(b)(2)(ii)) was additional discovery subject to the interests-of-justice or good cause standards.

Response: Section 42.51(b)(2)(ii) provides for additional discovery, as it is discovery that is in addition to the routine discovery that a party would normally be able to obtain. Additional discovery is subject to the interests-of-justice and good cause standards. Yet, where a party’s witness has a non-privileged document or thing and has referred to it during their testimony, the interests-of-justice and good cause

standards would generally weigh in favor of producing the document or thing to the opponent taking the cross-examination.

Compelling Testimony and Production (§ 42.52)

Comment 137: Several comments were directed to discovery of witnesses and documents in foreign countries. Some comments urged that foreign witnesses and documents be required to be made available in the United States, whereas others comments suggested that the Office should refrain from specifying a site. Others commented that because the AIA extends the scope of prior art to activities in foreign countries, the additional requirements for compelling foreign testimony or document production, as well as any restrictions on the time or location of taking testimony outside the United States, should be removed.

Response: The comments are adopted to the extent that they are directed to requiring foreign witnesses to appear and foreign documents to be produced in the United States, except where the parties agree otherwise. Specifically, § 42.53(b)(3), as adopted, provides that un compelled deposition testimony outside the United States may be taken by joint agreement of the parties or as the Board specifically directs. The new provision in § 42.51(c) provides that all document production will be in the United States, unless otherwise ordered by the Board.

Foreign discovery is costly and increases the complexity of proceedings for the parties as well as the Board. Therefore, notwithstanding the fact that foreign discovery may, in certain cases, be necessary to develop prior art or other issues in the proceeding, it should not be routine. Accordingly, the requirement in § 42.52 that there be a greater showing to compel the production of foreign witnesses and documents is considered appropriate.

Comment 138: One comment requested that the Office confirm that where a motion contains the necessary information and the request for discovery otherwise satisfies the relevant discovery requirements under proposed § 42.51 and, if applicable, proposed § 42.224, the motion will be granted.

Response: The Office envisions that a timely request filed under § 42.52 containing the necessary information and meeting the requirements for additional discovery will be granted.

Comment 139: One comment sought clarification that the procedures to compel discovery apply only to discovery from parties to the trial or

party-controlled witnesses or documents.

Response: The procedures of § 42.52 apply to non-parties. See 35 U.S.C. 23–24 (authorizing compelled testimony in contested cases in the USPTO).

Comment 140: Several comments suggested that foreign witnesses and documents not made available in the United States be inadmissible.

Response: The comment is adopted in part. Foreign discovery, although important in some cases, may be costly and burdensome, but an exception is appropriate for those cases where the parties agree to uncompelled testimony. As to foreign witnesses that are presumably under the control of a party (e.g., employees, consultants, and experts), it is reasonable to require that party to produce them in the United States for cross-examination. As for third-party witnesses whose testimony is proffered by a party, the proffering party should be expected to make every effort to produce the witness in the United States, or at least be willing to bear the expenses of conducting a foreign deposition. While the failure to make documents and witnesses available in the United States is a factor in determining whether or not to exclude the evidence, no such *per se* rule of inadmissibility is adopted.

Taking Testimony (§ 42.53)

Comment 141: Several comments suggested that the Office set a default location for testimony in the United States, whereas others urged the Office to refrain from specifying a site.

Response: The final rule does not set a default location for testimony other than to provide the default that testimony is to occur within the United States. The Office weighed the benefits of selecting a specific default location, but determined that such a selection could potentially benefit a particular region of the country to the detriment of others.

Comment 142: Several comments favored setting time limits on deposition testimony in the rules.

Response: The comments are adopted. In general, in situations where direct testimony of a witness is being taken by deposition, the Office believes based on the public's input and the Board's experience in other proceedings that seven hours is a reasonable default time limit for the completion of the direct testimony, with four hours for cross-examination and two for redirect. § 42.53(c). Where direct testimony is submitted by affidavit, a seven-hour default limit on cross-examination and four hours for redirect would normally

be appropriate, with an additional two hours for re-cross if necessary. *Id.*

Comment 143: Several comments suggested that the parties should be able to take and submit video-recorded testimony without prior authorization of the Board.

Response: The comment is adopted in part. Section 42.53(a), as adopted, allows testimony to be video-recorded where the parties agree to such. The submission of the video-recorded testimony, however, remains subject to Board approval, as the submission of potentially long, unedited video evidence in Office proceedings would be contrary to the considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) including the efficient operation of the Office and the timely completion of the proceedings.

Comment 144: One comment requested that proposed § 42.53 provide for the submission of errata sheets and provide guidance on what is and is not acceptable in an errata sheet.

Response: The Board's experience with errata sheets is that parties tend to disagree on what is and is not considered an errata sheet. For example, there have been instances where a party has attempted to change a deponent's answer from "yes" to "no" over the objection of the opponent. Accordingly, the final rules do not provide for the submission of errata sheets, however, where a party believes that the submission of an errata sheet is necessary to the proceeding, the party may arrange for a conference call with the Board to discuss the matter.

Comment 145: Several comments suggested that proposed § 42.53(c)(5) (redesignated as § 42.53(d)(5)) should allow a party seeking to take testimony outside of the scope of direct for third party witnesses to provide a counter notice.

Response: The comment is adopted. Section 42.53(d)(5), as adopted, provides a new provision that allows additional parties to a deposition to provide a counter notice.

Comment 146: One comment suggested that proposed §§ 42.53(c)(3)–(5) be replaced by provisions similar to Rule 30 of the Federal Rules of Civil Procedure.

Response: In promulgating the rules, the Office has considered the Federal Rules of Civil Procedure, which pertain to Federal courts. Rule 30 of the Federal Rules of Civil Procedure governs depositions by oral examination and identifies, among other things, when a deposition may be taken without leave. Further, 35 U.S.C. 316(a)(5), as amended, and 35 U.S.C. 326(a)(5)

provide for discovery before the Office and differ from that of Federal courts. For example, 35 U.S.C. 316(a)(5), as amended, provides that depositions, other than for those of affiants and declarants, must be necessary in the interests of justice. Additionally, unlike district courts, direct testimony before the Office is typically in the form of an affidavit or declaration. The Office chooses not to adopt the Federal Rules of Civil Procedure on discovery given the different standards for discovery between the Office and Federal courts, and the goal of providing a quicker, less costly alternative to Federal District Court litigation. The Office has, however, considered the Federal Rules of Civil Procedure and adopted those portions that aid in streamlining and converging the issues for resolution.

Comment 147: One comment suggested that proposed §§ 42.53(c)(1) and (c)(3) (redesignated as §§ 42.53(d)(1) and (d)(3) in this final rule), when read together, leave the due date in § 42.53(c)(3) undefined. Another comment suggested that the party seeking the deposition should be required to serve a notice of the deposition at least ten business days before the deposition.

Response: Section 42.53(d)(4), as adopted in this final rule, provides that a party seeking a deposition must file a notice of deposition at least ten business days before a deposition.

Comment 148: One comment suggested that to avoid filing motions to exclude testimony upon which neither party will rely, the time for filing motions to exclude should generally be set after the parties' substantive papers have been filed with the Board.

Response: The Office agrees that the time to file a motion to exclude should be set after the substantive papers have been filed.

Comment 149: One comment requests clarification as to the meaning of the phrase "supplemental evidence relating to the direct testimony" in proposed § 42.53(c)(2) (redesignated as § 42.53(d)(2) in this final rule).

Response: The term supplemental evidence refers to additional proofs relating to the direct testimony.

Comment 150: One comment requests clarification as to whether exhibits are to be served along with the list of exhibits in proposed § 42.53(c)(5)(i)(C).

Response: Section 42.53(d)(3)(i) (previously proposed § 42.53(c)(3)(i)) requires that a list and copy of each document be served.

Comment 151: One comment requests clarification as to whether the conference identified in proposed § 42.53(d) (redesignated as § 42.53(e) in

this final rule) must be initiated at least five business days before the deposition or whether the conference call must merely occur at least five business days before the deposition.

Response: Section 42.53(e) requires that the request for the conference call must be made at least five business days before the deposition.

Comment 152: One comment suggested that proposed § 42.53(e)(7) be modified such that the parties are not required to pay for transcripts if they do not want them.

Response: Section 42.53(f)(7) (previously proposed § 42.53(e)(7)) provides that a copy of the transcript will be made available to all parties. Section 42.53(g) (previously proposed § 42.53(f)) provides that the proponent of the direct testimony will bear the costs associated with the testimony, such as the costs associated with providing a transcript. The rule is designed to provide a default that avoids issues that may arise where one party consistently refuses to pay for transcripts of its witnesses.

Comment 153: One comment suggested that proposed §§ 42.53(e)(4) and 42.53(e)(8) (redesignated as §§ 42.53(f)(4) and (f)(8) in this final rule) should be consolidated.

Response: Sections 42.53(f)(1) through (f)(8) provide a chronological order to the manner of taking deposition testimony beginning with (f)(1) and ending with (f)(8) and consolidation of the rules would be contrary to the chronology of the rules.

Comment 154: One comment seeks confirmation that proposed § 42.53(f) (redesignated as § 42.53(g)) does not include attorney fees.

Response: Section 42.53(g) requires that the proponent of the direct testimony pays the costs associated with the testimony for cross-examination but does not include attorney fees.

Comment 155: One comment suggested that the term “interrogatories” as used in proposed § 42.53(e)(2), now final § 42.53(f)(2), be replaced with the term “questions.”

Response: The comment is adopted in part. To avoid any possible confusion, the term interrogatories is removed from the rule.

Comment 156: One comment suggested revising proposed § 42.53(e)(6)(v) (redesignated as § 42.53(f)(6)(v)) to state “where the office recorded the deposition and day and hour at the location of the officer, when the deposition began and ended.”

Response: Section 42.53(f)(6)(v), as adopted, provides that the officer shall prepare a certificate identifying where the deposition was taken and the day

and hour when the deposition began and ended. The location is the location of the witness.

Comment 157: One comment suggested that proposed § 42.53(e)(7) (redesignated as § 42.53(f)(7)) be rewritten to allow the parties to agree that copies of the transcript need not be provided to all parties.

Response: The comment is adopted. Section 42.53(f)(7), as adopted, adds “Except where the parties agree otherwise.”

Comment 158: One comment requested that the Office make a ministerial change to point to the exhibit number provision of § 42.63(c) instead of proposed § 42.63(b), which concerns translations.

Response: The comment is adopted. Section 42.53(f)(3), previously proposed § 42.53(e)(3), now points to § 42.63(c).

Comment 159: One comment requested clarification as to how expert testimony was to be submitted into the record and if the expert’s qualifications would be subject to challenge.

Response: Expert testimony will be submitted into the record in the form of an exhibit. Generally, where a party seeks to rely upon an expert, the direct testimony will be by declaration with cross-examination of the expert taken by an opponent. A party challenging an expert’s qualifications may question the expert’s qualifications during cross-examination and can raise the challenges in its oppositions and, where appropriate, in a motion to exclude evidence.

Comment 160: One comment requested clarification as to whether the Board would appoint neutral experts as under the Federal Rules of Evidence 706.

Response: The Office does not envision appointing neutral expert witnesses and notes that all Board members are required to have both competent legal knowledge and scientific ability. 35 U.S.C. 6.

Comment 161: Several comments expressed concern about who should bear the burden and expense of producing witnesses for direct or cross-examination. The comments related both to domestic and foreign witnesses.

Response: These comments generally are adopted. The Office recognizes that deposition testimony is relatively expensive. To minimize costs, the rules provide that un compelled direct testimony is by affidavit. All other testimony (including cross-examination and redirect) is by deposition. The burden and expense of producing a witness for redirect or cross-examination should normally fall on the party presenting the witness. Thus, a

party presenting a witness’s testimony by affidavit should arrange to make the witness available for cross-examination. This would apply to witnesses employed by a party as well as experts and non-party witnesses. If there are associated expenses such as expert witness fees or travel, those should be borne by the party presenting the testimony. Should the witness’s testimony be presented by deposition, the same rules would apply, and the witness fees and expenses should be borne by the producing party.

Protective Order (§ 42.54)

Comment 162: There were numerous comments on the proposed protective order guidelines and rules. Several comments were directed to the use of confidential information in other proceedings including other proceedings in the Office and in the district courts. Several comments also suggested that the rule should be modified to be more consistent with the Practice Guide for Proposed Trial Rules.

Response: In view of the comments, the Office has modified the proposed provision to clarify that a party including a patent owner may file confidential information by filing a motion to seal containing a proposed protective order, such as the default protective order set forth in the Office Patent Trial Practice Guide. Section 42.54, as adopted, is no longer limited to confidential information sought by discovery.

The comments seeking to permit the use of confidential information in other proceedings are not adopted. The Office expects that, unlike actions for patent infringement in Federal court, the great majority of evidence in these contested proceedings will be non-confidential. In proposing a default protective order, therefore, the Office attempted to strike the proper balance between protecting the discloser’s confidential information in the relatively few number of cases, and the rights of others to use that information. Thus, the acknowledgment under the default protective order in the Office Patent Trial Practice Guide requires an undertaking that a person receiving confidential information in connection with a proceeding will use the information only in connection with that proceeding. Section (h) of the guidelines makes it clear, however, that counsel for a party who receives confidential information will not be restricted from representing that party in any other proceeding before the Office. However, confidential information received in a proceeding may not be used in any other USPTO proceeding in which the providing party

is *not* also a party. This is believed to be adequate protection of the discloser's rights. Should more or less disclosure be desired the available remedy is a motion to the Board to amend the standard protective order. To further protect confidentiality, once entered a protective order remains in effect unless and until modified by the Board.

Comment 163: Several comments suggested that a petitioner may gain an unfair advantage over a patent owner by unilaterally limiting a patent owner's ability to seek advice and counsel in preparing a patent owner's preliminary response by drafting an onerous protective order.

Response: Where the parties cannot agree to a protective order, a conference call with the Board may be arranged to guide the parties. Moreover, the default time period to provide a preliminary response has been revised to a three-month period in this notice, which should provide patent owners with sufficient time to seek modification of the order and prepare a response.

Comment 164: Several comments proposed additions to the default order, such as special provisions for software, provisions governing use of confidential information at depositions, "claw back" provisions for inadvertently produced privileged information, and additional categories of protection for highly confidential information.

Response: The Office appreciates the comments for additions to the protective order, but believes that they are more appropriate to district court patent infringement litigation. The Office does not expect these situations to arise frequently in these contested proceedings. But should the parties desire more or less protection than that provided by the default order, the parties are always free to stipulate to other protective order terms to the extent provided by law. The purpose of the default order is to encourage the parties to reach such agreements promptly, as lengthy disputes over complex protective order provisions are inconsistent with the legislative goal of providing a more efficient, less costly alternative.

Comment 165: One comment suggested that the signed acknowledgments under the default order be served on opposing counsel.

Response: While it might be useful to a party to know who has access to its confidential information, the usual practice is not to serve such acknowledgments except in the case of experts. The rationale is to protect the confidentiality of those working on the case.

Comment 166: One comment suggested that it was not clear that paragraph 2(A) of the proposed order applies to corporations.

Response: The comment is noted. The cited paragraph refers to "[p]ersons who are owners of a patent." This would include corporations.

Comment 167: One comment suggested that each party should serve on the other party a copy of the signed acknowledgment from each party who obtains access to confidential information.

Response: Barring evidence that the cost to the parties of providing a copy of the acknowledgment would be outweighed by its benefit, the Office will not add this requirement. Parties, however, may agree to a modified protective order including this requirement.

Comment 168: One comment suggested providing an additional category of protection for highly confidential information that is accessible by outside counsel. The suggestion added that broader access to this information should only be grantable after a hearing.

Response: The Board may, for good cause, issue an order that information only be accessible by outside counsel. See § 42.54(a)(7).

Confidential Information in a Petition (§ 42.55)

Comment 169: Several comments were directed to the stated procedures for handling a motion to seal accompanied by a proposed protective order filed with the petition. These comments expressed concern that such motions could give an unfair advantage to the petitioner because the patent owner would have to agree to the terms of the proposed order to get access to the sealed information. Several comments suggested that serving the confidential disclosures by the petitioner be delayed while protective order issues are resolved.

Response: The comments are adopted in part. The Office has modified the proposed rule such that the petitioner must file, but need not serve, the confidential information under seal. Further, the final rule does not require that the patent owner agree to the terms of the petitioner's proposed protective order to get access to the sealed information. Rather, where the petitioner requests entry of a protective order other than the default protective order in the Office Patent Trial Practice Guide, the patent owner may access the information where the patent owner (1) agrees to the terms of the protective order requested by the petitioner; (2)

agrees to the terms of a protective order that the parties file jointly; or (3) obtains entry of a protective order (e.g., the default protective order).

Comment 170: One comment suggested that a petitioner should be permitted to file confidential information in a petition with a proviso that if the accompanying motion to seal be denied, the confidential material would be returned and would not be admitted in the proceeding.

Response: A petition may be accompanied with a motion to seal and a contingent motion to supplement the petition with the confidential information with the proviso that the material in the contingent motion to supplement be returned if the motion to seal be denied.

Comment 171: One comment suggested that proposed § 42.55 did not set forth the manner or procedure for effectuating service under seal nor indicate how the petitioner would be protected from intentional or unintentional disclosure. The comment suggested that the patent owner agreement to the protective order should occur prior to service.

Response: The suggestion is adopted. Section 42.55, as adopted, requires filing, but not service, of the confidential material accompanying a motion to seal and a proposed protective order.

Expungement of Confidential Information (§ 42.56)

Comment 172: One comment suggested that the default process should be that confidential information submitted in a proceeding and decisions by the Office should be confidential. The comment also suggested that any confidential material should be destroyed following the trial unless a petition to unseal is filed within 45 days of decision by the Office, or that at a minimum that petitions to expunge should be granted in all but extraordinary circumstances.

Response: 35 U.S.C. 316(a)(1), as amended, and 35 U.S.C. 326 (a)(1) mandate that the Director in prescribing regulations shall provide that the file "shall be made available to the public. * * *" Section 42.56 allows a party to file a motion to expunge confidential information, either after denial of a petition to institute a trial or after a final judgment in a trial. If no motion is filed, or if the motion is denied, however, the information becomes available to the public. The rule balances the parties' interest in maintaining confidentiality with the public's interest in maintaining a complete and open record of the proceedings and the basis for Board

decisions. The final rule encourages parties to seek to redact sensitive information, where possible, rather than seeking to seal entire documents.

Comment 173: One comment expressed concern that confidential information subject to a protective order submitted in a proceeding may become public while a motion to expunge is pending as an opposition may be filed 30 days after service of a motion to expunge.

Response: The Office believes this situation would not lead to disclosure of material that would appropriately be expunged. Normally, all such information would be made public 45 days after denial of a petition to institute a trial or 45 days after final judgment in a trial. Should a motion to expunge be pending as the deadline approaches, the moving party should immediately bring this to the attention of the Board and seek to expedite the motion or to notice the public that access to one or more papers will be delayed.

Admissibility (§ 42.61)

Comment 174: One comment suggested that proposed § 42.61(c) was misleading and difficult to apply as the rule provides that specifications of U.S. patents and applications are considered hearsay where a party intends to rely upon the data or drawings to prove the truth of the data.

Response: United States patents present hearsay issues when offered to prove the truth of the matters they disclose. As an example, the disclosure of test data in a patent is hearsay when offered in a trial to prove what was tested and what the results were. To make this distinction clear, the rule states that the specification and drawings of a United States patent or patent application are admissible evidence *only* to prove what they describe. As further explained in § 42.61(c), “[i]f there is data in the specification or the drawing upon which a party intends to rely to prove the truth of the data, an affidavit of a person having first-hand knowledge of how the data was generated must be filed.” As with any evidentiary matter, the precise application of the rule in a particular proceeding will be handled based upon the facts presented.

Applicability of Federal Rules of Evidence (§ 42.62)

Comment 175: One comment suggested that the evidentiary rules of other agencies be considered before adopting the Federal Rules of Evidence.

Response: The Office has considered the various options available and

decided that the Federal Rules of Evidence are the appropriate evidentiary rules for the proceedings. The Federal Rules of Evidence provide a well-developed body of recognized case law that is reasonable for the Office to draw upon in administering these trial rules. Moreover, the courts charged with reviewing Board decisions are familiar with those rules.

Comment 176: One comment suggested that the Office remove the first definition of the term “hearing” from § 42.62(c).

Response: The Office appreciates that the situation identified in the comment, the need to define the term “hearing” under Federal Rule of Evidence 804(a)(5) will not arise often. The Office, however, declines to adopt the suggestion to remove the reference to “hearing,” as there will be situations, albeit infrequent, that would implicate FRE 804(a)(5).

Comment 177: One comment suggested that the Office should define what sections of the Federal Rules of Evidence, which encompasses both civil and criminal matters, would not be appropriate for the proceedings under proposed § 42.62(b).

Response: The comment is not adopted. Based on the Board’s experience, patent practitioners generally have known which portions of the Federal Rules of Evidence are related to patent proceedings. It would not be helpful, nor necessary, to list expressly all of the non-relevant evidence rules in the patent rules of practice.

Comment 178: One comment suggested revising proposed § 42.62 to clarify that the terms “civil action,” “civil proceeding” and “action” in the Federal Rules of Evidence would include both pre- and post-institution actions.

Response: Section 42.62, as adopted in this final rule, provides that a reference in the Federal Rules of Evidence to a “civil action,” “civil proceeding” and “action” means a proceeding before the Board under part 42 of the rules.

Form of Evidence (§ 42.63)

Comment 179: One comment requested guidance on the use of evidence from other proceedings, including affidavits, deposition, and trial testimony from administrative and other USPTO proceedings.

Response: Issues involving the use of prior testimony and other evidence from prior or parallel proceedings are highly fact specific. There are evidentiary issues governed by the Federal Rules of Evidence. *See, e.g.,* Fed. R. Evid.

804(b)(1), “Former Testimony.” There may also be confidentiality issues if the information is subject to a protective order limiting the use of the information. Accordingly, the Office declines to adopt a *per se* rule regarding the treatment of evidence in parallel proceedings.

Comment 180: One comment noted that proposed § 42.63 defines evidence as including affidavits and transcripts of depositions, but transcripts of *ex parte* depositions already are included in the definition of affidavits.

Response: The Office agrees that the term “affidavits” and transcripts of depositions overlap with respect to *ex parte* depositions. The Office believes, however, that the majority of deposition transcripts will be *inter partes*. Accordingly, the Office adopts the proposed provision without any modification.

Comment 181: One comment agreed with proposed § 42.63(b), which provides that where a party relies upon a document or is required to produce a document in a language other than English, a translation will be provided. Another comment, however, suggested that the burden of translation should be placed on the party that is requesting or relying on the information in the foreign language.

Response: All proceedings before the Board will be conducted in English; thus, unless accompanied by an English language translation, documents in a non-English language will not be considered by the Board. The intent, however, is not to require a translation into English language of every document produced under § 42.52, but translations must be provided for (1) those documents produced in discovery under § 42.51; and (2) all documents relied on, or otherwise used, during the proceedings.

Comment 182: Several comments also expressed concern with the applicability of § 42.6 to exhibits that are pre-existing documents such as United States patents and to aspects of the exhibit list.

Response: The rules provide that the spacing and type font requirements of § 42.6 apply only to documents “created for the proceeding.”

Comment 183: One comment suggested revising proposed § 42.63(e) to provide that the exhibit list should note any gaps in the numbering of actually filed exhibits.

Response: Section 42.63(e) provides that each party will maintain an exhibit list. The exhibit list will note where an exhibit is not filed. The Office believes that the rule provides the relief requested in the comment as the

notations for exhibit numbers that were created, but no exhibit filed, will identify any gaps in exhibit numbering.

Comment 184: One comment noted that the rules do not specify that the exhibit list is submitted or exchanged with the other parties to the proceeding.

Response: The comment is adopted. Section 42.63(e), as adopted in this final rule, provides that a current exhibit list is to be served whenever evidence is served and the current exhibit list is to be filed when filing exhibits.

Objection; Motion To Exclude (§ 42.64)

Comment 185: One comment requested that proposed § 42.64(b)(2), which provides for the submission of supplemental evidence, allow a party to submit substitute declarations bearing the same exhibit number but clearly marked as substitutes and that the list of exhibits simply list the substitute exhibit.

Response: The comment is adopted, although no modification to the proposed rule is required. Section 42.64(b)(2) allows parties to submit substitute declarations as supplemental evidence in the manner identified in the comment.

Comment 186: Several comments request that the Office provide additional guidance in the Office Patent Trial Practice Guide as to how motions to exclude are to be used, and on the procedure for obtaining additional discovery.

Response: The Office will provide additional guidance on motions to exclude and the procedure for obtaining additional discovery in the update to the Office Patent Trial Practice Guide.

Comment 187: Several comments requested clarification as to the distinction between a motion to exclude evidence and a motion in limine.

Response: The Office appreciates the comments and § 42.64, as adopted in this final rule, refers only to motions to exclude.

Comment 188: One comment requests that, to avoid witness coaching, the Office limit attorney objections during cross-examination to only “objection, form” or “objection, leading.” Objections other than the two identified objections would be deemed waived.

Response: The Office expects to publish guidance on cross-examination practices in the Office Patent Trial Practice Guide. As noted in the comment, cross-examination should be question-and-answer process between the examining lawyer and the witness and not between the examining and defending lawyers. It is the witness, and not the lawyer, who is testifying.

Comment 189: One comment noted that the title for proposed § 42.64(a) appeared to exclude objections to direct deposition testimony.

Response: The Office has modified the proposed rule. Section 42.64(a), as adopted in this final rule, recites deposition evidence as its title, which includes both direct and cross-examination testimony.

Comment 190: One comment stated that the ten-business day deadline in § 42.64(b) for objections to evidence submitted during a preliminary proceeding was too short a period of time.

Response: It is important to note that 35 U.S.C. 316(a)(11), as amended, and 326(a)(11) require the Office to promulgate regulations ensuring that final determinations are to be issued not more than one year after institution of the review, except for good cause. Further, 35 U.S.C. 316(b), as amended, and 326(b) identify considerations that are to be taken into account in promulgating the rules including the efficient operation of the Office and the ability of the Office to complete the proceedings timely. The Office has set a ten-business day limitation for objections after institution to ensure the timeliness of the proceeding as a party may submit supplemental evidence within ten business days of timely served objections. The Office expects to have an initial conference call with the parties one month after the trial has been instituted to discuss the motions that the parties intend to file and determine if any adjustment needs to be made to the Scheduling Order. Based upon the time deadlines for completing the proceedings, the Office retains the ten-business day requirement.

Oral Argument (§ 42.70)

Comment 191: One comment generally supported proposed § 42.70.

Response: Proposed § 42.70 is adopted.

Comment 192: One comment suggested that, prior to oral argument, each party should be required to submit a summary of the issues, facts, and law to the Board similar to a pre-trial brief in Federal District Court.

Response: Section 42.70 requires that a request for oral argument specify the issues to be argued. On a case-by-case basis, the Board may determine that the additional briefing discussed in the comment is desired. However, such briefing may not be required in every case depending upon the particular facts and issues presented. Accordingly, the suggested pre-argument briefing is not made mandatory and will remain within the discretion of the Board to order

depending on the particular facts and issues presented in each case.

Comment 193: Several comments stated that it was unclear when oral argument would be held and suggested that the rule specify when oral argument would occur. One comment suggested the rule specify when oral argument would occur in relation to the request. Another comment suggested that parties be assured that oral argument will not be scheduled sooner than 45 days following the last reply to be filed in the proceedings.

Response: Section 42.70 provides that oral argument will be at a time set by the Board. Once requested, oral argument will be scheduled by the Board on a case-by-case basis. Generally, it is anticipated that oral argument will be scheduled at a time after discovery and amendment motions are completed. Oral argument ordinarily will be scheduled so as to give the parties ample time to prepare. When a party requests an oral argument, the party may recommend a date for the oral argument and may provide additional reasons in support of the recommendation. The Board will take into consideration the party's availability and whether sufficient time is provided when scheduling oral argument.

Comment 194: One comment stated that the term oral argument as used in § 42.70 is more limited than the term oral hearing as used in the statute, and that a limitation or restriction on the presentation of live testimony is contrary to the statute which requires that either party be provided with the right to a hearing. The comment stated that the Office should explicitly permit and provide adequate time for a party to present witnesses and allow for cross-examination during the hearing.

Response: Section 42.70 does not exclude live testimony. The Office, however, does not expect live testimony to be presented ordinarily at oral argument. Whether live testimony will be allowed at the oral argument will be determined by the Board on a case-by-case basis according to the individual circumstances of the case.

Comment 195: One comment stated that the Office must provide adequate time for each side to present its issues during the oral argument. The comment stated that several hours or several days is more consistent with Congressional intent rather than the Federal Circuit appellate review model the Office appears to have adopted. Another comment stated that the short length of oral argument is a serious problem for parties.

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

typically provide sufficient notice to the parties.

Termination of Trial (§ 42.72)

Comment 204: One comment suggested that proposed § 42.72 should enumerate the limited circumstances provided by statute under which a proceeding may be terminated without rendering a judgment, and stated that consolidation and appropriateness should not be grounds for termination.

Response: As amended, 35 U.S.C. 318(a) and 35 U.S.C. 328(a) provide that if an *inter partes* review or post-grant review is instituted and not dismissed, the Board shall issue a final written decision. The Office recognizes that the AIA expressly provides a few situations where a review may be terminated (*e.g.*, 35 U.S.C. 317(a), as amended, and 35 U.S.C. 328(a)). However, the AIA does not expressly provide all of the situations in which a review may be terminated or dismissed. For instance, in the rare situation where the issue of whether the petitioner has standing is raised after institution, the Board would need the flexibility to terminate or dismiss the review, if appropriate. Moreover, 35 U.S.C. 315(d), as amended, and 35 U.S.C. 325(d) provide that if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding. For instance, when the Board is consolidating two proceedings, the Board may terminate one of the proceedings and proceed to a final written decision in the other proceeding. Therefore, § 42.72 is consistent with the AIA, providing the Board the flexibility to terminate a trial in appropriate situations.

Comment 205: One comment recommended that the Board should be required to terminate the trial upon the filing of a settlement agreement of the parties and, if necessary, institute a new *ex parte* proceeding to address any substantial new question, so that the parties could avoid the potential risk of an unpatentability decision and estoppel.

Response: 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a) provide that if no petitioner remains in the *inter partes* review or post-grant review, the Office may terminate the review or proceed to a final written decision. The rule is consistent with the AIA to provide the Board with the flexibility to terminate the review or proceed to a final written decision depending on the particular facts of each proceeding.

Judgment (§ 42.73)

Comment 206: One comment suggested that the phrase “could have properly been, raised and decided” in proposed § 42.73(a) should be revised to include the word “reasonably.”

Response: This comment is adopted. Section 42.73(a), as adopted in this final rule, provides that “[a] judgment, except in the case of a termination, disposes of all issues that were, or by motion reasonably could have been, raised and decided.”

Comment 207: A few comments requested additional guidance on the circumstances when the Board would proceed to a final written decision if no petitioner remains in the review to facilitate more effective negotiation for settlement agreements.

Response: The Board will consider the particular facts of each case. For instance, if the records clearly show that the challenged claims are unpatentable and the patent owner has not yet filed a patent owner response and/or amendment, the Board may continue the proceeding to allow the patent owner an opportunity to file its patent owner response and/or amendment.

Comment 208: One comment urged the Office to eliminate the concept of judgment and replace it with certificates and requested clarification as to the relationships between a judgment, the final written decision, and certificates.

Response: The comment is not adopted. The concepts of judgment and certificates are fundamentally different. The term “judgment” is defined as a final written decision by the Board (§ 42.2) and a judgment disposes of all issues that were, or by motion reasonably could have been, raised and decided (§ 42.73). Consistent with 35 U.S.C. 318(b), as amended, and 35 U.S.C. 328(b), § 42.80 provides that the Office will issue and publish a certificate after the Board issues a final written decision in a proceeding, and the time for appeal has expired or any appeal has terminated. Therefore, the concept of judgment should not be replaced by certificates.

Comment 209: A few comments questioned whether proposed § 42.73(d)(1) exceeds statutory authority, and suggested that the rule be revised to reflect accurately the limited statutory scope of estoppel. However, one comment was in support of the proposed rule regarding petitioner estoppel.

Response: In view of the comments, the Office has modified the proposed provision of § 42.73(d)(1) to reflect the statutory language more closely.

Comment 210: One comment stated that the Office is not precluded from

instituting a covered business method review of a patent that previously was reviewed by a district court or by the Office in a reexamination.

Response: The comment is consistent with the public law and codified statutory provisions relating to covered business method reviews.

Comment 211: A few comments requested the Office provide guidance on the meaning of “that the petitioner raised or reasonably could have raised.” Another comment suggested that if a party was not able to obtain adequate discovery on an issue or if the Board does not decide on the issue during the proceeding, such an issue should not be considered as an issue that reasonably could have been raised.

Response: The Office will interpret the phrase consistent with the legislative intent and relevant case law. As noted in the legislative history, the estoppel provisions in 35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e) are to prevent abusive serial challenges to patents. The statutory language “any ground that the petitioner raised or reasonably could have raised during that *inter partes* review” provided in 35 U.S.C. 315(e), as amended, is similar to the pre-AIA language in 35 U.S.C. 315(c). In the context of *inter partes* reexamination, where the examiner made a final determination not to adopt the grounds of rejection proposed by a third party requester in the reexamination, the third party requester may be estopped from asserting the same references in the district court to establish invalidity of the patent claims. *See, e.g., Bettcher Indus., Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 636 (Fed. Cir. 2011). In addition, the legislative history of the AIA shows why Congress added the modifier “reasonably”:

The present bill also softens the could-have-raised estoppel that is applied by *inter partes* review against subsequent civil litigation by adding the modifier “reasonably.” It is possible that courts would have read this limitation into current law’s estoppel. Current law, however, is also amenable to the interpretation that litigants are estopped from raising any issue that it would have been physically possible to raise in the *inter partes* reexamination, even if only a scorched-earth search around the world would have uncovered the prior art in question. *Adding the modifier “reasonably” ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.*

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (emphasis added).

Comment 212: One comment suggested that the Office Patent Trial

Practice Guide or rules should expand upon the claim-by-claim application of both proposed grounds of rejection and impact of estoppel, and the Office should consider the effect of estoppel on *ex parte* reexaminations as they are based on prior art, not claims.

Response: The Office will provide additional information in the next revision of the Office Patent Trial Practice Guide, which the Office plans to update in view of the final rules. As to *ex parte* reexaminations, the Office will apply the estoppel in accordance with 35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e).

Comment 213: A number of comments questioned whether there is statutory basis for the patent owner estoppel provisions set forth in proposed § 42.73(d)(3). Several comments specifically stated that proposed § 42.73(d)(3)(ii) is inconsistent with the AIA and other statutory provisions, and exceeds the scope of the common law doctrines of claim preclusion and issue preclusion. Several comments suggested alternative language for the rule. For instance, two comments suggested that the proposed rule should be revised to be limited to claims that are not patentably distinct from the claims held to be unpatentable in the proceeding. On the other hand, several other comments were in favor of proposed § 42.73(d)(3). According to those comments, it is reasonable for the Office to limit recapture of substantially similar claim limitations, and the estoppel provision is consistent with the interference estoppel.

Response: In view of the comments, the Office modified the proposed rule. As adopted in this final rule, § 42.73(d)(3) does not contain the provision that a patent applicant or owner may not obtain in a patent “[a] claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim.” Additionally, the Office modified the provision that was proposed in § 42.73(d)(3)(i) to “[a] claim that is not patentably distinct from the finally refused or cancelled claim.”

Under 35 U.S.C. 316(a)(4), as amended, and 35 U.S.C. 326(a)(4), the Office is required to prescribe regulations setting forth the relationship between the review and other proceedings in the Office (*e.g.*, examination). Section 42.73(d)(3)(i), as adopted in this final rule, merely provides estoppel against claims that are patentably indistinct from those claims that were lost, and claim amendments that were presented and denied, during a trial. In other words, the patent owner may subsequently present in a

continuing or reissue application claims that are patentably distinct from such claims. As such, § 42.73(d)(3) set forth in this final rule is consistent with the AIA, other statutory provisions, the common law related to estoppel, and the common law related to the recapture rule. *See, e.g., In re Deckler*, 977 F.2d 1449, 1452 (Fed. Cir. 1992); *In re Clement*, 131 F.3d 1464, 1468 (Fed. Cir. 1997) (the recapture rule prevents a patentee from regaining through reissue the subject matter that the patentee surrendered in an effort to obtain allowance of the claim).

Comment 214: One comment requested clarification on whether proposed § 42.73(d)(3) applies to derivation proceedings.

Response: Paragraph (d)(3) of § 42.73 applies to derivation proceedings, *inter partes* review, post-grant review, and covered business method review.

Comment 215: A few comments suggested that the Office should examine the claim on the merits in the subsequent proceeding, rather than applying the patent owner estoppel.

Response: The Office will examine a claim presented in a subsequent proceeding on the merits and apply the estoppel if the claim is not patentably distinct from the finally refused or cancelled claim, similar to a ground of rejection based on *res judicata* (*see, e.g., MPEP* § 706.03(w)).

Settlement (§ 42.74)

Comment 216: Several comments suggested that a standard higher than a good cause standard be set for a member of the public to obtain access to a settlement agreement particularly for the settlements in *inter partes* review, or post-grant review, or that the good cause standard should be interpreted to rarely permit access to a settlement that includes confidential material.

Response: Under 35 U.S.C. 135(e) and 317(b), as amended, and 35 U.S.C. 327(b), the Office is required to make the settlement agreement available upon a showing of good cause, and therefore, the comments cannot be adopted.

Comment 217: Several comments suggested that the regulations should require or set a presumption that the proceeding would be terminated by the Board if all petitioners in a proceeding have settled.

Response: The comments have not been adopted because 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a) provide that if no petitioner remains in the review as a result of a settlement, the Office may terminate or proceed to rendering final written decision. Further, 35 U.S.C. 135(e) and (f), as amended, provide some discretion to

continue aspects of a proceeding. The statutory language for *inter partes* and post-grant review confers discretion to the Office in determining based on the facts in a particular review whether to terminate or proceed to final written decision. In certain circumstances, conditioning termination on the filing of a related paper may be appropriate. For example, where the patent owner has agreed that the claims in dispute are unpatentable, termination appropriately may be conditioned on the submission of a disclaimer of the claims in dispute.

Comment 218: One comment suggested that the patentability of a patent should not be subject to settlement.

Response: As provided in 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a), if no petitioner remains in the review as a result of a settlement, the Office may terminate or proceed to rendering final written decision. The statutory language confers discretion to the Office in determining based on the facts in a particular review whether to terminate or proceed to final written decision. Therefore, patentability is not subject to settlement. Moreover, the termination of a review because of a settlement has no statutory estoppel effect. *See* 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a). Similarly, 35 U.S.C. 135(e) and (f), as amended, specifically provide discretion to consider patentability after an agreement.

Comment 219: One comment suggested that the statutory requirement to show good cause to provide access to a settlement be defined in the regulations as met only by compliance with a valid court or agency order requiring production of the particular agreement or production in response to an appropriate Freedom of Information Act request.

Response: The comment is not adopted. Under 35 U.S.C. 317(b), as amended, and 35 U.S.C. 328(b), the Office is required to provide access to another Federal agency on request; thus, the proposal to require an order by the other agency is not adopted. The proposal to provide access when an appropriate Freedom of Information Act request is made by other than a Federal agency without a showing of good cause, is inconsistent with 35 U.S.C. 317(b), as amended, and 327(b).

Comment 220: One comment suggested that a settlement must always be entered by the Office without further conditions or consideration by the Office. The comment also suggested that proposed § 42.74(a) was inconsistent with the requirement to enter settlements.

Response: The suggestion to revise § 42.74(a) is not adopted. It is agreed that any settlement agreement that is consistent with the statutory requirements must be entered by the Office. However, 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a) specifically provide that the Office may proceed to a final written opinion even where no petitioner remains in the review. Accordingly, providing that the Board may independently determine any question of jurisdiction, patentability, or Office practice is consistent with the Office's statutory authority to continue a review in the absence of any petitioner following entry of a settlement.

Comment 221: One comment suggested that the costs of the proceeding after settlement by all petitioners should not be recovered from the fee paid by the petitioner.

Response: 35 U.S.C. 311(a) and 321(a) require that the fee set be reasonable in view of the aggregate costs of the review. Where the Office determines that the review should continue to a final written decision after the last petitioner is removed from the review as a result of a settlement, the Office continues to be engaged in a review. Accordingly the fee paid by the petitioner must be set based on the aggregate costs regardless of any settlement as the Office may continue the review.

Comment 222: Two comments suggested that parties should be permitted to file redacted copies of the settlement agreement and that the copy as redacted would be accessible to the public.

Response: 35 U.S.C. 317(b), as amended, and 35 U.S.C. 327(b) require that a true copy of the agreement be filed in the Office and that the agreement would be available to other Federal agencies on written request or to any person on a showing of good cause. It is required by 35 U.S.C. 135(e), as amended, that a copy of any agreement be provided on such request, and similarly provides that the agreement would be available to other Federal agencies on written request or to any person on a showing of good cause.

Certificate (§ 42.80)

Comment 223: One comment suggested that the Office should modify the rule to refer to the "final determination" rather than a "final written decision."

Response: 35 U.S.C. 318(b), as amended, and 35 U.S.C. 328(b) require the Office to issue a certificate when the Board issues a final written decision.

Therefore, § 42.80 is consistent with the statutory provision.

Comment 224: One comment suggested that the Office should deem the final written decision as the certificate.

Response: The comment is not adopted. 35 U.S.C. 318(b), as amended, and 35 U.S.C. 328(b) require the Office to issue a certificate when the Board issues a final written decision. Therefore, § 42.80 is consistent with the statutory provision.

Comment 225: One comment requested clarification whether the Office will *sua sponte* incorporate limitations of base claim and intervening claims where a dependent claim has been allowed, and if not, provide an opportunity to the patent owner to rewrite the claim in proper form for issuance in the certificate.

Response: The Office will not *sua sponte* rewrite claims. Dependent patent claims that are determined to be patentable need not be rewritten even if the parent claim was canceled.

Judicial Review of Board Decision (§ 90.1)

Comment 226: One comment suggested that the Office has no authority to decline to conduct interferences based on 35 U.S.C. 141 and 146.

Response: The Office agrees with the comment that suggested that the Office does not have "authority to decline to conduct interferences, on the basis that Congress has not provided judicial review to correct the Board's errors under existing 35 U.S.C. 141 and 146." The discussion cited by the comment relates solely to part 90 of the regulations, which governs only the judicial review of interferences. Thus, the discussion does not purport to address when the Director will declare an interference or what regulations will govern the conduct of such an interference. As explained in the notice of proposed rulemaking (77 FR 6879, 6882), the Office will continue to apply the pertinent regulations in part 41 governing the declaration and conduct of interferences in effect on July 1, 2012.

Rulemaking Considerations

The rulemaking considerations for the series of final rules for implementing the administrative patent trials as required by the AIA have been considered together and are based upon the same assumptions, except where differences between the regulations and proceedings that they implement require additional or different information. Notably, this final rule is directed to generally procedures for

administrative patent trials including *inter partes* review, post-grant review, covered business method patent review, and derivations.

A. Administrative Procedure Act (APA): This final rule revises the rules of practice concerning the procedure for requesting an *inter partes* review, post-grant review, covered business method patent review, or a derivation, and the trial process after initiation of such a review or derivation proceeding. This final rule also revises the rules of practice to consolidate the procedure for appeal of a decision by the Board and to require that a copy of the notice of appeal, notice of election, and complaint be provided to the Board. The changes being adopted in this notice do not change the substantive criteria of patentability. These changes involve rules of agency practice, standards and procedure and/or interpretive rules. See *Bachow Commc'ns Inc. v. FCC*, 237 F.3d 683, 690 (DC Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); *Inova Alexandria Hosp. v. Shalala*, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims); *Nat'l Org. of Veterans' Advocates v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive); *JEM Broad. Co. v. F.C.C.*, 22 F.3d 320, 328 (DC Cir. 1994) (The rules are not legislative because they do not "foreclose effective opportunity to make one's case on the merits"). Moreover, sections 6 and 18 of the AIA require the Director to prescribe regulations for implementing the new trials.

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rule making for "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice") (quoting 5 U.S.C. 553(b)(A)). The Office, however, published these changes for comment as it seeks the benefit of the public's views on the Office's proposed implementation of these provisions of the AIA. See *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. 09, 2012) (notice of proposed rulemaking).

The Office received one written submission of comments from the public regarding the Administrative Procedure Act. Each component of that comment directed to the APA is addressed below.

Comment 227: One comment suggested that almost all of the proposed regulations were legislative and not interpretive rules. That, in turn, leads the USPTO to omit required steps in the rulemaking process.

Response: At the outset, it should be noted that the Office did not omit any steps in the rulemaking process. Even though not legally required, the Office published notices of proposed rulemaking in the **Federal Register**, solicited public comment, and fully considered and responded to comments received. Although the Office sought the benefit of public comment, these rules are procedural and/or interpretive. *Stevens v. Tamai*, 366 F.3d. 1325, 1333–34 (Fed. Cir. 2004) (upholding the Office's rules governing the procedure in patent interferences). The final written decisions on patentability which conclude the reviews will not be impacted by the regulations, adopted in this final rule, as the decisions will be based on statutory patentability requirements, e.g., 35 U.S.C. 101 and 102.

Comment 228: One comment suggested that even if the rules are merely procedural, that reliance on *Cooper Tech v. Dudas* was not appropriate and therefore notice and comment was required.

Response: These rules are consistent with the AIA requirements to prescribe regulations to set forth standards and procedures. The rules are procedural and/or interpretive. *Stevens v. Tamai*, 366 F.3d. 1325, 1333–34 (Fed. Cir. 2004) (upholding the Office's rules governing the procedure in patent interferences). The Office nevertheless published notices of proposed rulemaking in the **Federal Register**, solicited public comment, and fully considered and responded to comments received. In both the notice of proposed rulemaking and this final rule, the Office cites *Cooper Techs. Co v. Dudas*, 536 F.3d 1330, 1336, 37 (Fed. Cir. 2008), for the proposition that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for "interpretive rules, general statement of policy, or rules of agency organization, procedure or practice." The Office's reliance on *Cooper Technologies* is appropriate and remains an accurate statement of administrative law. In any event, the Office sought the benefit of

public comment on the proposed rules and has fully considered and responded to the comments received.

B. Final Regulatory Flexibility Act Analysis: The Office estimates that 420 petitions for *inter partes* review, 50 petitions for post-grant review and covered business method patent review combined, and 50 petitions for seeking institution of a derivation (derivation petitions) will be filed in fiscal year 2013. In fiscal year 2014, it is estimated that 450 *inter partes* review, 60 petitions for post-grant review and covered business method patent review combined, and 50 derivation petitions will be filed. In fiscal year 2015, it is estimated that 500 *inter partes* review, 110 petitions for post-grant review and covered business method patent review combined, and 50 derivation petitions will be filed.

The estimate for *inter partes* review petitions is based partially on the number of *inter partes* reexamination requests under 37 CFR 1.915 that have been filed in fiscal years 2010, 2011 and the first half of fiscal year 2012. The rate of growth of *inter partes* reexamination filing has slowed considerably in 2012 to roughly 2.6% (374 filings in FY 2011, 192 filings in the first half of FY 2012). Assuming some increase in growth rate had the AIA not been enacted, it is reasonable to now estimate that no more than 420 *inter partes* reexamination requests would have been filed and that a similar number of *inter partes* review will be filed in FY 2013.

The Office received 281 requests for *inter partes* reexamination in fiscal year 2010. See Table 13B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2010, available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

The Office received 374 requests for *inter partes* reexamination in fiscal year 2011. See Table 14B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2011, available at <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>.

The Office received 192 requests for *inter partes* reexamination in the first half of fiscal year 2012.

See http://www.uspto.gov/patents/stats/reexam_operational_statistics_FY12Q2.pdf.

Additionally, the Office takes into consideration the recent moderate growth rate in the number of requests for *inter partes* reexamination, the projected growth due to an expansion in the number of eligible patents under the *inter partes* review provisions of section 6(c) of the AIA, and the more restrictive

filing time period in 35 U.S.C. 315(b), as amended by the AIA.

In fiscal year 2013, it is expected that no post-grant review petitions will be received, other than those filed under the transitional program for covered business method patents. Thus, the estimated number of post-grant review petitions including covered business method patent review petitions is based on the number of *inter partes* reexamination requests filed in fiscal year 2011 for patents having an original classification in class 705 of the United States Patent Classification System. Class 705 is the classification for patents directed to data processing in the following areas: financial, business practice, management, or cost/price determination. See <http://www.uspto.gov/web/patents/classification/uspc705/sched705.pdf>.

The following is the class definition and description for Class 705:

This is the generic class for apparatus and corresponding methods for performing *data processing* operations, in which there is a significant change in the data or for performing *calculation operations* wherein the apparatus or method is uniquely designed for or utilized in the *practice*, administration, or management of an *enterprise*, or in the processing of financial data.

This class also provides for apparatus and corresponding methods for performing *data processing* or *calculating operations* in which a charge for goods or services is determined.

This class additionally provides for subject matter described in the two paragraphs above in combination with cryptographic apparatus or method.

Subclasses 705/300–348 were established prior to complete reclassification of all project documents. Documents that have not yet been reclassified have been placed in 705/1.1. Until reclassification is finished a complete search of 705/300–348 should include a search of 705/1.1. Once the project documents in 705/1.1 have been reclassified they will be moved to the appropriate subclasses and this note will be removed.

Scope of the Class

1. The *arrangements* in this class are generally used for problems relating to administration of an organization, commodities or financial transactions.
2. Mere designation of an arrangement as a "business machine" or a document as a "business form" or "business chart" without any particular business function will not cause classification in this class or its subclasses.
3. For classification herein, there must be significant claim recitation of the data processing system or calculating computer and only nominal claim recitation of any external art environment. Significantly claimed apparatus external to this class, claimed in combination with apparatus under the class definition, which perform data processing or calculation operations are

classified in the class appropriate to the external device unless specifically excluded therefrom.

4. Nominally claimed apparatus external to this class in combination with apparatus under the class definition is classified in this class unless provided for in the appropriate external class.

5. In view of the nature of the subject matter included herein, consideration of the classification schedule for the diverse art or environment is necessary for proper search.

See Classification Definitions (Jan. 2012) available at <http://www.uspto.gov/web/patents/classification/uspc705/defs705.htm>.

Accordingly, patents subject to covered business method patent review are anticipated to be typically classifiable in Class 705. It is anticipated that the number of patents in Class 705 that do not qualify as covered business method patents would approximate the number of patents classified in other classes that do qualify.

The Office received 20 requests for *inter partes* reexamination of patents classified in Class 705 in fiscal year 2011. The Office in estimating the number of petitions for covered business method patent review to be higher than 20 requests due to an expansion of grounds for which review may be requested including subject matter eligibility grounds, the greater coordination with litigation, and the provision that patents will be eligible for the proceeding regardless of filing date of the application which resulted

in the patent. The Office estimates zero growth in the number of petitions for covered business method review in fiscal year 2014 and 2015.

It is not anticipated that any post-grant review petitions will be received in fiscal year 2013 as only patents issuing based on certain applications filed on or after March 16, 2013, or certain applications involved in an interference proceeding commenced before September 16, 2012, are eligible for post-grant review. See Public Law 112-29, § 6(f), 125 Stat. 284, 311 (2011). It is estimated that 10 petitions for post-grant review will be filed in fiscal year 2014 and 60 petitions will be filed in fiscal year 2015.

The Office expects the number of newly declared interferences to decrease as some parties file *inter partes* review petitions rather than file reissue applications of their own earlier filed patents. Parties filing such reissue applications may seek a review of another party's issued patent in an interference proceeding. The Office estimates that no more than 50 derivation petitions will be filed annually during FY 2013-2015.

The Office has updated its review of the entity status of patents for which *inter partes* reexamination was requested from October 1, 2000, to May 18, 2012. This data only includes filings granted a filing date rather than filings in which a request was received. The first *inter partes* reexamination was filed on July 27, 2001. A summary of

that review is provided in Table 1 below. As shown by Table 1, patents known to be owned by a small entity represented 32.09% of patents for which *inter partes* reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to *inter partes* review, it is estimated that 146 petitions to *inter partes* review would be filed to seek review of patents owned by a small entity annually in fiscal years 2013-2015. Based on an assumption that the same percentage of patents owned by small entities will be subject to post-grant or covered business method patent review, it is estimated that 24 petitions for covered business method patent review would be filed to seek review of patents owned by a small entity annually in fiscal years 2013-2015.

For derivation proceedings, the Office has reviewed the percentage of applications and patents for which an interference was declared in fiscal year 2010. Applications and patents known to be owned by a small entity represent 19.62% of applications and patents for which interference was declared in FY 2010. Based on the assumption that the same percentage of applications and patents owned by small entities will be involved in a derivation proceeding, 20 small entity owned applications or patents would be affected by derivation proceeding annually during fiscal years 2013-2015.

TABLE 1—INTER PARTES REEXAMINATION REQUESTS FILED WITH PARENT ENTITY TYPE *

Fiscal Year	<i>Inter partes</i> reexamination requests filed	Number filed where parent patent is small entity type	Percentage of small entity-type of total
2012	226	85	37.61
2011	369	135	36.59
2010	255	89	34.9
2009	237	61	25.74
2008	155	51	32.9
2007	127	32	25.2
2006	61	16	26.23
2005	59	20	33.9
2004	26	5	19.23%
2003	21	12	57.14%
2002	4	1	25.00%
2001	1	0	0.00%
	1,315	422	32.09

* Small entity status determined by reviewing preexamination small entity indicator for the parent patent.

Based on the number of patents issued during fiscal years 1995 through 1999 that paid the small entity third stage maintenance fee, the number of patents issued during fiscal years 2000 through 2003 that paid the small entity second stage maintenance fee, the number of patents issued during fiscal

years 2004 through 2007 that paid the small entity first-stage maintenance fee, and the number of patents issued during fiscal years 2008 through 2011 that paid a small entity issue fee, there are approximately 375,000 patents owned by small entities in force as of October 1, 2011.

Furthermore, the Office recognizes that there would be an offset to this number for patents that expire earlier than 20 years from their filing date due to a benefit claim to an earlier application or due to a filing of a terminal disclaimer. The Office likewise recognizes that there would be an offset

in the opposite manner due to the accrual of patent term extension and adjustment. The Office, however, does not maintain data on the date of expiration by operation of a terminal disclaimer. Therefore, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011. While the Office maintains information regarding patent term extension and adjustment accrued by each patent, the Office does not collect data on the expiration date of patents that are subject to a terminal disclaimer. As such, the Office has not adjusted the estimated of 375,000 patents owned by small entities in force as of October 1, 2011, for accrual of patent term extension and adjustment, because in view of the incomplete terminal disclaimer data issue, would be incomplete and any estimate adjustment would be administratively burdensome. Thus, it is estimated that the number of small entity patents in force in fiscal year 2013 will be approximately 375,000.

Based on the estimated number of patents in force, the number of small entity-owned patents impacted by *inter partes* review in fiscal year 2013 (135 patents) would be less than 0.05% (135/375,000) of all patents in force that are owned by small entities. Moreover, post-grant and covered business method patent review and derivation would have an even smaller impact.

1. Description of the Reasons that Action by the Office is Being Considered: The Office is revising the rules of practice to implement *inter partes*, post-grant, transitional program for covered business method patent review and derivation provisions of the AIA, which take effect September 16, 2012, and March 16, 2013. Public Law 112-29, §§ 3(n) and 6(c) and (f), 125 Stat. 284, 293, 304 and 311 (2011). The AIA requires the Office to issue regulations to implement the new administrative trials.

2. Statement of the Objectives of, and Legal Basis for, the Final Rules: The final rule is part of a series of rules that implement the new administrative trials authorized by the AIA. Specifically, this final rule implements *inter partes* review, post-grant review, the transitional program for covered business method patents, and some of the aspects of derivation proceedings as authorized by the AIA. The AIA requires that the Director prescribe rules for the *inter partes*, post-grant, and covered business method patent reviews that result in a final determination not later than one year after the date on which the Director notices the institution of a proceeding. The one-

year period may be extended for not more than six months if good cause is shown. See 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11). The AIA also requires that the Director, in prescribing rules for *inter partes*, post-grant, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). Consistent with the time periods provided in 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), the rules are designed to result in a final determination by the Patent Trial and Appeal Board within one year of the notice of initiation of the review, except where good cause is shown to exist. This one-year review will enhance the economy, and improve the integrity of the patent system and the efficient administration of the Office.

3. Statement of significant issues raised by the public comments in response to the IRFA and the Office's response to such issues: The Office published an IRFA analysis to consider the economic impact of the proposed rules on small entities. See *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, 6893-96 (Feb. 9, 2012). The Office received two written submissions of comments from the public concerning the Regulatory Flexibility Act. Each component of those comment directed to the Regulatory Flexibility Act is addressed below.

Comment 229: One comment argued that non-office costs and burden should include the burden on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment. The comment further argued that prophylactic application steps (e.g., filing of reissue applications) were not considered and that the offsets for *inter partes* reexamination's elimination were not appropriate.

Response: As explained in the notice of proposed rulemaking, the Office notes that *inter partes* reexamination is the appropriate baseline for estimating economic impacts because the use or outcome of the prior reexamination process and the new trial are largely the same. See OMB Circular A4, (e)(3). The Office estimated that the same number of patents would be subject to *inter partes* review as would have been

subject to *inter partes* reexamination. The comment did not argue that this estimate was unreasonable or provide an alternative estimate. Considering the similarities in the grounds of review and the number of patents subject to the proceedings, it is anticipated that the existing *inter partes* reexamination process, if not eliminated for new filings, would have had similar impact on the economy as the new review proceedings and therefore the impacts noted in the comment would simply replace existing analogous impacts and effects in *inter partes* reexamination. The comment argues that no offset for the replaced process should be considered although OMB guidance provides otherwise. See OMB Circular A4. Additionally, although the comment argues that the new proceedings may result in patent owners taking additional prophylactic measures that would have their own burdens for small businesses, any patent owner motivated by the regulations adopted in this final rule to take prophylactic application steps would similarly have been motivated to take those steps under the former *inter partes* reexamination regime. Thus, the burdens on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment that are caused by the final rules would have been similarly caused by the former *inter partes* reexamination proceedings as the same effects and impacts are caused by the two types of proceedings.

Additionally, the Office's estimates of the burden on small entities are likely overstated. As noted in the notice of proposed rulemaking, it is anticipated that the current significant overlap between district court litigation and *inter partes* reexamination may be reduced by improvement in the coordination between the two processes. See *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 FR at 6903. Similarly, it is anticipated that the public burden will be reduced because the longer duration of the *inter partes* reexamination process will be reduced owing to the anticipated shorter duration of the new procedure. *Id.*

Comment 230: Two comments indicated that the underlying data for the 98.7 hours of judge time for an *inter partes* review proceeding was not provided.

Response: Based on the Office's experience involving similar proceedings, the Office estimates that, on average, an *inter partes* review

proceeding will require 35 hours of judge time to make a decision on institution, 20 hours of judge time to prepare for and conduct hearings, 60 hours of judge time to prepare and issue a final decision, and 15 hours of judge time to prepare and issue miscellaneous interlocutory decisions. It is also estimated that 2.5% of proceedings will settle before a decision of whether to institute is made and another 2.5% of proceedings will terminate by patent owners filing a default judgment motion after institution. The Office estimates that 10% of proceedings will not be instituted and another 20% of proceedings will settle after institution. In settled cases it is estimated that 50% of the anticipated motions would not be filed. It should be appreciated that cases that terminate prior to the need to render a decision on institution, that do request an oral hearing or do not require a final decision because of an earlier termination result in an average judge time per proceeding which is less than the time needed to perform all possible steps in a proceeding.

4. Description and Estimate of the Number of Affected Small Entities:

A. *Size Standard and Description of Entities Affected.* The Small Business Administration's (SBA) small business size standards applicable to most analyses conducted to comply with the Regulatory Flexibility Act are set forth in 13 CFR 121.201. These regulations generally define small businesses as those with fewer than a specified maximum number of employees or less than a specified level of annual receipts for the entity's industrial sector or North American Industry Classification System (NAICS) code. As provided by the Regulatory Flexibility Act, and after consultation with the Small Business Administration, the Office formally adopted an alternate size standard as the size standard for the purpose of conducting an analysis or making a certification under the Regulatory Flexibility Act for patent-related regulations. See *Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR at 67112 (Nov 20, 2006), 1313 *Off. Gaz. Pat. Office* at 63 (Dec. 12, 2006). This alternate small business size standard is SBA's previously established size standard that identifies the criteria entities must meet to be entitled to pay reduced patent fees. See 13 CFR 121.802. If patent applicants identify themselves on a patent application as qualifying for reduced patent fees, the Office captures this data in the Patent Application Location and Monitoring (PALM) database system,

which tracks information on each patent application submitted to the Office.

Unlike the SBA small business size standards set forth in 13 CFR 121.201, the size standard for USPTO is not industry-specific. Specifically, the Office's definition of small business concern for Regulatory Flexibility Act purposes is a business or other concern that: (1) Meets the SBA's definition of a "business concern or concern" set forth in 13 CFR 121.105; and (2) meets the size standards set forth in 13 CFR 121.802 for the purpose of paying reduced patent fees, namely, an entity: (a) whose number of employees, including affiliates, does not exceed 500 persons; and (b) which has not assigned, granted, conveyed, or licensed (and is under no obligation to do so) any rights in the invention to any person who made it and could not be classified as an independent inventor, or to any concern which would not qualify as a non-profit organization or a small business concern under this definition. See *Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR at 67112 (Nov 20, 2006), 1313 *Off. Gaz. Pat. Office* at 63 (Dec. 12, 2006).

B. *Overview of Estimates of Number of Entities Affected.* The rules will apply to any small entity that either files a petition for *inter partes* review, post-grant review, covered business method patent review, or derivation proceeding, or owns a patent application or patent subject to such review. As discussed above (which is incorporated here), it is anticipated that 420 petitions for *inter partes* review, 50 petitions for post-grant review and covered business method patent review combined, and 50 petitions for derivation proceedings will be filed in fiscal year 2013. In fiscal year 2014, it is estimated that 450 *inter partes* review, 60 petitions for post-grant review and covered business method patent review combined, and 50 petitions for derivation proceedings will be filed. In fiscal year 2015, it is estimated that 500 *inter partes* review, 110 petitions for post-grant review and covered business method patent review combined, and 50 petitions for derivation proceedings will be filed. The Office has reviewed the percentage of patents owned by small entities for which *inter partes* reexamination was requested from October 1, 2000, to May 18, 2012. A summary of that review is provided in Table 1 above. As demonstrated by Table 1, patents known to be owned by a small entity represent 32.09% of patents for which *inter partes* reexamination was requested. Based on an assumption that the same percentage

of patents owned by small entities will be subject to the new review proceedings, it is estimated that 146 patents owned by small entities would be affected annually by *inter partes* review, and that 24 patents owned by small entities would be affected annually by a post-grant or covered business method patent review.

For derivation proceedings, the Office has reviewed the percentage of applications and patents for which an interference was declared in fiscal year 2010. Applications and patents known to be owned by a small entity represent 19.62% of applications and patents for which interference was declared in FY 2010. Based on the assumption that the same percentage of applications and patents owned by small entities will be involved in a derivation proceeding, 20 small entity owned applications or patents would be affected by derivation proceeding annually during fiscal years 2013–2015.

The USPTO estimates that 2.5% of patent owners will file a request for adverse judgment prior to a decision to institute and that another 2.5% will file a request for adverse judgment or fail to participate after initiation. Specifically, an estimated 22 patent owners will annually file a request for adverse judgment or fail to participate after institution in *inter partes* review, and an estimated four patent owners will annually do so in post-grant review and covered business method patent review proceedings combined. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%) from October 1, 2000, to May 18, 2012, it is estimated that seven small entities will annually file such requests or fail to participate in *inter partes* review proceedings, and an estimated one small entity will annually do so in post-grant review or covered business method patent review combined.

Under the final rules, prior to determining whether to institute a review, the patent owner may file an optional patent owner preliminary response to the petition. Given the new time period requirements to file a petition for review before the Board, relative to patent enforcement proceedings, and the desire to avoid the cost of a trial and delays to related infringement actions, it is anticipated that 90% of petitions, other than those for which a request for adverse judgment is filed, will result in the filing of a patent owner preliminary response. Where an *inter partes* review petition is filed close to the expiration of the one-year period set forth in 35 U.S.C. 315(b), as amended, a patent

owner likely would be advantaged by filing a successful preliminary response. In view of these considerations, it is anticipated that 90% of patent owners will file a preliminary response. Specifically, the Office estimates that 401 patent owners will file a preliminary response to an *inter partes* review petition, and an estimated 64 patent owners will file a preliminary response to a post-grant review or covered business method patent review petition. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that on average 129 small entities will annually file a preliminary response to an *inter partes* review petition, and 21 small entities will annually file a preliminary response to a post-grant review or covered business method patent review petition in fiscal year 2013–2015.

Under the final rules, the Office will determine whether to institute a trial within three months after the earlier of: (1) The submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. In estimating the number of requests for reconsideration, the Office considered the percentage of *inter partes* reexaminations that were denied relative to those that were ordered (24 divided by 342, or 7%) in fiscal year 2011. See Reexaminations—FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf. The Office also considered the impact of: (1) Patent owner preliminary responses under newly authorized in 35 U.S.C. 313, as amended, and 35 U.S.C. 323, (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 314(a), as amended, and 35 U.S.C. 324(a), which would tend to increase the likelihood of dismissing a petition for review, and (3) the more restrictive time period for filing a petition for review in 35 U.S.C. 315(b), as amended, and 35 U.S.C. 325(b), which would tend to reduce the likelihood of dismissing a petition. Based on these considerations, it is estimated that approximately 10% of the petitions for review (51 divided by 516) would be dismissed annually based on reviews filed during FY 2013–2015.

The Office predicts that it will institute ten derivation proceedings annually based on petitions seeking derivation filed in fiscal years 2013–2015. This estimate is based on the low

number of interference proceedings declared, as well as the limited number of eligible applications.

During fiscal year 2011, the Office issued 21 decisions following a request for reconsideration of a decision on appeal in *inter partes* reexamination. The average time from original decision to decision on reconsideration was 4.4 months. Thus, the decisions on reconsideration were based on original decisions issued from July 2010 until June 2011. During this time period, the Office mailed 63 decisions on appeals in *inter partes* reexamination. See BPAI Statistics—Receipts and Dispositions by Technology Center, available at <http://www.uspto.gov/ip/boards/bpai/stats/receipts/index.jsp> (monthly data). Based on the assumption that the same rate of reconsideration (21 divided by 63 or 33.333%) will occur, the Office estimates that 30 requests for reconsideration (91 decisions not to institute times 33.333%) will be filed. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%) and the percentage of small entity-owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that six small entities will file a request for a reconsideration of a decision dismissing the petition for review or derivation in fiscal year 2013. Further, the Office estimates that it will issue 321 final written decisions for *inter partes* reviews, 51 final written decisions for post-grant reviews, including cover business method patent reviews, 6 final written decisions for derivation proceedings. Applying the same 33.333% rate, the Office estimates 126 requests for reconsiderations ((321 + 51 + 6) times 33.333%) will be filed based on the final written decisions. Therefore, the Office estimates a total of 156 (30 + 126) requests for reconsiderations.

The Office reviewed motions, oppositions, and replies in a number of contested trial proceedings before the trial section of the Board. The review included determining whether the motion, opposition, and reply were directed to patentability grounds and non-priority non-patentability grounds. This series of final rules adopts changes to permit parties to agree to certain changes from the default process between themselves without filing a motion with the Board. Based on the changes in the final rules, the estimate of the number of motions has been revised downwardly so that it is now anticipated that: (1) *Inter partes* reviews will have an average of 6 motions, oppositions, and replies per trial after

institution, (2) post-grant reviews and covered business method patent reviews will have an average of 8 motions, oppositions, and replies per trial after institution, and (3) derivation proceedings will have an average of 20 motions, oppositions, and replies per trial after institution. Settlement is estimated to occur in 20% of instituted trials at various points of the trial. In trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted but prior to a final written decision, parties to a review or derivation proceeding may request an oral hearing. It is anticipated that 484 requests for oral hearings will be filed annually during FY 2013–2015 based on the number of requests for oral hearings in *inter partes* reexamination, the stated desirability for oral hearings during the legislative process, and the public input received prior to the notice of proposed rulemaking. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that 160 small entity patent owners, patent applicants or petitioners will file a request for oral hearing in the reviews and derivations instituted annually during fiscal years 2013–2015.

Parties to a review or derivation proceeding may file requests to treat a settlement as business confidential, and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. Parties to derivation proceedings may also file arbitration agreements and awards. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options will be infrequently used. The Office estimates that 22 requests to treat a settlement as business confidential; 118 requests for adverse judgment, default adverse judgment, or settlement notices; and two arbitration agreements and awards will be filed annually based on petitions filed during fiscal years 2013–2015. The Office also estimates that 22 requests to make a settlement available will be filed annually based on petitions filed during fiscal years 2013–2015. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%) and the percentage of small entity-owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that seven small entities will file a request to treat

a settlement as business confidential, 38 small entities will file a request for adverse judgment, default adverse judgment notices, or settlement notices, and one small entity will file an arbitration agreement and award in the reviews and derivations instituted annually based on petitions filed during fiscal years 2013–2015.

Parties to a review or derivation proceeding may seek judicial review of the final decision of the Board. Historically, 33% of examiners' decisions in *inter partes* reexamination proceedings have been appealed to the Board. Given the increased coordination with district court litigation, the Office has adjusted its estimate of the appeal rate to be 120% of the historic rate (40% of decisions). Based on this rate, 149 additional notices of appeal will be filed based on the decisions issued in the new trials annually based on petitions filed during fiscal years 2013–2015. Based on current projections with additional resources, it is anticipated that the Board will on average issue 18,570 decisions on appeal of applications during fiscal years 2013–2015. Additionally it is anticipated that on average 351 decisions in reexamination (300) and interferences (51) will be decided in fiscal years 2013–2015. It is estimated that 1% of decisions on appeals in applications and 20% of decisions on appeal in reexamination or during interferences would be appealed. Thus, it is estimated that 256 notices of appeal (and notices of election) based on decisions on appeal and during interferences would be filed with the Office in addition to the 149 filed during reviews on average during fiscal years 2013–2015. Furthermore, based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%) and the percentage of small entity-owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that 47 small entities would seek judicial review of final decisions of the Board in the reviews (46) and derivation proceedings (1) instituted in fiscal year 2013.

5. Description of the Reporting, Recordkeeping, and Other Compliance Requirements of the Final Rule, Including an Estimate of the Classes of Small Entities Which Will Be Subject to the Requirement and the Type of Professional Skills Necessary for Preparation of the Report or Record: Based on the filing trends of *inter partes* reexamination requests, it is anticipated that petitions for review will be filed across all technologies with approximately 50% being filed in

electrical technologies, approximately 30% in mechanical technologies, and the remaining 20% in chemical technologies and design. However, covered business method patent reviews would be limited to covered business method patents that are not patents for technological inventions. Under the final rules, a person who is not the owner of a patent may file a petition to institute a review of that patent, with a few exceptions. Given this, it is anticipated that a petition for review is likely to be filed by an entity practicing in the same or similar field as the patent. Therefore, it is anticipated that 50% of the petitions for review will be filed in the electronics field, 30% in the mechanical field, and 20% in the chemical or design fields.

Based on the trends of declared contested cases in fiscal year 2011, it is anticipated that petitions for derivation will be filed across all technologies with approximately 16% in electrical technologies, approximately 17% in mechanical technologies, and the remaining 67% in chemical technologies and design. A derivation petition is likely to be filed by an entity practicing in the same or similar field as the patent. Therefore, it is anticipated that 16% of the petitions for review will be filed in the electronic field, 17% in the mechanical field, and 67% in the chemical or design fields.

This notice provides the procedural requirements that are common for the new trials. Additional requirements are provided in contemporaneous trial specific rulemaking. The procedures for petitions to institute an *inter partes* review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105. The procedures for petitions to institute a post-grant review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205. The procedures for petitions to institute a covered business method patent review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304. The procedures for petitions to institute a derivation proceeding include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(4), 42.63, 42.65, and 42.402 through 42.406.

The skills necessary to prepare a petition for review and to participate in a trial before the Patent Trial and Appeal Board would be similar to those needed to prepare a request for *inter partes* reexamination and to represent a party in an *inter partes* reexamination

before the Patent Trial and Appeal Board. The level of skill is typically possessed by a registered patent practitioner having devoted professional time to the particular practice area, typically under the supervision of a practitioner skilled in the particular practice area. Where authorized by the Board, a non-registered practitioner may be admitted *pro hac vice*, on a case-by-case basis depending on the facts and circumstances of the trial and party, as well as the skill of the practitioner.

The cost of preparing a petition for *inter partes* review is anticipated to be the same as the cost for preparing a request for *inter partes* reexamination. The American Intellectual Property Law Association's *AIPLA Report of the Economic Survey 2011* reported that the average cost of preparing a request for *inter partes* reexamination was \$46,000. Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Accordingly, the Office estimates that the cost of preparing a petition for *inter partes* review would be \$46,000.

The cost of preparing a petition for post-grant or covered business method patent review is estimated to be 33.333% higher than the cost of preparing a petition for *inter partes* review because the petition for post-grant or covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. Therefore, the Office estimates that the cost of preparing a petition for post-grant or covered business method patent review would be \$61,333. It is expected that petitions for derivation would have the same complexity and cost as a petition for post-grant review because derivation proceedings raise issues of conception and communication, which have similar complexity to the issues that can be raised in a post-grant review, *i.e.*, public use, sale and written description. Thus, the Office estimates that the cost of preparing a petition for derivation would also be \$61,333.

The filing of a petition for review would also require payment by the petitioner of the appropriate petition fee to recover the aggregate cost for providing the review. The appropriate petition fee would be determined by the number of claims for which review is sought and the type of review. The fees for filing a petition for *inter partes* review are: \$27,200 for requesting review of 20 or fewer claims and \$600 for each claim in excess of 20 for which review is sought. The fees for filing a petition for post-grant or covered business method patent review would

be: \$35,800 to request review of 20 or fewer claims and \$800 for each claim in excess of 20 for which review is sought.

In setting fees, the estimated information technology cost to establish the process and maintain the filing and storage system through 2017 is to be recovered by charging each petition an IT fee that has a base component of \$1,705 for requests to review 20 or fewer claims. The IT component fee would increase \$75 per claim in excess of 20. The remainder of the fee is to recover the cost for judges to determine whether to institute a review and conduct the review, together with a proportionate share of indirect costs, e.g., rent, utilities, additional support, and administrative costs. Based on the direct and indirect costs, the fully burdened cost per hour for judges to decide a petition and conduct a review is estimated to be \$258.32.

For a petition for *inter partes* review with 20 or fewer challenged claims, it is anticipated that about 100 hours of judge time would be required. An additional two hours of judge time for each claim in excess of 20 would be required.

For a petition for post-grant or covered business method patent review with 20 or fewer challenged claims, it is anticipated that about 130 hours of judge time will be required. An additional slightly under three hours of judge time for each claim in excess of 20 would be required.

The rules permit the patent owner to file a preliminary response to the petition setting forth the reasons why no review should be initiated. The procedures for a patent owner to file a preliminary response as an opposition are set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The patent owner is not required to file a preliminary response. The Office estimates that the preparation and filing of a patent owner preliminary response would require 91.6 hours of professional time and cost \$34,000. The *AIPLA Report of the Economic Survey 2011* reported that the average cost for *inter partes* reexamination including the request (\$46,000), the first patent owner response, and third party comments was \$75,000 (see page I-175) and the mean billing rate for professional time of \$371 per hour for attorneys in private firms (see page 8). Thus, the cost of the first patent owner reply and the third-party statement is \$29,000, the balance of \$75,000 minus \$46,000. The Office finds these costs to be reasonable estimates. The patent owner reply and third party statement, however, occur after the

examiner has made an initial threshold determination and made only the appropriate rejections. Accordingly, it is anticipated that filing a patent owner preliminary response to a petition for review would cost more than the initial reply in a reexamination, an estimated \$34,000.

The Office will determine whether to institute a trial within three months after the earlier of: (1) The submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. It is anticipated that a request for reconsideration will require 80 hours of professional time to prepare and file, for a cost of \$29,680. This estimate is based on the complexity of the issues and desire to avoid time bars imposed by 35 U.S.C. 315(b), as amended, and 35 U.S.C. 325(b).

Following institution of a trial, the parties may be authorized to file various motions, e.g., motions to amend and motions for additional discovery. Where a motion is authorized, an opposition may be authorized, and where an opposition is authorized, a reply may be authorized. The procedures for filing a motion include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.121, 42.221, 42.123, and 42.223. The procedures for filing an opposition include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The procedures for filing a reply include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65. As discussed previously, the Office estimates that the average *inter partes* review will have 6 motions, oppositions, and replies after institution. The average post-grant or covered business method patent review will have 8 motions, oppositions, and replies after institution. The average derivation proceeding is anticipated to have 20 motions, oppositions, and replies after institution. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted, but prior to a final written decision, parties to a review or derivation proceeding may request an oral hearing. The procedure for filing requests for oral argument is set forth in § 42.70. The

AIPLA Report of the Economic Survey 2011 reported that the third quartile cost of an *ex parte* appeal with an oral argument is \$12,000, while the third quartile cost of an *ex parte* appeal without an oral argument is \$6,000. In view of the reported costs, which the Office finds reasonable, and the increased complexity of an oral hearing with multiple parties, it is estimated that the cost per party for oral hearings would be \$6,800, or 18.3 hours of professional time (\$6,800 divided by \$371), or \$800 more than the reported third quartile cost for an *ex parte* oral hearing.

Parties to a review or derivation proceeding may file requests to treat a settlement as business confidential, and requests for adverse judgment, and arbitration agreements and awards. A written request to make a settlement agreement available may also be filed. The procedures to file requests that a settlement be treated as business confidential are set forth in §§ 42.74(c) and 42.409. The procedures to file requests for adverse judgment are set forth in § 42.73(b). The procedures to file arbitration agreements and awards are set forth § 42.410. The procedures to file requests to make a settlement agreement available are set forth in § 42.74(c)(2). It is anticipated that requests to treat a settlement as business confidential will require two hours of professional time or \$742. It is anticipated that requests for adverse judgment will require one hour of professional time or \$371. It is anticipated that arbitration agreements and awards will require four hours of professional time or \$1,484. It is anticipated that a settlement agreement will require 100 hours of professional time or \$37,100 if the parties are not also in litigation over the patent and one hour or \$371 if the parties are in litigation. It is estimated that 100% of covered business method patent reviews and 70% of the reviews will have concurrent litigation based on standing requirement in covered business method patent reviews and the historical rate during *inter partes* reexamination. It is anticipated that requests to make a settlement agreement available will require one hour of professional time or \$371. The requests to make a settlement agreement available will also require payment of a fee of \$400 specified in § 42.15(d). The fee is the same as that currently set forth in § 41.20(a) for petitions to the Chief Administrative Patent Judge.

Parties to a review proceeding may seek judicial review of the judgment of the Board. The procedures to file notices of judicial review of a Board decision,

including notices of appeal and notices of election provided for in 35 U.S.C. 141, 142, 145, and 146, are set forth in §§ 90.1 through 90.3. The submission of a copy of a notice of appeal or a notice of election is anticipated to require six minutes of professional time at a cost of \$37.10.

6. Description of Any Significant Alternatives to the Final Rules Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Rules on Small Entities:

Size of petitions and motions: The Office considered whether to apply a page limit in the administrative trials and what an appropriate page limit would be. The Office does not currently have a page limit on *inter partes* reexamination requests. The *inter partes* reexamination requests from October 1, 2010, to June 30, 2011, averaged 246 pages. Based on the experience of processing *inter partes* reexamination requests, the Office finds that the very large size of the requests has created a burden on the Office that hinders the efficiency and timeliness of processing the requests, and creates a burden on patent owners. The quarterly reported average processing time from the filing of a request to the publication of a reexamination certificate ranged from 28.9 months to 41.7 months in fiscal year 2009, from 29.5 months to 37.6 months in fiscal year 2010, and from 31.9 to 38.0 months in fiscal year 2011. See Reexaminations—FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

By contrast, the Office has a page limit on the motions filed in contested cases, except where parties are specifically authorized to exceed the limitation. The typical contested case proceeding is subject to a standing order that sets a 50-page limit for motions and oppositions on priority, a 15-page limit for miscellaneous motions (§ 41.121(a)(3)) and oppositions (§ 41.122), and a 25-page limit for other motions (§ 41.121(a)(2)) and oppositions to other motions. In typical proceedings, replies are subject to a 15-page limit if directed to priority, five-page limit for miscellaneous issues, and ten-page limit for other motions. The average contested case was terminated in 10.1 months in fiscal year 2009, in 12 months in fiscal year 2010, and nine months in fiscal year 2011. The percentage of contested cases terminated within two years was 93.7% in fiscal year 2009, 88.0% in fiscal year 2010, and 94.0% in fiscal year 2011. See BPAI Statistics—Performance Measures, available at

<http://www.uspto.gov/ip/boards/bpai/stats/perform/index.jsp>.

Comparing the average time period for terminating a contested case, 10.0 to 12.0 months, with the average time period, during fiscal years 2009 through 2011, for completing an *inter partes* reexamination, 28.9 to 41.7 months, indicates that the average contested case takes from 24% (10.0/41.7) to 42% (12.0/28.9) of the time of the average *inter partes* reexamination. While several factors contribute to the reduction in time, limiting the size of the requests and motions is considered a significant factor. Section 42.24 would provide page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) provide considerations that are to be taken into account when prescribing regulations including the integrity of the patent system, the efficient administration of the Office, and the ability to complete the trials timely. The page limits set forth in these rules are consistent with these considerations.

Federal courts routinely use page limits in managing motions practice as “[e]ffective writing is concise writing.” *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Many district courts restrict the number of pages that may be filed in a motion including, for example, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern, Central, and Southern Districts of California, and the Eastern District of Virginia.

Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09–CV–446, at 1 (E.D. Tex. Sept. 2, 2010) (“The Local Rules’ page limits ease the burden of motion practice on both the Court and the parties.”); *Blackboard, Inc. v. Desire2Learn, Inc.*, 521 F. Supp. 2d 575, 576 (E.D. Tex. 2007) (The parties “seem to share the misconception, popular in some circles, that motion practice exists to require Federal judges to shovel through steaming mounds of pleonastic arguments in Herculean effort to uncover a hidden gem of logic that will ineluctably compel a favorable ruling. Nothing could be further from the truth.”); *Broadwater v. Heidtman Steel Prods., Inc.*, 182 F. Supp. 2d 705, 710 (S.D. Ill. 2002) (“Counsel are strongly advised, in the future, to not ask this Court for leave to file any memoranda (supporting or opposing dispositive motions) longer than 15 pages. The Court has handled complicated patent cases and employment discrimination cases in which the parties were able to

limit their briefs supporting and opposing summary judgment to 10 or 15 pages.” (Emphasis omitted)).

The Board’s contested cases experience with page limits in motions practice is consistent with that of the Federal courts. The Board’s use of page limits has shown it to be beneficial without being unduly restrictive for the parties. Page limits have encouraged the parties to focus on dispositive issues, and reducing costs for the parties and the Board.

The Board’s contested cases experience with page limits is informed by its use of different approaches over the years. In the early 1990s, page limits were not routinely used for motions, and the practice suffered from lengthy and unacceptable delays. To reduce the burden on the parties and on the Board and thereby reduce the time to decision, the Board instituted page limits in the late 1990s for every motion. Page limit practice was found to be effective in reducing the burdens on the parties and improving decision times at the Board. In 2006, the Board revised the page limit practice and allowed unlimited findings of fact and generally limited the number of pages containing argument. Due to abuses of the system, the Board recently reverted back to page limits for the entire motion (both argument and findings of fact).

The Board’s current page limits are consistent with the 25-page limits in the Northern, Central, and Southern Districts of California, and the Middle District of Florida, and exceed the limits in the District of Delaware (20), the Northern District of Illinois (15), the District of Massachusetts (20), the Eastern District of Michigan (20), the Southern District of Florida (20), and the Southern District of Illinois (20).

In a typical proceeding before the Board, a party may be authorized to file a single motion for unpatentability based on prior art, a single motion for unpatentability based upon failure to comply with 35 U.S.C. 112, lack of written description, and/or enablement, and potentially another motion for lack of compliance with 35 U.S.C. 101, although a 35 U.S.C. 101 motion may be required to be combined with the 35 U.S.C. 112 motion. Each of these motions is currently limited to 25 pages in length, unless good cause is shown that the page limits are unduly restrictive for a particular motion.

A petition requesting the institution of a trial proceeding would be similar to motions currently filed with the Board. Specifically, petitions to institute a trial seek a final written decision that the challenged claims are unpatentable, where derivation is a form of

unpatentability. Accordingly, a petition to institute a trial based on prior art would, under current practice, be limited to 25 pages, and by consequence, a petition raising unpatentability based on prior art and unpatentability under 35 U.S.C. 101 and/or 112 would be limited to 50 pages.

Under the final rules, an *inter partes* review petition would be based upon any grounds identified in 35 U.S.C. 311(b), as amended, *i.e.*, only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing a single prior art motion, limited to 25 pages in length. The rule provides up to 60 pages in length for a motion requesting *inter partes* review. Thus, as the page limit more than doubles the default page limit currently set for a motion before the Board, a 60-page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

Under the final rules, a post-grant review petition would be based upon any grounds identified in 35 U.S.C. 321(b), *e.g.*, failure to comply with 35 U.S.C. 101, 102, 103, and 112 (except best mode). Under current practice, a party would be limited to filing two or three motions, each limited to 25 pages, for a maximum of 75 pages. Where there is more than one motion for unpatentability based upon different statutory grounds, the Board's experience is that the motions contain similar discussions of technology and claim constructions. Such overlap is unnecessary where a single petition for unpatentability is filed. Thus, the 80-page limit is considered sufficient in all but exceptional cases.

Covered business method patent review is similar in scope to that of post-grant review, as there is substantial overlap in the statutory grounds permitted for review. Thus, the page limit for covered business method patent review petitions is 80 pages, which is the same as that for post-grant review.

Petitions to institute derivation proceedings raise a subset of issues that are currently raised in contested cases in a motion for judgment on priority of invention. Currently, motions for judgment on priority of invention, including issues such as conception, corroboration, and diligence, are generally limited to 50 pages. Thus, the 60-page limit is considered sufficient in all but exceptional cases.

The final rule provides that petitions to institute a trial must comply with the

stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests of justice. A copy of the desired non-page limited petition must accompany the motion. Generally, the Board would decide the motion prior to deciding whether to institute the trial.

Current Board practice provides a limit of 25 pages for other motions and 15 pages for miscellaneous motions. The Board's experience is that such page limits are sufficient for the parties filing them and do not unduly burden the opposing party or the Board. Petitions to institute a trial would generally replace the current practice of filing motions for unpatentability, as most motions for relief are expected to be similar to the current contested cases miscellaneous motion practice. Accordingly, the 15-page limit is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested.

Section 42.24(b) provides page limits for oppositions filed in response to motions. Current practice for other contested cases provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in Federal courts. The rule is consistent with the practice for other contested cases.

Section 42.24(c) provides page limits for replies. Current practice for other contested cases provide a 15-page limit for priority motion replies, a five-page limit for miscellaneous (procedural) motion replies, and a ten-page limit for all other motions. The rule is consistent with current contested case practice for procedural motions. The rule provides a 15-page limit for reply to petitions requesting a trial, which the Office believes is sufficient based on current practice. Current contested case practice has shown that such page limits do not unduly restrict the parties and, in fact, have provided sufficient flexibility to parties to not only reply to the motion but also help to focus on the issues. Thus, it is anticipated that default page limits would minimize the economic impact on small entities by focusing on the issues in the trials.

The AIA requires that the Director, in prescribing rules for the *inter partes*, post-grant, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely. See

35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). In view of the actual results of the duration of proceedings in *inter partes* reexamination (without page limits) and contested cases (with page limits), adopting procedures with reasonable page limits is consistent with the objectives set forth in the AIA. Based on our experience on the time needed to complete a non-page limited proceeding, the option of non-page limited proceedings was not adopted.

Fee Setting: 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a) require the Director to establish fees to be paid by the person requesting the review in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. In contrast to 35 U.S.C. 311(b) and 312(c) in effect on September 15, 2012, the AIA requires the Director to establish more than one fee for reviews based on the total cost of performing the reviews, and does not provide explicitly for refund of any part of the fee when the Director determines that the review should not be initiated.

Further, 35 U.S.C. 312(a)(1), as amended, and 35 U.S.C. 322(a)(1) require that the fee established by the Director under 35 U.S.C. 311(a), as amended, or 35 U.S.C. 321 accompany the petition on filing. Accordingly, in interpreting the fee setting authority in 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a), it is reasonable that the Director should set a number of fees for filing a petition based on the anticipated aggregate cost of conducting the review depending on the complexity of the review, and require payment of the fee upon filing of the petition.

Based on experience with contested cases and *inter partes* reexamination proceedings, the following characteristics of requests were considered as potential factors for fee setting as each would likely impact the cost of providing the new services. The Office also considered the relative difficulty in administering each option in selecting the characteristics for which different fees should be paid for requesting review.

I. Adopted Option. Number of claims for which review is requested. The number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials. *Cf. In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1309 (Fed. Cir. 2011) (limiting number of asserted claims is appropriate to manage a patent case efficiently). Moreover, the number of claims for which review is requested easily can be determined and administered, which avoids delays in the Office and the

impact on the economy or patent system that would occur if an otherwise meritorious petition is refused due to improper fee payment. Any subsequent petition could be time barred in view 35 U.S.C. 315(b), as amended, or 35 U.S.C. 325.

II. *Alternative Option I.* Number of grounds for which review is requested. The Office has experience with large numbers of cumulative grounds being presented in *inter partes* reexaminations which often add little value to the proceedings. Allowing for a large number of grounds to be presented on payment of an additional fee(s) is not favored. Determination of the number of grounds in a request may be contentious and difficult and may result in a large amount of high-level petition work. As such, the option would have a negative impact on small entities. Moreover, contested cases instituted in the 1980s and early 1990s suffered from this problem as there was no page limit for motions and the parties had little incentive to focus the issues for decision. The resulting records were often a collection of disparate issues and evidence. This led to lengthy and unwarranted delays in deciding contested cases as well as increased costs for parties and the Office. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the *inter partes*, post-grant, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

III. *Alternative Option II.* Pages of argument. The Office has experience with large requests in *inter partes* reexamination in which the merits of the proceedings could have been resolved in a shorter request. Allowing for unnecessarily large requests on payment of an additional fee(s) is not favored. Moreover, determination of what should be counted as "argument" as compared with "evidence" has often proven to be contentious and difficult as administered in the current *inter partes* reexamination appeal process.

In addition, the trial section of the Board recently experimented with motions having a fixed-page limit for the argument section and an unlimited number of pages for the statement of facts. Unlimited pages for the statement of facts led to a dramatic increase in the number of alleged facts and pages associated with those facts. For example, one party used approximately ten pages for a single "fact" that merely

cut and pasted a portion of a declarant's cross-examination. Based upon the trial section's experience with unlimited pages of facts, the Board recently reverted back to a fixed-page limit for the entire motion (argument and facts). Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the *inter partes*, post-grant, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

IV. *Alternative Option III.* The Office considered an alternative fee setting regime in which fees would be charged at various steps in the review process (rather than collected as a single payment on filing of the petition) as the proceeding progresses, e.g., a first fee on filing of the petition, a second fee if instituted, a third fee on filing a motion in opposition to amended claims, etc. The alternative fee setting regime would hamper the ability of the Office to complete reviews timely, would result in dismissal of pending proceedings with patentability in doubt due to non-payment of required fees by third parties, and would be inconsistent with 35 U.S.C. 312, as amended, and 35 U.S.C. 322 that require the fee established by the Director to be paid at the time of filing the petition. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for *inter partes* review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

V. *Alternative Option IV.* The Office considered setting reduced fees for small and micro entities and to provide refunds if a review is not instituted. The Office is setting the fee to recover the cost of providing the services under 35 U.S.C. 41(d)(2)(a). Fees set under this authority are not reduced for small entities, see 35 U.S.C. 42(h)(1), as amended. Moreover, the Office does not have authority to refund fees that were not paid by mistake or in excess of that owed. See 35 U.S.C. 42(d).

Discovery: The Office considered a procedure for discovery similar to the one available during district court litigation. Discovery of that scope has been criticized sharply, particularly when attorneys use discovery tools as tactical weapons, which hinder the

"just, speedy, and inexpensive determination of every action and proceedings." See introduction to *An E-Discovery Model Order*, available at http://www.ca9c.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf. Accordingly, this alternative would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for the *inter partes* review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. The Board's experience in contested cases, however, is that such showings are often lacking and authorization for additional discovery is expected to be limited. While an interests-of-justice standard would be employed in granting additional discovery in *inter partes* reviews and derivation proceedings, the post-grant and covered business method patent reviews would employ a good cause standard in granting additional discovery. Parties may, however, agree to additional discovery amongst themselves.

To promote effective discovery, the rule would require a showing that additional requested discovery would be productive in *inter partes* reviews and derivation proceedings. An interests-of-justice standard for additional discovery is for *inter partes* reviews and derivation proceedings. This standard is consistent with the considerations identified in 35 U.S.C. 316(b) and 135(b), as amended, including the efficient administration of the Board and the Board's ability to complete trials timely. Further, the interests-of-justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests-of-justice.

Good cause and interests-of-justice are closely related standards, but the interests-of-justice standard is slightly higher than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under

the interests-of-justice standard, the moving party would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the non-moving party. The interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

The Office sets forth a default scheduling order to provide limited discovery as a matter of right and provide parties with the ability to seek additional discovery on a case-by-case basis. In weighing the need for additional discovery, should a request be made, the Board would consider the economic impact on the opposing party. This would tend to limit additional discovery where a party is a small entity.

Pro Hac Vice: The Office considered whether to allow counsel to appear *pro hac vice*. In certain instances, highly skilled, but non-registered, attorneys have appeared satisfactorily before the Board in contested cases. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause. The Board may impose conditions in recognizing counsel *pro hac vice*, including a requirement that counsel acknowledge that counsel is bound by the Office's Code of Professional Responsibility. Proceedings before the Office can be technically complex. 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 Code of Professional Responsibility, prior findings of misconduct before the Office in other proceedings, and incivility.

The Board's past practice has required the filing of a motion by a registered patent practitioner seeking *pro hac vice* representation based upon a showing of: (1) How qualified the unregistered practitioner is to represent the party in the proceeding when measured against a registered practitioner, and (2) whether the party has a genuine need to have the particular unregistered practitioner represent it during the proceeding. This practice has proven effective in the limited number of contested cases where such requests have been granted. The rule allows for this practice in the new proceedings authorized by the AIA.

The rules provide a limited delegation to the Board under 35 U.S.C. 2(b)(2) and 32 to regulate the conduct of counsel in Board proceedings. The rule delegates to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule would also delegate to the Chief Administrative Patent Judge the authority to make final a decision to disqualify counsel in a proceeding before the Board for the purposes of judicial review. This delegation would not derogate from the Director the prerogative to make such decisions, nor would it prevent the Chief Administrative Patent Judge from further delegating authority to an administrative patent judge.

The Office considered broadly permitting practitioners not registered to practice by the Office to represent parties in trial as well as categorically prohibiting such practice. A prohibition on the practice would be inconsistent with the Board's experience, and more importantly, might result in increased costs particularly where a small entity has selected its district court litigation team and subsequently a patent review is filed after litigation efforts have commenced. Alternatively, broadly making the practice available would create burdens on the Office in administering the trials and in completing the trial within the established time frame, particularly if the selected practitioner does not have the requisite skill. In weighing the desirability of admitting a practitioner *pro hac vice*, the economic impact on the party in interest would be considered, which would tend to increase the likelihood that a small entity could be represented by a non-registered practitioner. Accordingly, the alternatives to eliminate *pro hac vice* practice or to permit it more broadly would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for *inter partes*, post-grant, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

Threshold for Instituting a Review: The Office considered whether the threshold for instituting a review could be set as low as or lower than the threshold for *ex parte* reexamination. This alternative could not be adopted in view of the statutory requirements in 35 U.S.C. 314, as amended, and 35 U.S.C. 324.

Default Electronic Filing: The Office considered a paper filing system and a

mandatory electronic filing system (without any exceptions) as alternatives to the requirement that all papers are to be electronically filed, unless otherwise authorized.

Based on the Office's experience, a paper-based filing system increases delay in processing papers, delay in public availability, and the chance that a paper may be misplaced or made available to an improper party if confidential. Accordingly, the alternative of a paper-based filing system would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for *inter partes* review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

An electronic filing system (without any exceptions) that is rigidly applied would result in unnecessary cost and burdens, particularly where a party lacks the ability to file electronically. By contrast, with the option, as adopted, it is expected that the entity size and sophistication would be considered in determining whether alternative filing methods would be authorized.

7. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict with the Final Rules: The following rules also provide processes involving patent applications and patents:

37 CFR 1.99 provides for the submission of information after publication of a patent application during examination by third parties.

37 CFR 1.171–1.179 provide for applications to reissue a patent to correct errors, including where a claim in a patent is overly broad.

37 CFR 1.291 provides for the protest against the issuance of a patent during examination.

37 CFR 1.321 provides for the disclaimer of a claim by a patentee.

37 CFR 1.501 and 1.502 provide for *ex parte* reexamination of patents. Under these rules, a person may submit to the Office prior art consisting of patents or printed publications that are pertinent to the patentability of any claim of a patent, and request reexamination of any claim in the patent on the basis of the cited prior art patents or printed publications. Consistent with 35 U.S.C. 302–307, *ex parte* reexamination rules provide a different threshold for initiation, require the proceeding to be conducted by an examiner with a right of appeal to the Patent Trial and Appeal

Board, and allow for limited participation by third parties.

37 CFR 1.902–1.997 provide for *inter partes* reexamination of patents. Similar to *ex parte* reexamination, *inter partes* reexamination provides a procedure in which a third party may request reexamination of any claim in a patent on the basis of the cited prior art patents and printed publication. The *inter partes* reexamination practice will be eliminated, except for requests filed before the effective date, September 16, 2012. See section 6(c)(3)(C) of the AIA.

Other countries have their own patent laws, and an entity desiring a patent in a particular country must make an application for patent in that country, in accordance with the applicable law. Although the potential for overlap exists internationally, this cannot be avoided except by treaty (such as the Paris Convention for the Protection of Industrial Property, or the Patent Cooperation Treaty (PCT)). Nevertheless, the Office believes that there are no other duplicative or overlapping foreign rules.

This notice also revises the rule of practice to consolidate the procedure for notifying the Office and other parties in the proceeding when a party seeks judicial review of a Board decision. Parties to a review or derivation proceeding may seek judicial review of the final decision of the Board. Historically, 33% of examiners' decisions in *inter partes* reexamination proceedings have been appealed to the Board. Given the increased coordination with district court litigation, the Office has adjusted its estimate of the appeal rate to be 120% of the historic rate (40% of decisions). Based on this rate, 149 additional notices of appeal will be filed based on the decisions issued in the new trials annually based on petitions filed during fiscal years 2013–2015. Based on current projections with additional resources, it is anticipated that the Board will on average issue 18,570 decisions on appeal of applications during fiscal years 2013–2015. Additionally it is anticipated that on average 351 decisions in reexamination (300) and interferences (51) will be decided in fiscal years 2013–2015. It is estimated that 1% of decisions on appeals in applications and 20% of decisions on appeal in reexamination or during interferences would be appealed. Thus, it is estimated that 256 notices of appeal (and notices of election) based on decisions on appeal and during interferences would be filed with the Office in addition to the 149 filed during reviews on average during fiscal years 2013–2015.

The rule also requires that a copy of the notice of appeal or notice of election and complaint be provided to the Board, thus an additional 405 (256 + 149) copies would be required.

C. Executive Order 12866 (Regulatory Planning and Review): This rulemaking has been determined to be significant for purposes of Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

The Office estimates that the aggregate burden of the rules for implementing the new review procedures is approximately \$94.1 million annually for fiscal years 2013–2015. The USPTO considered several factors in making this estimate.

Based on the petition and other filing requirements for initiating a review proceeding, the USPTO initially estimated the burden of the rules on the public to be \$213,666,384.60 in fiscal year 2013, which represents the sum of the estimated total annual (hour) respondent cost burden (\$196,239,188.60) plus the estimated total annual non-hour respondent cost burden (\$17,427,196.00) provided in Item (O)(II) of the Rulemaking Considerations section of this notice, *infra*. However, since the AIA also eliminates *inter partes* reexamination practice (except for requests filed before the effective date of September 16, 2012) and interference practice as to applications and patents that have an effective filing date on or after March 16, 2013 (with a few exceptions), the burden of the rules should be offset by the eliminations of those proceedings and their associated burdens.

It is estimated that 420 new requests for *inter partes* reexamination would have been filed in FY 2012, 450 new requests in FY 2014 and 500 new requests in FY 2015 if the AIA had not been enacted for an annual average of 456. This estimate is based on the number of proceedings filed in fiscal years 2011 (374), 2010 (280), 2009 (258), and the first half of FY 2012 (192). Elimination of 456 proceedings reduces the public's burden to pay filing fees by \$4,012,800 (456 filings with an \$8,800 filing fee due) and the public's burden to prepare requests by \$20,976,000 (456 filings with \$46,000 average cost to prepare). Based on the assumption that 93% of the requests would be ordered (consistent with the fiscal year 2011 grant rate), the burden to conduct the proceeding until close of prosecution will reduce the public's burden by \$89,040,000 (424 proceedings that would be estimated to be granted reexamination multiplied by \$210,000

which is the average cost cited in the *AIPRA Report of the Economic Survey 2011* for per party costs until close of prosecution reduced by the \$46,000 request preparation cost). Additionally, the burden on the public to appeal to the Board would be reduced by \$5,358,000 (based on an estimate that 141 proceedings would be appealed to the Board, which is estimated based on the number of granted proceedings (424) and the historical rate of appeal to the Board (1/3) and an average public cost of \$38,000). Thus, a reduction of \$119,386,800 in public burden results from the elimination of new filings of *inter partes* reexamination (the sum of \$3,696,000 (the filing fees), \$19,320,000 (the cost of preparing requests), \$82,110,000 (the prosecution costs), plus \$4,940,000 (the burden to appeal to the Board)).

The public burden due to a reduction in the number of interferences declared, from 64 to 51, is estimated at \$9,484,400 annually based on the assumption that the current percentage of interferences decided in the preliminary phase (80%) would continue on the lower number of proceedings instituted and based on cost to the public. To calculate this public burden due to a reduction in the number of interferences declared (\$9,484,400), the following information was used. The average public burden for a two party interference decided in the preliminary phase reported in the *AIPRA Report of the Economic Survey 2011* is \$644,000 (if decided in the preliminary phase) and \$1,262,000 (if decided after the preliminary phase). It is estimated that had the AIA not been enacted, 52 interferences would have been decided in the preliminary phase, and 12 would have been decided after the preliminary phase, equating to a public burden of \$48,632,000 ((52 multiplied by \$644,000 equals \$33,488,000), plus (12 multiplied by \$1,262,000 equals \$15,144,000) for a total of \$48,632,000). It is estimated that 51 interferences will be instituted in fiscal year 2013, at an average public burden of \$767,600 (80% of \$644,000 plus 20% of \$1,262,000) per interference, or a total of \$39,147,600 (51 multiplied by \$767,600). Accordingly, it is estimated that burden to the public due to the reduction of interferences would be the total public burden for interferences of \$48,632,000 minus total public burden for estimated interferences for fiscal years 2013–2015 of \$39,147,600, or \$9,484,400.

Thus, a total of \$119,550,400 in public burden will be eliminated by the reduction in the number of interferences that would be declared and by eliminating new filings of *inter partes*

reexamination (this total is a sum of the following identified above: elimination of filing fees (\$3,696,000), cost of preparing requests (\$19,320,000), prosecution costs until close of prosecution (\$82,110,000), burden to appeal to the Board (\$4,940,000) in new *inter partes* reexamination proceedings, and the reduction in interference burden (\$9,484,400)). Therefore, the estimated aggregate burden of the rules for implementing the new review proceedings would be \$94,115,984.60 (\$213,666,384.60 minus \$119,550,400) in fiscal year 2013.

The USPTO expects several benefits to flow from the AIA and these rules. It is anticipated that the rules will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326(a) provide that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for *inter partes* reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7 months during fiscal years 2009–2011. See Reexaminations—FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

Likewise, it is anticipated that the rules will minimize duplication of efforts. In particular, the AIA provides more coordination between district court infringement litigation and *inter partes* review to reduce duplication of efforts and costs. For instance, 35 U.S.C. 315(b), as amended, will require that a petition for *inter partes* review be filed within one year of the date of service of a complaint alleging infringement of a patent. By requiring the filing of an *inter partes* review petition earlier than a request for *inter partes* reexamination, and by providing shorter timelines for *inter partes* review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.

The *AIPRA Report of the Economic Survey 2011* reports that the total cost of patent litigation where the damages at risk are less than \$1,000,000 average \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 average \$2,769,000, and where the damages at risk exceed \$25,000,000 average \$6,018,000. There may be a significant reduction in overall burden if, as intended, the AIA and the rules reduce the overlap between review at the USPTO of issued patents and

validity determination during patent infringement actions. Data from the United States district courts reveals that 2,830 patent cases were filed in 2006, 2,896 in 2007, 2,909 in 2008, 2,792 in 2009, and 3,301 in 2010. See U.S. Courts, Judicial Business of the United States Courts, available at www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/CO2ASep10.pdf (last visited Nov. 11, 2011) (hosting annual reports for 1997 through 2010). Thus, the Office estimates that no more than 3,300 patent cases (the highest number of yearly filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above (\$94,115,984.60) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new *inter partes* review proceedings.

The Office received two written submissions of comments from the public regarding Executive Order 12866. Each component of those comments directed to Executive Order 12866 is addressed below.

Comment 231: Two comments suggested that the proposed rules would have been classified more appropriately as significant under section 3(f)(4) of Executive Order 12866 because the proposed rules raise novel legal or policy issues arising out of legal mandates.

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment does not present what aspect(s) of the rule is believed to present novel legal or policy issues.

Comment 232: One comment suggested that the costs, including any prophylactic application steps resulting from the new proceedings, were not calculated appropriately when the Office offset the new burdens with those removed by elimination of the ability to file new *inter partes* reexamination under Executive Order 12866 and that when appropriately calculated, the cost would exceed the \$100 million threshold for declaring the proposed rules significant under section 3(f)(1).

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The Office's baseline costs used to determine the increased burden of the proposed rules properly used the burden on the public to comply with

inter partes reexamination because those burdens existed before the statutory change, and that process was eliminated and replaced by the process adopted by the AIA as implemented in this final rule. See OMB Circular A4, section (e)(3). See also response to Comment 229.

Comment 233: One comment argued that the \$80,000,000 burden estimate is so close to \$100,000,000 threshold, that, particularly in view of the difficulties in estimating burden, the Office should assume that it is likely that the proposed rules would have a \$100,000,000 impact. One comment suggested that the Office should have conducted a Regulatory Impact Analysis.

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment did not indicate what aspect of the estimate was likely to be wrong. Furthermore, \$80,000,000 is twenty percent below the \$100,000,000 threshold. Moreover, the Office's estimate did not take into account the reduction in burden due to decreased litigation. Thus, the Office's estimate is likely an overstatement of the estimated basis.

D. Executive Order 13563 (Improving Regulation and Regulatory Review): The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) Made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided online access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

E. Executive Order 13132 (Federalism): This rulemaking does not contain policies with federalism implications sufficient to warrant

preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

F. Executive Order 13175 (Tribal Consultation): This rulemaking will not: (1) Have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

G. Executive Order 13211 (Energy Effects): This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

H. Executive Order 12988 (Civil Justice Reform): This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996). This rulemaking carries out a statute designed to lessen litigation. See H.R. Rep. No. 112-98, at 45-48.

I. Executive Order 13045 (Protection of Children): This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

J. Executive Order 12630 (Taking of Private Property): This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

K. Congressional Review Act: Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801-808), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the final rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign based enterprises in domestic and export markets. Therefore, this notice is

not expected to result in a "major rule" as defined in 5 U.S.C. 804(2).

L. Unfunded Mandates Reform Act of 1995: The changes set forth in this notice do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501-1571.

M. National Environmental Policy Act: This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321-4370h.

N. National Technology Transfer and Advancement Act: The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

O. Paperwork Reduction Act: The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549) requires that the USPTO consider the impact of paperwork and other information collection burdens imposed on the public. This rulemaking involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549). The collection of information involved in this notice has been submitted to OMB under OMB control number 0651-0069 when the notice of proposed rulemaking was published. The Office published the title, description, and respondent description of the information collection, with an estimate of the annual reporting burdens, in the Notice "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) (notice of proposed rulemaking) (RIN 0651-AC70).

The Office received two comments and made minor revisions to the requirements in the rule, as well as the burden estimates, as outlined below. Accordingly, the Office has resubmitted the proposed revision to the information collection requirements under 0651-0069. The proposed revision to the

information collection requirements under 0651-0069 is available at OMB's Information Collection Web site (www.reginfo.gov/public/do/PRAMain).

This rulemaking will add the following to a collection of information:

(1) Petitions to institute an *inter partes* review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105);

(2) Petitions to institute a post-grant review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205);

(3) Petitions to institute a covered business method patent review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304);

(4) Petitions to institute a derivation proceeding (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(4), 42.63, 42.65, and 42.402 through 42.406);

(5) Motions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, through 42.54, 42.63, 42.64, 42.65, 42.121, 42.221, 42.123, and 42.223);

(6) Oppositions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220);

(7) Replies provided for in 35 U.S.C. 135 and 311-318, as amended, and new 35 U.S.C. 319 and 321-329 (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65); and

(8) Notices of judicial review of a Board decision, including notices of appeal and notices of election provided for in 35 U.S.C. 141, 142, 145 and 146 (§§ 90.1 through 90.3).

The rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 316(a)(10), as amended, and 35 U.S.C. 326(a)(10), requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), requests that a settlement be treated as business confidential (§ 42.74(b) and 42.409) provided for in 35 U.S.C. 317, as amended, and 35 U.S.C. 327, and arbitration agreements and awards (§ 42.410) to a collection of information.

I. Abstract: The USPTO is required by 35 U.S.C. 131 and 151 to examine applications and, when appropriate, issue applications as patents.

Chapter 31 of title 35, United States Code, in effect on September 16, 2012, provides for *inter partes* review proceedings allowing third parties to petition the USPTO to review the patentability of an issued patent under 35 U.S.C. 102 and 103 based on patents and printed publications. If a trial is initiated by the USPTO based on the

petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

Chapter 32 of title 35 U.S.C. in effect on September 16, 2012, provides for post-grant review proceeding allowing third parties to petition the USPTO to review the patentability of an issued patent under any ground authorized under 35 U.S.C. 282(b)(2). If a trial is initiated by the USPTO based on the petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

Section 18 of the AIA provides for a transitional program for covered business method patents, which will employ the standards and procedures of the post-grant review proceeding with a few exceptions. 35 U.S.C. 135 in effect on March 16, 2013, provides for petitions to institute a derivation proceeding at the USPTO for certain applications. The new rules for initiating and conducting these proceedings are adopted in this notice as new part 42 of title 37 of the Code of Federal Regulations.

In estimating the number of hours necessary for preparing a petition to institute an *inter partes* review, the USPTO considered the estimated cost of preparing a request for *inter partes* reexamination (\$46,000), the mean billing rate (\$371/hour), and the observation that the cost of *inter partes* reexamination has risen the fastest of all litigation costs since 2009 in the *AIPPLA Report of the Economic Survey 2011*. It was estimated that a petition for an *inter partes* review and an *inter partes* reexamination request would cost the same to the preparing party (\$46,000). Since additional grounds for instituting review are provided in post-grant review or covered business method patent review compared with *inter partes* reexamination, the Office estimates the cost of preparing a petition to institute a review will be 33.333% more than the estimated cost of preparing a request for *inter partes* reexamination, or \$61,333.

The USPTO also reviewed recent contested cases before the trial section of the Board to make estimates on the average number of motions for any matter including priority, the subset of those motions directed to non-priority issues, the subset of those motions directed to non-priority patentability issues, and the subset of those motions directed to patentability issues based on

a patent or printed publication on the basis of 35 U.S.C. 102 or 103. Thus, for *inter partes* review, considering the percentage of motions on patentability issues based on a patent or printed publication on the basis of 35 U.S.C. 102 or 103 would be appropriate as grounds raised in those proceedings would be directed to the same issues. Similarly, for post-grant review and transitional proceedings for covered business methods, considering the percentage of motions on patentability issues would be appropriate as grounds raised in those proceedings would be directed to the same issues. The review of current contested cases before the trial section of the Board indicated that approximately 15% of motions were directed to prior art grounds, 18% of motions were directed to other patentability grounds, 27% were directed to miscellaneous issues, and 40% were directed to priority issues. It was estimated that the cost per motion to a party in current contested cases before the trial section of the Board declines because of overlap in subject matter, expert overlap, and familiarity with the technical subject matter. Given the overlap of subject matter, a proceeding with fewer motions such as *inter partes* review will have a somewhat less than proportional decrease in costs since the overlapping costs will be spread over fewer motions as compared with a derivation proceeding.

It is estimated that the cost of an *inter partes* review would be 60% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. An *inter partes* review should have many fewer motions since only one party will have a patent that is the subject of the proceeding (compared with each party having at least a patent or an application in current contested cases before the trial section of the Board). Moreover, fewer issues can be raised since *inter partes* review will not have priority-related issues that must be addressed in current contested cases before the trial section of the Board. Consequently, a 60% weighting factor should capture the typical costs of an *inter partes* review.

It is estimated that the cost of a post-grant review or covered business method patent review would be 75% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. The basis for this estimate is similar to the basis for the *inter partes* review estimate. Since more patentability issues may be raised in the petition, the cost for these trials is

expected to be somewhat higher. Again, a 75% weighting factor should capture the typical costs of a post-grant review or a covered business method patent review.

The motions that present claims in excess of the number of claims in the patent and in excess of three dependent or more than 20 total claims also require payment of statutory fee for presenting such claims. See 35 U.S.C. 41(a)(2)(i) and (ii). It is estimated that 20 percent of instituted proceedings will have one additional independent claim and ten additional dependent claims presented in proceedings filed in FY 2013. Based on the historical data for *inter partes* reexamination it is estimated that 32.09% of the patent owners presenting additional claims will pay small entity fee for the additional claims. Thus, it is estimated that 23 small entities will pay an additional \$110.00 for an additional independent claim and \$260.00 for ten additional claims in *inter partes* review proceedings in FY 2013. It is estimated that 48 non-small entities will pay an additional \$220.00 for an additional independent claim and \$520.00 for ten additional claims in *inter partes* review proceedings in FY 2013. It is estimated that three small entities will pay an additional \$110.00 for an additional independent claim and \$260.00 for ten additional claims in post-grant review proceedings in FY 2013. It is estimated that six non-small entities will pay an additional \$220.00 for an additional independent claim and \$520.00 for ten additional claims in post-grant review proceedings in FY 2013. The total excess claim fee due from patent owners is estimated to be \$49,580 in FY 2013.

Derivations will be more like current contested cases before the trial section of the Board inasmuch as they may have a period which sets the stage for determining derivation and a derivation period. One-half of derivations are anticipated to end in the preliminary motion period, while the other half is anticipated to proceed to decision on derivation. While it is recognized that fewer than half of all current contested cases before the trial section of the Board proceed to a priority decision, derivation contests are often more protracted than other current contested cases before the trial section of the Board. The costs associated with derivations through the preliminary motion period and through the derivation period should be comparable to the corresponding costs of current contested cases before the trial section of the Board.

The title, description, and respondent description of the information collection are shown below with an estimate of the

annual reporting burdens. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. The principal impact of the changes in this notice is to implement the changes to Office practice necessitated by sections 3(i), 6, and 18 of the AIA.

The public uses this information collection to request review and derivation proceedings as well as to ensure that the associated fees and documentation are submitted to the USPTO.

II. Data

Needs and Uses: The information supplied to the USPTO by a petition to institute a review or derivation as well as the motions authorized following the institution is used by the USPTO to determine whether to initiate a review under 35 U.S.C. 314, as amended, or 35 U.S.C. 324 or derivation proceeding under 35 U.S.C. 135, as amended, and to prepare a final decision under 35 U.S.C. 135 or 318, as amended, or 35 U.S.C. 328.

OMB Number: 0651-0069.

Title: Patent Review and Derivation Proceedings.

Form Numbers: None.

Type of Review: New Collection.

Likely Respondents/Affected Public: Individuals or households, businesses

or other for-profit, not-for-profit institutions, farms, Federal Government, and state, local, or tribal governments.

Estimated Number of Respondents/Frequency of Collection: 1,040 respondents and 5,059 responses per year.

Estimated Time per Response: The USPTO estimates that it will take the public from 0.1 to 165.3 hours to gather the necessary information, prepare the documents, and submit the information to the USPTO.

Estimated Total Annual Respondent Burden Hours: 528,946.6 hours per year.

Estimated Total Annual (Hour) Respondent Cost Burden: \$196,239,188.60 per year. The USPTO expects that the information in this collection will be prepared by attorneys. Using the professional rate of \$371 per hour for attorneys in private firms, the USPTO estimates that the respondent cost burden for this collection will be approximately \$196,239,188.60 per year (528,946.6 hours per year multiplied by \$371 per hour).

Estimated Total Annual Non-Hour Respondent Cost Burden: \$17,427,196.00 per year. There are no capital start-up or maintenance costs associated with this information collection. However, this collection does have annual (non-hour) costs in the form of filing fees and postage costs where filing via mail is authorized. It is

estimated that filing via mail will be authorized in one *inter partes* review petition filing and three subsequent papers. There are filing fees associated with petitions for *inter partes* review, post-grant review, and covered business method patent review and for requests to treat a settlement as business confidential. The total filing fees for this collection are calculated in the accompanying table. The USPTO estimates that filings authorized to be filed via mail will be mailed to the USPTO by Express Mail using the U.S. Postal Service's flat rate envelope, which can accommodate varying submission weights, estimated in this case to be 16 ounces for the petitions and two ounces for the other papers. The cost of the flat rate envelope is \$18.95. The USPTO estimates that the total postage cost associated with this collection will be approximately \$76 per year. The USPTO estimates that the total fees associated with this collection will be approximately \$17,427,120.00 per year.

Therefore, the total cost burden in fiscal year 2013 is estimated to be \$213,666,384.60 (the sum of the estimated total annual (hour) respondent cost burden (\$196,239,188.60) plus the estimated total annual non-hour respondent cost burden (\$17,427,196.00)).

Item	Proposed estimated time for response (hours)	Proposed estimated annual responses	Proposed estimated annual burden hours	Final estimated time for response (hours)	Final estimated annual responses	Final estimated annual burden
Petition for <i>inter partes</i> review	135.3	460	62,238	124	456	56,544
Petition for post-grant review or covered business method patent review	180.4	50	9,020	165.3	73	12,066.90
Petition for derivation	180.4	50	9,020	165.3	50	8,265
Reply to initial <i>inter partes</i> review petition	100	406	40,600	91.6	401	36,731.60
Reply to initial post-grant review or covered business method patent review	100	45	4,500	91.6	64	5,862.40
Request for Reconsideration	80	141	11,280	80	156	12,480
Motions, replies and oppositions after institution in <i>inter partes</i> review	140	2,453	343,420	140	2166	303,240
Motions, replies and oppositions after institution in post-grant review or covered business method patent review	130	342	44,460	130	460	59,800
Motions, replies and oppositions in derivation proceeding	120	210	25,200	120	180	21,600
Request for oral hearing	20	456	9,120	18.3	484	8,857.2
Request to treat a settlement as business confidential	2	18	36	2	22	44
Request for adverse judgment, default adverse judgment or settlement (parties in litigation over patent)	1	101	101	1	85	85
Settlement parties not in litigation ...	n/a	n/a	n/a	100	33	3300
Arbitration agreement and award	4	2	8	4	2	8

Item	Proposed estimated time for response (hours)	Proposed estimated annual responses	Proposed estimated annual burden hours	Final estimated time for response (hours)	Final estimated annual responses	Final estimated annual burden
Request to make a settlement agreement available	1	18	18.00	1	22	22
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	0.1	194	19.4	0.1	405	40.5
Totals		4,967	559,648.4		5,059	528,946.6

Item	Proposed estimated annual response	Proposed fee amount	Proposed estimated annual filing costs	Final estimated annual responses	Fee amount	Final estimated annual filing costs
Petition for <i>inter partes</i> review	460	\$35,800	\$16,468,000	456	*\$31,400	\$14,318,400
Petition for post-grant review or covered business method patent review	50	47,100	2,355,000	73	*41,400	3,022,200
Petition for derivation	50	400	20,000	50	400	20,000
Reply to <i>inter partes</i> review petition	406	0	0	401	0	0
Reply to post-grant review or covered business method patent review petition	45	0	0	64	0	0
Request for Reconsideration	141	0	0	156	0	0
Motions, replies and oppositions after initiation in <i>inter partes</i> review with no excess claims	2,453	0	0	2,086	0	0
Motions in <i>inter partes</i> review with excess claims by small entity patent owners	n/a	n/a	n/a	26	370	9,620
Motions in <i>inter partes</i> review with excess claims by other than small entity patent owners	n/a	n/a	n/a	54	740	39,960
Motions, replies and oppositions after initiation in post-grant review or covered business method patent review with no excess claims	342	0	0	471	0	0
Motions in post-grant review or covered business method patent review with excess claims by other than small entity patent owners	n/a	n/a	n/a	4	370	1,480
Motions in post-grant review or covered business method patent review with excess claims by small entity patent owners	n/a	n/a	n/a	9	740	6,660
Motions, replies and oppositions in derivation proceeding	210	0	0	180	0	0
Request for oral hearing	456	0	0	484	0	0
Request to treat a settlement as business confidential	18	0	0	22	0	0
Request for adverse judgment, default adverse judgment or settlement	101	0	0	118	0	0
Arbitration agreement and award	2	0	0	2	0	0
Request to make a settlement agreement available	18	400	7,200	22	400	8,800
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	51	0	0	405	0	0
Totals	4,967		18,851,000	5,059		17,427,120

* Average.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

The Office received two written submissions of comments regarding the Paperwork Analysis Act. Each component of those comment directed the Paperwork Reduction Act is addressed below.

Comment 234: One comment suggested that *inter partes* reexamination is a very poor proxy for

these proceedings because there have been very few completed proceedings relative to all filing of *inter partes* reexaminations from 2001 to 2011 and the comment claims that the completed proceeding are only the least complex of proceedings which the comment alleges result in a sampling bias.

Response: While only 305 *inter partes* reexamination proceedings have resulted in a certificate, the comment is not correct that only the least complex of proceedings have been completed. The number of filings of *inter partes* reexamination has increased considerably in the last three full years. See *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 FR at 6893. For example, in the last three years 824 or 64% of the 1,278 requests filed from 2001 to 2011 were filed. Considering that the average time from filing to certificate for the 305 certificates was 36.2 months and the median pendency was 32.9 months, it would have been more appropriate for the comment to consider the 305 certificates that have issued compared with the filings from 2001 to 2008. During that time period there were 467 requests filed, 14 requests were subsequently denied a filing date, 53 requests were denied on the merits, 246 had concluded with a certificate by September 30, 2011, and 154 were still pending on September 30, 2011. Of the 154 that were still pending, only one was before the examiner after a non-final rejection, only three had an action closing prosecution as the last action, and only three had a right of appeal notice as the last action. Most of the 154 proceedings were subject to appeal proceedings or were in the publication process. Accordingly, *inter partes* reexamination is an appropriate proxy.

Comment 235: One comment suggested that for matters not concurrently in litigation, the Office's two hour estimate for public burden of settlement under the Paperwork Reduction Act was unreasonably low by a factor of 30–100 and must include the costs to arrive at the settlement in addition to the cost of submitting the agreement to the Office. The comment asserts that this burden is fully cognizable under the Paperwork Reduction Act.

Response: This comment was adopted in part. For *inter partes* and post-grant review proceedings where the parties are not also in district court litigations regarding the patent, the burden has been increased to 100 hours per settlement as suggested as the highest estimate in the comment. Based partially on historical data for *inter partes* reexamination, it is estimated that 30% of reviewed patents will not be subject to concurrent litigation.

By statute, any petitioner seeking review of a covered business method must also be in litigation regarding the patent or have been charged with

infringement. The comment only argued that for parties not in litigation, the cost of settlement was too low. Therefore, this comment is not pertinent to this rulemaking and is not adopted.

Any petitioner seeking review of a covered business method under the transitional program, however, is also in concurrent litigation. Thus, the estimated burden for settlement in those proceeding has not be revised in view of the comment.

Comment 236: Two comments requested that the Office set forth the basis for the number of petitions for review.

Response: As discussed above in item B, the Office considered the actual number of *inter partes* reexamination requests filed during FY 2001–2011 and the anticipated number of requests in FY 2012, the number of such requests of patents classified in Class 705, the number of interferences, and the differences between reexamination and the new review. The Office estimated the number of reviews based on the historical data on the number of filings in the most analogous proceedings. See *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 FR at 7097.

Comment 237: One comment suggested that a projection for at least three years of growth in future filings is necessary because the PRA clearance is for three years. The comment also seeks disclosure of USPTO's estimation models.

Response: The suggestion has been adopted. The Office estimates moderate aggregate growth for petitions seeking *inter partes* review and post-grant review, as set forth in item B above. Further, the Office estimates no growth for petitions seeking review under the transitional program for covered business method patents during the three year period. Calculations for these numbers are providing in the supporting statement for this collection. In 2013, the number of eligible patents will include patents for which currently in litigation. In subsequent years, the number of eligible patents is expected to be reduced, because some proceedings will have been settled, while others will have been stayed pending a review. At the same time, as experience in the procedure becomes more wide spread, the public would more likely seek a review. Because these two factors offset each other, the Office is anticipated zero growth for petitions for the covered business method patent review.

Comment 238: Two comments noted that the distribution of claims for the review was not disclosed during the comment period. The comment asserts

that failure to disclose underlying data in the Notice of Proposed Rulemaking violates the Paperwork Reduction Act (and other requirements).

Response: The distribution of claims for which review will be requested was estimated based on the number of claims for which *inter partes* reexamination was requested in the first 60 requests filed during the second quarter of FY 2011 as that data was the most timely when the proposed rule notices were drafted. That data was publically available when the notice of proposed rulemaking was published and remains available today. See <http://portal.uspto.gov/external/portal/pair>. A summary of that publicly available data is provided as follows: 40 of the 60 proceedings requested review of 20 or fewer claims; eight of the 60 requested review of between 21 and 30 claims; three of the 60 requested review of between 31 and 40 claims; six of the 60 requested review of between 41 and 50 claims; one of the 60 requested review of between 51 and 60 claims; one of the 60 requested review of between 61 and 70 claims; and one of the 60 requested review of between 91 and 100 claims. A second group of 20 proceedings filed after September 15, 2011, were reviewed to determine if the change to the statutory threshold resulted in a clear change in the number of claims for which review was requested. A summary of that data is provided as follows: 13 of 20 requested review of 20 or fewer claims; three of 20 requested review of between 21 and 30 claims; three of 20 requested review of between 31 and 40 claims; and one of 20 requested review of 53 claims.

Comment 239: One comment suggested that the estimate of the number of post-grant review proceedings should be doubled based on the analysis of the University of Houston of patent cases from 2005–2009. According to the comment, this analysis shows that for every 15 decisions involving printed prior art grounds, there were 13 decisions involving public use, “on sale,” or 35 U.S.C. 112.

Response: The suggestion is not adopted. While the Office agrees that many decisions involved public use, “on sale,” or 35 U.S.C. 112, the comment and the analysis by the University of Houston did not consider which decisions did not include a prior art grounds, but did include a public use, “on sale,” or 35 U.S.C. 112 ground. Only the subset of decisions including the newly available grounds could be used appropriately in estimating an increased rate of post-grant review filings relative to *inter partes* review.

The comment also did not address how the limited filing window relative to the filing of district court litigation for post-grant review would be addressed appropriately if the University of Houston study served as a basis for the estimates.

Comment 240: One comment suggested that the hourly rate for practitioners should be raised from \$340 (the median hourly rate from the AIPLA economical survey referenced in the notice of proposed rulemaking) to \$500. The comment asserts that using the median hourly rate from the AIPLA Economic Survey of \$340 is analytically wrong and that, at a minimum, the higher mean rate of \$371 from that survey should be used.

Response: The suggestion is adopted in part. The Office has adopted a mean hourly rate of \$371 from the AIPLA Economic Survey, rather than the median hourly rate of \$340 from that survey. The suggestion of a \$500 hourly rate cannot be adopted because the comment did not provide any data to support the validity of hourly rate suggested and the Office believes, based on its experience, that \$371 is a better estimate of the average hourly rate.

Comment 241: The comments suggested that reliance on the AIPLA economic survey was inappropriate as the survey is flawed. The comment asserts that the survey is unreliable for estimating paperwork burden under the Information Quality Act.

Response: In providing estimates of burden hours, the USPTO sometimes referenced the AIPLA economic survey report, as a benchmark for the estimates. While the costs reported in the survey were considered, the Office, in estimating the cost of the collection, also considered the work required to prepare and file the submissions.

Under the USPTO's Information Quality Guidelines (ICG), the AIPLA economic survey report is not a "dissemination" of information. The Guidelines state that "dissemination" means an "agency initiated or sponsored distribution of information to the public." USPTO's ICG, Section IV, A. 1. Subsection (a) further defines "agency initiated distribution of information to the public" to mean "information that the agency distributes or releases which reflects, represents, or forms any part of the support of the policies of the agency." *Id.* at Section IV, A. 1, a. The USPTO did not distribute or release the AIPLA economic survey report.

Likewise, the AIPLA economic survey report does not qualify as an "agency sponsored distribution of information" under Subsection (b) of the Guidelines,

which "refers to situations where the agency has directed a third party to distribute or release information, or where the agency has the authority to review and approve the information before release." *Id.* at Section IV, A. 1, b. The USPTO did not commission the report, had no input into the structure of the report and does not rely exclusively upon the results of the report to arrive at estimates. No correction of the documents is required because the Office utilized the AIPLA economic survey report in formulating some burden estimations. No correction is required under the Information Quality Act.

Comment 242: One comment suggested that the regulations imposed a substantial paperwork burden without a valid OMB Control Number.

Response: The suggestion is not adopted. OMB Control number 0651-0069 has been requested appropriately and is pending.

Comment 243: One comment suggested that the USPTO's estimates systematically ignore burdens and costs associated with the attorney's client company.

Response: See response to Comment 229.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

List of Subjects

37 CFR Part 1

Administrative practice and procedure, Courts, Freedom of Information, Inventions and patents, Reporting and recordkeeping requirements, Small Businesses.

37 CFR Part 42

Administrative practice and procedure, Inventions and patents, Lawyers.

37 CFR Part 90

Administrative practice and procedure, Inventions and patents, Lawyers.

Amendments to the Regulatory Text

For the reasons stated in the preamble, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office amends chapter I of title 37 of the Code of Federal Regulations as follows:

PART 1—RULES OF PRACTICE IN PATENT CASES

■ 1. The authority citation for 37 CFR part 1 continues to read as follows:

Authority: 35 U.S.C. 2(b)(2).

§ 1.301 [Removed and reserved]

■ 2. Section 1.301 is removed and reserved.

§ 1.302 [Removed and reserved]

■ 3. Section 1.302 is removed and reserved.

§ 1.303 [Removed and reserved]

■ 4. Section 1.303 is removed and reserved.

§ 1.304 [Removed and reserved]

■ 5. Section 1.304 is removed and reserved.

■ 6. Part 42 is added to read as follows:

PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

Subpart A—Trial Practice and Procedure

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Authority: 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321–326 and Leahy-Smith America Invents Act, Pub. L. 112–29, sections 6(c), 6(f) and 18, 125 Stat. 284, 304, 311, and 329 (2011).

Subpart A—Trial Practice and Procedure

General

§ 42.1 Policy.

(a) *Scope.* Part 42 governs proceedings before the Patent Trial and Appeal Board. Sections 1.4, 1.7, 1.14, 1.16, 1.22, 1.23, 1.25, 1.26, 1.32, 1.34, and 1.36 of this chapter also apply to proceedings before the Board, as do other sections of part 1 of this chapter that are incorporated by reference into this part.

(b) *Construction.* This part shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding.

(c) *Decorum.* Every party must act with courtesy and decorum in all proceedings before the Board, including in interactions with other parties.

(d) *Evidentiary standard.* The default evidentiary standard is a preponderance of the evidence.

§ 42.2 Definitions.

The following definitions apply to this part:

Affidavit means affidavit or declaration under § 1.68 of this chapter. A transcript of an *ex parte* deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.

Board means the Patent Trial and Appeal Board. Board means a panel of the Board, or a member or employee acting with the authority of the Board, including:

(1) For petition decisions and interlocutory decisions, a Board member or employee acting with the authority of the Board.

(2) For final written decisions under 35 U.S.C. 135(d), 318(a), and 328(a), a panel of the Board.

Business day means a day other than a Saturday, Sunday, or Federal holiday within the District of Columbia.

Confidential information means trade secret or other confidential research, development, or commercial information.

Final means final for the purpose of judicial review to the extent available. A decision is final only if it disposes of all necessary issues with regard to the party seeking judicial review, and does not indicate that further action is required.

Hearing means consideration of the trial.

Involved means an application, patent, or claim that is the subject of the proceeding.

Judgment means a final written decision by the Board, or a termination of a proceeding.

Motion means a request for relief other than by petition.

Office means the United States Patent and Trademark Office.

Panel means at least three members of the Board.

Party means at least the petitioner and the patent owner and, in a derivation proceeding, any applicant or assignee of the involved application.

Petition is a request that a trial be instituted.

Petitioner means the party filing a petition requesting that a trial be instituted.

Preliminary Proceeding begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.

Proceeding means a trial or preliminary proceeding.

Rehearing means reconsideration.

Trial means a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial. The term trial specifically includes a derivation proceeding under 35 U.S.C. 135; an *inter partes* review under Chapter 31 of title 35, United States Code; a post-grant review under Chapter 32 of title 35, United States Code; and a transitional business-method review under section 18 of the Leahy-Smith America Invents Act. Patent interferences are administered under part 41 and not under part 42 of this title, and therefore are not trials.

§ 42.3 Jurisdiction.

(a) The Board may exercise exclusive jurisdiction within the Office over every involved application and patent during the proceeding, as the Board may order.

(b) A petition to institute a trial must be filed with the Board consistent with any time period required by statute.

§ 42.4 Notice of trial.

(a) *Institution of trial.* The Board institutes the trial on behalf of the Director.

(b) Notice of a trial will be sent to every party to the proceeding. The entry of the notice institutes the trial.

(c) The Board may authorize additional modes of notice, including:

- (1) Sending notice to another address associated with the party, or
- (2) Publishing the notice in the Official Gazette of the United States Patent and Trademark Office or the Federal Register.

§ 42.5 Conduct of the proceeding.

(a) The Board may determine a proper course of conduct in a proceeding for any situation not specifically covered by this part and may enter non-final orders to administer the proceeding.

(b) The Board may waive or suspend a requirement of parts 1, 41, and 42 and may place conditions on the waiver or suspension.

(c) *Times.* (1) *Setting times.* The Board may set times by order. Times set by rule are default and may be modified by order. Any modification of times will take any applicable statutory pendency goal into account.

(2) *Extension of time.* A request for an extension of time must be supported by a showing of good cause.

(3) *Late action.* A late action will be excused on a showing of good cause or upon a Board decision that consideration on the merits would be in the interests of justice.

(d) *Ex parte communications.* Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. 6(a) is not permitted unless both parties have an opportunity to be involved in the communication.

§ 42.6 Filing of documents, including exhibits; service.

(a) *General format requirements.* (1) Page size must be 8½ inch × 11 inch except in the case of exhibits that require a larger size in order to preserve details of the original.

(2) In documents, including affidavits, created for the proceeding:

(i) Markings must be in black or must otherwise provide an equivalent dark, high-contrast image;

(ii) Either a proportional or monospaced font may be used:

(A) The proportional font must be 14-point or larger, and

(B) The monospaced font must not contain more than four characters per centimeter (ten characters per inch);

(iii) Double spacing must be used except in claim charts, headings, tables

of contents, tables of authorities, indices, signature blocks, and certificates of service. Block quotations may be 1.5 spaced, but must be indented from both the left and the right margins; and

(iv) Margins must be at least 2.5 centimeters (1 inch) on all sides.

(3) *Incorporation by reference; combined documents.* Arguments must not be incorporated by reference from one document into another document. Combined motions, oppositions, replies, or other combined documents are not permitted.

(4) *Signature; identification.* Documents must be signed in accordance with §§ 1.33 and 11.18(a) of this title, and should be identified by the trial number (where known).

(b) *Modes of filing.* (1) *Electronic filing.* Unless otherwise authorized, submissions are to be made to the Board electronically via the Internet according to the parameters established by the Board and published on the Web site of the Office.

(2)(i) *Filing by means other than electronic filing.* A document filed by means other than electronic filing must:

(A) Be accompanied by a motion requesting acceptance of the submission; and

(B) Identify a date of transmission where a party seeks a filing date other than the date of receipt at the Board.

(ii) Mailed correspondence shall be sent to: Mail Stop PATENT BOARD, Patent Trial and Appeal Board, United States Patent and Trademark Office, PO Box 1450, Alexandria, Virginia 22313-1450.

(c) *Exhibits.* Each exhibit must be filed with the first document in which it is cited except as the Board may otherwise order.

(d) *Previously filed paper.* A document already in the record of the proceeding must not be filed again, not even as an exhibit or an appendix, without express Board authorization.

(e) *Service.* (1) *Electronic or other mode.* Service may be made electronically upon agreement of the parties. Otherwise, service may be by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®.

(2) *Simultaneous with filing.* Each document filed with the Board, if not previously served, must be served simultaneously on each opposing party.

(3) *Counsel of record.* If a party is represented by counsel of record in the proceeding, service must be on counsel.

(4) *Certificate of service.* (i) Each document, other than an exhibit, must include a certificate of service at the end of that document. Any exhibit filed with

the document may be included in the certification for the document.

(ii) For an exhibit filed separately, a transmittal letter incorporating the certificate of service must be filed. If more than one exhibit is filed at one time, a single letter should be used for all of the exhibits filed together. The letter must state the name and exhibit number for every exhibit filed with the letter.

(iii) The certificate of service must state:

(A) The date and manner of service; and

(B) The name and address of every person served.

§ 42.7 Management of the record.

(a) The Board may expunge any paper directed to a proceeding or filed while an application or patent is under the jurisdiction of the Board that is not authorized under this part or in a Board order or that is filed contrary to a Board order.

(b) The Board may vacate or hold in abeyance any non-Board action directed to a proceeding while an application or patent is under the jurisdiction of the Board unless the action was authorized by the Board.

§ 42.8 Mandatory notices.

(a) Each notice listed in paragraph (b) of this section must be filed with the Board:

(1) By the petitioner, as part of the petition;

(2) By the patent owner, or applicant in the case of derivation, within 21 days of service of the petition; or

(3) By either party, within 21 days of a change of the information listed in paragraph (b) of this section stated in an earlier paper.

(b) Each of the following notices must be filed:

(1) *Real party-in-interest.* Identify each real party-in-interest for the party.

(2) *Related matters.* Identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding.

(3) *Lead and back-up counsel.* If the party is represented by counsel, then counsel must be identified.

(4) *Service information.* Identify (if applicable):

(i) An electronic mail address;

(ii) A postal mailing address;

(iii) A hand-delivery address, if different than the postal mailing address;

(iv) A telephone number; and

(v) A facsimile number.

§ 42.9 Action by patent owner.

(a) *Entire interest.* An owner of the entire interest in an involved

application or patent may act to the exclusion of the inventor (see § 3.71 of this title).

(b) *Part interest.* An owner of a part interest in the subject patent may move to act to the exclusion of an inventor or a co-owner. The motion must show the inability or refusal of an inventor or co-owner to prosecute the proceeding or other cause why it is in the interests of justice to permit the owner of a part interest to act in the trial. In granting the motion, the Board may set conditions on the actions of the parties.

§ 42.10 Counsel.

(a) If a party is represented by counsel, the party must designate a lead counsel and a back-up counsel who can conduct business on behalf of the lead counsel.

(b) A power of attorney must be filed with the designation of counsel, except the patent owner should not file an additional power of attorney if the designated counsel is already counsel of record in the subject patent or application.

(c) The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to the condition that lead counsel be a registered practitioner and to any other conditions as the Board may impose.

For example, where the lead counsel is a registered practitioner, a motion to appear *pro hac vice* by counsel who is not a registered practitioner may be granted upon showing that counsel is an experienced litigating attorney and has an established familiarity with the subject matter at issue in the proceeding.

(d) A panel of the Board may disqualify counsel for cause after notice and opportunity for hearing. A decision to disqualify is not final for the purposes of judicial review until certified by the Chief Administrative Patent Judge.

(e) Counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal.

§ 42.11 Duty of candor.

Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.

§ 42.12 Sanctions.

(a) The Board may impose a sanction against a party for misconduct, including:

(1) Failure to comply with an applicable rule or order in the proceeding;

(2) Advancing a misleading or frivolous argument or request for relief;

- (3) Misrepresentation of a fact;
- (4) Engaging in dilatory tactics;
- (5) Abuse of discovery;
- (6) Abuse of process; or
- (7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

(b) Sanctions include entry of one or more of the following:

- (1) An order holding facts to have been established in the proceeding;
- (2) An order expunging or precluding a party from filing a paper;
- (3) An order precluding a party from presenting or contesting a particular issue;
- (4) An order precluding a party from requesting, obtaining, or opposing discovery;
- (5) An order excluding evidence;

(1) 1 to 20 claims	\$27,200.00
(2) For each claim in excess of 20 claims	600.00

(b) On filing a petition for post-grant review of a patent, or a petition for

review of a covered business method patent, payment of the following fee is

due based upon the number of challenged claims:

(1) 1 to 20 claims	\$35,800.00
(2) For each claim in excess of 20 claims	800.00
(c) On the filing of a petition for a derivation proceeding a fee of:	400.00
(d) Any request requiring payment of a fee under this part, including a written request to make a settlement agreement available:	400.00

(e) For presenting each independent claim in excess of 3 and also in excess of the number of claims in independent form in the patent the fee set forth in § 1.16(h).

(f) For presenting each claim in excess of 20 and also in excess of the number of claims in the patent the fee set forth in § 1.16(i).

Petition and Motion Practice

§ 42.20 Generally.

- (a) *Relief.* Relief, other than a petition requesting the institution of a trial, must be requested in the form of a motion.
- (b) *Prior authorization.* A motion will not be entered without Board authorization. Authorization may be provided in an order of general applicability or during the proceeding.
- (c) *Burden of proof.* The moving party has the burden of proof to establish that it is entitled to the requested relief.
- (d) *Briefing.* The Board may order briefing on any issue involved in the trial.

§ 42.21 Notice of basis for relief.

(a) *Notice of request for relief.* The Board may require a party to file a notice stating the relief it requests and

- (6) An order providing for compensatory expenses, including attorney fees;
- (7) An order requiring terminal disclaimer of patent term; or
- (8) Judgment in the trial or dismissal of the petition.

§ 42.13 Citation of authority.

- (a) For any United States Supreme Court decision, citation to the United States Reports is preferred.
- (b) For any decision other than a United States Supreme Court decision, citation to the West Reporter System is preferred.
- (c) Citations to authority must include pinpoint citations whenever a specific holding or portion of an authority is invoked.
- (d) Non-binding authority should be used sparingly. If the authority is not an authority of the Office and is not reproduced in the United States Reports

or the West Reporter System, a copy of the authority should be provided.

§ 42.14 Public availability.

The record of a proceeding, including documents and things, shall be made available to the public, except as otherwise ordered. A party intending a document or thing to be sealed shall file a motion to seal concurrent with the filing of the document or thing to be sealed. The document or thing shall be provisionally sealed on receipt of the motion and remain so pending the outcome of the decision on the motion.

Fees

§ 42.15 Fees.

(a) On filing a petition for *inter partes* review of a patent, payment of the following fee is due based upon the number of challenged claims:

the basis for its entitlement to relief. A notice must include sufficient detail to place the Board and each opponent on notice of the precise relief requested. A notice is not evidence except as an admission by a party-opponent.

(b) *Filing and service.* The Board may set the times and conditions for filing and serving notices required under this section. The Board may provide for the notice filed with the Board to be maintained in confidence for a limited time.

(c) *Effect.* If a notice under paragraph (a) of this section is required:

- (1) A failure to state a sufficient basis for relief may result in a denial of the relief requested;
- (2) A party will be limited to filing motions consistent with the notice; and
- (3) Ambiguities in the notice will be construed against the party.

(d) *Correction.* A party may move to correct its notice. The motion should be filed promptly after the party becomes aware of the basis for the correction. A correction filed after the time set for filing notices will only be entered if entry would serve the interests of justice.

§ 42.22 Content of petitions and motions.

- (a) Each petition or motion must be filed as a separate paper and must include:
 - (1) A statement of the precise relief requested; and
 - (2) A full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.
- (b) *Relief requested.* Where a rule in part 1 of this title ordinarily governs the relief sought, the petition or motion must make any showings required under that rule in addition to any showings required in this part.
- (c) *Statement of material facts.* Each petition or motion may include a statement of material fact. Each material fact preferably shall be set forth as a separately numbered sentence with specific citations to the portions of the record that support the fact.
- (d) The Board may order additional showings or explanations as a condition for authorizing a motion (*see* § 42.20(b)).

§ 42.23 Oppositions and replies.

(a) Oppositions and replies must comply with the content requirements for motions and must include a

statement identifying material facts in dispute. Any material fact not specifically denied may be considered admitted.

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to arguments raised in the corresponding opposition or patent owner response.

§ 42.24 Page limits for petitions, motions, oppositions, and replies.

(a) *Petitions and motions.* (1) The following page limits for petitions and motions apply and include any statement of material facts to be admitted or denied in support of the petition or motion. The page limit does not include a table of contents, a table of authorities, a certificate of service, or appendix of exhibits.

(i) Petition requesting *inter partes* review: 60 pages.

(ii) Petition requesting post-grant review: 80 pages.

(iii) Petition requesting covered business method patent review: 80 pages.

(iv) Petition requesting derivation proceeding: 60 pages.

(v) Motions: 15 pages.

(2) Petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests of justice and must append a copy of proposed petition exceeding the page limit to the motion. If the motion is not granted, the proposed petition exceeding the page limit may be expunged or returned. Any other motion to waive page limits must be granted in advance of filing a motion, opposition, or reply for which the waiver is necessary.

(b) *Patent owner responses and oppositions.* The page limits set forth in this paragraph do not include a listing of facts which are admitted, denied, or cannot be admitted or denied.

(1) The page limits for a patent owner preliminary response to petition are the same as the page limits for the petition.

(2) The page limits for a patent owner response to petition are the same as the page limits for the petition.

(3) The page limits for oppositions are the same as those for corresponding motions.

(c) *Replies.* The following page limits for replies apply and include the required statement of facts in support of the reply. The page limits do not include a table of contents, a table of authorities, a listing of facts which are admitted, denied, or cannot be admitted

or denied, a certificate of service, or appendix of exhibits.

(1) Replies to patent owner responses to petitions: 15 pages.

(2) Replies to oppositions: 5 pages.

§ 42.25 Default filing times.

(a) A motion may only be filed according to a schedule set by the Board. The default times for acting are:

(1) An opposition is due one month after service of the motion; and

(2) A reply is due one month after service of the opposition.

(b) A party should seek relief promptly after the need for relief is identified. Delay in seeking relief may justify a denial of relief sought.

Testimony and Production

§ 42.51 Discovery.

(a) *Mandatory initial disclosures.*

(1) *With agreement.* Parties may agree to mandatory discovery requiring the initial disclosures set forth in the Office Patent Trial Practice Guide.

(i) The parties must submit any agreement reached on initial disclosures by no later than the filing of the patent owner preliminary response or the expiration of the time period for filing such a response. The initial disclosures of the parties shall be filed as exhibits.

(ii) Upon the institution of a trial, parties may automatically take discovery of the information identified in the initial disclosures.

(2) *Without agreement.* Where the parties fail to agree to the mandatory discovery set forth in paragraph (a)(1), a party may seek such discovery by motion.

(b) *Limited discovery.* A party is not entitled to discovery except as provided in paragraph (a) of this section, or as otherwise authorized in this subpart.

(1) *Routine discovery.* Except as the Board may otherwise order:

(i) Unless previously served or otherwise by agreement of the parties, any exhibit cited in a paper or in testimony must be served with the citing paper or testimony.

(ii) Cross examination of affidavit testimony is authorized within such time period as the Board may set.

(iii) Unless previously served, a party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contains the inconsistency. This requirement does not make discoverable anything otherwise protected by legally recognized privileges such as attorney-client or attorney work product. This requirement extends to inventors, corporate officers, and persons involved

in the preparation or filing of the documents or things.

(2) *Additional discovery.* (i) The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery. The moving party must show that such additional discovery is in the interests of justice, except in post-grant reviews where additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding (see § 42.224). The Board may specify conditions for such additional discovery.

(ii) When appropriate, a party may obtain production of documents and things during cross examination of an opponent's witness or during authorized compelled testimony under § 42.52.

(c) *Production of documents.* Except as otherwise ordered by the Board, a party producing documents and things shall either provide copies to the opposing party or make the documents and things available for inspection and copying at a reasonable time and location in the United States.

§ 42.52 Compelling testimony and production.

(a) *Authorization required.* A party seeking to compel testimony or production of documents or things must file a motion for authorization. The motion must describe the general relevance of the testimony, document, or thing, and must:

(1) In the case of testimony, identify the witness by name or title; and

(2) In the case of a document or thing, the general nature of the document or thing.

(b) *Outside the United States.* For testimony or production sought outside the United States, the motion must also:

(1) *In the case of testimony.* (i) Identify the foreign country and explain why the party believes the witness can be compelled to testify in the foreign country, including a description of the procedures that will be used to compel the testimony in the foreign country and an estimate of the time it is expected to take to obtain the testimony; and

(ii) Demonstrate that the party has made reasonable efforts to secure the agreement of the witness to testify in the United States but has been unsuccessful in obtaining the agreement, even though the party has offered to pay the travel expenses of the witness to testify in the United States.

(2) *In the case of production of a document or thing.* (i) Identify the foreign country and explain why the party believes production of the document or thing can be compelled in

the foreign country, including a description of the procedures that will be used to compel production of the document or thing in the foreign country and an estimate of the time it is expected to take to obtain production of the document or thing; and

(ii) Demonstrate that the party has made reasonable efforts to obtain the agreement of the individual or entity having possession, custody, or control of the document or thing to produce the document or thing in the United States but has been unsuccessful in obtaining that agreement, even though the party has offered to pay the expenses of producing the document or thing in the United States.

§ 42.53 Taking testimony.

(a) *Form.* Uncompelled direct testimony must be submitted in the form of an affidavit. All other testimony, including testimony compelled under 35 U.S.C. 24, must be in the form of a deposition transcript. Parties may agree to video-recorded testimony, but may not submit such testimony without prior authorization of the Board. In addition, the Board may authorize or require live or video-recorded testimony.

(b) *Time and location.* (1) Uncompelled direct testimony may be taken at any time to support a petition, motion, opposition, or reply; otherwise, testimony may only be taken during a testimony period set by the Board.

(2) Except as the Board otherwise orders, during the testimony period, deposition testimony may be taken at any reasonable time and location within the United States before any disinterested official authorized to administer oaths at that location.

(3) Uncompelled deposition testimony outside the United States may only be taken upon agreement of the parties or as the Board specifically directs.

(c) *Duration.* (1) Unless stipulated by the parties or ordered by the Board, direct examination, cross-examination, and redirect examination for compelled deposition testimony shall be subject to the following time limits: Seven hours for direct examination, four hours for cross-examination, and two hours for redirect examination.

(2) Unless stipulated by the parties or ordered by the Board, cross-examination, redirect examination, and re-cross examination for uncompelled direct deposition testimony shall be subject to the following time limits: Seven hours for cross-examination, four hours for redirect examination, and two hours for re-cross examination.

(d) *Notice of deposition.* (1) Prior to the taking of deposition testimony, all

parties to the proceeding must agree on the time and place for taking testimony. If the parties cannot agree, the party seeking the testimony must initiate a conference with the Board to set a time and place.

(2) Cross-examination should ordinarily take place after any supplemental evidence relating to the direct testimony has been filed and more than a week before the filing date for any paper in which the cross-examination testimony is expected to be used. A party requesting cross-examination testimony of more than one witness may choose the order in which the witnesses are to be cross-examined.

(3) In the case of direct deposition testimony, at least three business days prior to the conference in paragraph (d)(1) of this section, or if there is no conference, at least ten days prior to the deposition, the party seeking the direct testimony must serve:

(i) A list and copy of each document under the party's control and on which the party intends to rely; and

(ii) A list of, and proffer of reasonable access to, anything other than a document under the party's control and on which the party intends to rely.

(4) The party seeking the deposition must file a notice of the deposition at least ten business days before a deposition.

(5) *Scope and content*—(i) For direct deposition testimony, the notice limits the scope of the testimony and must list:

(A) The time and place of the deposition;

(B) The name and address of the witness;

(C) A list of the exhibits to be relied upon during the deposition; and

(D) A general description of the scope and nature of the testimony to be elicited.

(ii) For cross-examination testimony, the scope of the examination is limited to the scope of the direct testimony.

(iii) The notice must list the time and place of the deposition.

(iv) Where an additional party seeks to take direct testimony of a third party witness at the time and place noticed in paragraph (d)(5) of this section, the additional party must provide a counter notice that lists the exhibits to be relied upon in the deposition and a general description of the scope and nature of the testimony to be elicited.

(6) *Motion to quash*—Objection to a defect in the notice is waived unless the objecting party promptly seeks authorization to file a motion to quash.

(e) *Deposition in a foreign language.* If an interpreter will be used during the deposition, the party calling the witness must initiate a conference with the

Board at least five business days before the deposition.

(f) *Manner of taking deposition testimony.* (1) Before giving deposition testimony, each witness shall be duly sworn according to law by the officer before whom the deposition is to be taken. The officer must be authorized to take testimony under 35 U.S.C. 23.

(2) The testimony shall be taken with any questions and answers recorded in their regular order by the officer, or by some other disinterested person in the presence of the officer, unless the presence of the officer is waived on the record by agreement of all parties.

(3) Any exhibits used during the deposition must be numbered as required by § 42.63(c), and must, if not previously served, be served at the deposition. Exhibits objected to shall be accepted pending a decision on the objection.

(4) All objections made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and any other objection to the deposition shall be noted on the record by the officer.

(5) When the testimony has been transcribed, the witness shall read and sign (in the form of an affidavit) a transcript of the deposition unless:

(i) The parties otherwise agree in writing;

(ii) The parties waive reading and signature by the witness on the record at the deposition; or

(iii) The witness refuses to read or sign the transcript of the deposition.

(6) The officer shall prepare a certified transcript by attaching a certificate in the form of an affidavit signed and sealed by the officer to the transcript of the deposition. Unless the parties waive any of the following requirements, in which case the certificate shall so state, the certificate must state:

(i) The witness was duly sworn by the officer before commencement of testimony by the witness;

(ii) The transcript is a true record of the testimony given by the witness;

(iii) The name of the person who recorded the testimony, and if the officer did not record it, whether the testimony was recorded in the presence of the officer;

(iv) The presence or absence of any opponent;

(v) The place where the deposition was taken and the day and hour when the deposition began and ended;

(vi) The officer has no disqualifying interest, personal or financial, in a party; and

(vii) If a witness refuses to read or sign the transcript, the circumstances under which the witness refused.

(7) Except where the parties agree otherwise, the proponent of the testimony must arrange for providing a copy of the transcript to all other parties. The testimony must be filed by proponent as an exhibit.

(8) Any objection to the content, form, or manner of taking the deposition, including the qualifications of the officer, is waived unless made on the record during the deposition and preserved in a timely filed motion to exclude.

(g) *Costs.* Except as the Board may order or the parties may agree in writing, the proponent of the direct testimony shall bear all costs associated with the testimony, including the reasonable costs associated with making the witness available for the cross-examination.

§ 42.54 Protective order.

(a) A party may file a motion to seal where the motion to seal contains a proposed protective order, such as the default protective order set forth in the Office Patent Trial Practice Guide. The motion must include a certification that the moving party has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute. The Board may, for good cause, issue an order to protect a party or person from disclosing confidential information, including, but not limited to, one or more of the following:

- (1) Forbidding the disclosure or discovery;
- (2) Specifying terms, including time and place, for the disclosure or discovery;
- (3) Prescribing a discovery method other than the one selected by the party seeking discovery;
- (4) Forbidding inquiry into certain matters, or limiting the scope of disclosure or discovery to certain matters;
- (5) Designating the persons who may be present while the discovery is conducted;
- (6) Requiring that a deposition be sealed and opened only by order of the Board;
- (7) Requiring that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way; and
- (8) Requiring that the parties simultaneously file specified documents or information in sealed envelopes, to be opened as the Board directs.

(b) [Reserved].

§ 42.55 Confidential information in a petition.

A petitioner filing confidential information with a petition may, concurrent with the filing of the petition, file a motion to seal with a proposed protective order as to the confidential information. The institution of the requested trial will constitute a grant of the motion to seal unless otherwise ordered by the Board.

(a) *Default protective order.* Where a motion to seal requests entry of the default protective order set forth in the Office Patent Trial Practice Guide, the petitioner must file, but need not serve, the confidential information under seal. The patent owner may only access the filed sealed information prior to the institution of the trial by agreeing to the terms of the default protective order or obtaining relief from the Board.

(b) *Protective orders other than default protective order.* Where a motion to seal requests entry of a protective order other than the default protective order, the petitioner must file, but need not serve, the confidential information under seal. The patent owner may only access the sealed confidential information prior to the institution of the trial by:

- (1) agreeing to the terms of the protective order requested by the petitioner;
- (2) agreeing to the terms of a protective order that the parties file jointly; or
- (3) obtaining entry of a protective order (e.g., the default protective order).

§ 42.56 Expungement of confidential information.

After denial of a petition to institute a trial or after final judgment in a trial, a party may file a motion to expunge confidential information from the record.

§ 42.61 Admissibility.

(a) Evidence that is not taken, sought, or filed in accordance with this subpart is not admissible.

(b) *Records of the Office.* Certification is not necessary as a condition to admissibility when the evidence to be submitted is a record of the Office to which all parties have access.

(c) *Specification and drawings.* A specification or drawing of a United States patent application or patent is admissible as evidence only to prove what the specification or drawing describes. If there is data in the specification or a drawing upon which a party intends to rely to prove the truth of the data, an affidavit by an individual having first-hand knowledge of how the data was generated must be filed.

§ 42.62 Applicability of the Federal rules of evidence.

(a) *Generally.* Except as otherwise provided in this subpart, the Federal Rules of Evidence shall apply to a proceeding.

(b) *Exclusions.* Those portions of the Federal Rules of Evidence relating to criminal proceedings, juries, and other matters not relevant to proceedings under this subpart shall not apply.

(c) *Modifications in terminology.* Unless otherwise clear from context, the following terms of the Federal Rules of Evidence shall be construed as indicated:

Appellate court means United States Court of Appeals for the Federal Circuit.

Civil action, civil proceeding, and action mean a proceeding before the Board under part 42.

Courts of the United States, U.S. Magistrate, court, trial court, trier of fact, and judge mean Board.

Hearing means, as defined in Federal Rule of Evidence 804(a)(5), the time for taking testimony.

Judicial notice means official notice.

Trial or hearing in Federal Rule of Evidence 807 means the time for taking testimony.

(d) In determining foreign law, the Board may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence.

§ 42.63 Form of evidence.

(a) *Exhibits required.* Evidence consists of affidavits, transcripts of depositions, documents, and things. All evidence must be filed in the form of an exhibit.

(b) *Translation required.* When a party relies on a document or is required to produce a document in a language other than English, a translation of the document into English and an affidavit attesting to the accuracy of the translation must be filed with the document.

(c) *Exhibit numbering.* Each party's exhibits must be uniquely numbered sequentially in a range the Board specifies. For the petitioner, the range is 1001–1999, and for the patent owner, the range is 2001–2999.

(d) *Exhibit format.* An exhibit must conform with the requirements for papers in § 42.6 and the requirements of this paragraph.

(1) Each exhibit must have an exhibit label.

(i) An exhibit filed with the petition must include the petitioner's name followed by a unique exhibit number.

(ii) For exhibits not filed with the petition, the exhibit label must include

the party's name followed by a unique exhibit number, the names of the parties, and the trial number.

(2) When the exhibit is a paper:

- (i) Each page must be uniquely numbered in sequence; and
- (ii) The exhibit label must be affixed to the lower right corner of the first page of the exhibit without obscuring information on the first page or, if obscuring is unavoidable, affixed to a duplicate first page.

(e) *Exhibit list.* Each party must maintain an exhibit list with the exhibit number and a brief description of each exhibit. If the exhibit is not filed, the exhibit list should note that fact. A current exhibit list must be served whenever evidence is served and the current exhibit list must be filed when filing exhibits.

§ 42.64 Objection; motion to exclude; motion in limine.

(a) *Deposition evidence.* An objection to the admissibility of deposition evidence must be made during the deposition. Evidence to cure the objection must be provided during the deposition, unless the parties to the deposition stipulate otherwise on the deposition record.

(b) *Other evidence.* For evidence other than deposition evidence:

(1) *Objection.* Any objection to evidence submitted during a preliminary proceeding must be served within ten business days of the institution of the trial. Once a trial has been instituted, any objection must be served within five business days of service of evidence to which the objection is directed. The objection must identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence.

(2) *Supplemental evidence.* The party relying on evidence to which an objection is timely served may respond to the objection by serving supplemental evidence within ten business days of service of the objection.

(c) *Motion to exclude.* A motion to exclude evidence must be filed to preserve any objection. The motion must identify the objections in the record in order and must explain the objections. The motion may be filed without prior authorization from the Board.

§ 42.65 Expert testimony; tests and data.

(a) Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight. Testimony on United States patent law or patent examination practice will not be admitted.

(b) If a party relies on a technical test or data from such a test, the party must provide an affidavit explaining:

- (1) Why the test or data is being used;
- (2) How the test was performed and the data was generated;
- (3) How the data is used to determine a value;
- (4) How the test is regarded in the relevant art; and
- (5) Any other information necessary for the Board to evaluate the test and data.

Oral Argument, Decision, and Settlement

§ 42.70 Oral argument.

(a) *Request for oral argument.* A party may request oral argument on an issue raised in a paper at a time set by the Board. The request must be filed as a separate paper and must specify the issues to be argued.

(b) Demonstrative exhibits must be served at least five business days before the oral argument and filed no later than the time of the oral argument.

§ 42.71 Decision on petitions or motions.

(a) *Order of consideration.* The Board may take up petitions or motions for decisions in any order, may grant, deny, or dismiss any petition or motion, and may enter any appropriate order.

(b) *Interlocutory decisions.* A decision on a motion without a judgment is not final for the purposes of judicial review. If a decision is not a panel decision, the party may request that a panel rehear the decision. When rehearing a non-panel decision, a panel will review the decision for an abuse of discretion. A panel decision on an issue will govern the trial.

(c) *Petition decisions.* A decision by the Board on whether to institute a trial is final and nonappealable. A party may request rehearing on a decision by the Board on whether to institute a trial pursuant to paragraph (d) of this section. When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.

(d) *Rehearing.* A party dissatisfied with a decision may file a request for rehearing, without prior authorization from the Board. The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply. A request for rehearing does not toll times for taking action. Any request must be filed:

- (1) Within 14 days of the entry of a non-final decision or a decision to

institute a trial as to at least one ground of unpatentability asserted in the petition; or

- (2) Within 30 days of the entry of a final decision or a decision not to institute a trial.

§ 42.72 Termination of trial.

The Board may terminate a trial without rendering a final written decision, where appropriate, including where the trial is consolidated with another proceeding or pursuant to a joint request under 35 U.S.C. 317(a) or 327(a).

§ 42.73 Judgment.

(a) A judgment, except in the case of a termination, disposes of all issues that were, or by motion reasonably could have been, raised and decided.

(b) *Request for adverse judgment.* A party may request judgment against itself at any time during a proceeding. Actions construed to be a request for adverse judgment include:

- (1) Disclaimer of the involved application or patent;
- (2) Cancellation or disclaimer of a claim such that the party has no remaining claim in the trial;
- (3) Concession of unpatentability or derivation of the contested subject matter; and
- (4) Abandonment of the contest.

(c) *Recommendation.* The judgment may include a recommendation for further action by an examiner or by the Director.

(d) *Estoppel.* (1) *Petitioner other than in derivation proceeding.* A petitioner, or the real party in interest or privy of the petitioner, is estopped in the Office from requesting or maintaining a proceeding with respect to a claim for which it has obtained a final written decision on patentability in an *inter partes* review, post-grant review, or a covered business method patent review, on any ground that the petitioner raised or reasonably could have raised during the trial, except that estoppel shall not apply to a petitioner, or to the real party in interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327.

(2) *In a derivation,* the losing party who could have properly moved for relief on an issue, but did not so move, may not take action in the Office after the judgment that is inconsistent with that party's failure to move, except that a losing party shall not be estopped with respect to any contested subject matter for which that party was awarded a favorable judgment.

(3) *Patent applicant or owner.* A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:

(i) A claim that is not patentably distinct from a finally refused or canceled claim; or

(ii) An amendment of a specification or of a drawing that was denied during the trial proceeding, but this provision does not apply to an application or patent that has a different written description.

§ 42.74 Settlement.

(a) *Board role.* The parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.

(b) *Agreements in writing.* Any agreement or understanding between the parties made in connection with, or in contemplation of, the termination of a proceeding shall be in writing and a true copy shall be filed with the Board before the termination of the trial.

(c) *Request to keep separate.* A party to a settlement may request that the settlement be treated as business confidential information and be kept separate from the files of an involved patent or application. The request must be filed with the settlement. If a timely request is filed, the settlement shall only be available:

(1) To a Government agency on written request to the Board; or

(2) To any other person upon written request to the Board to make the settlement agreement available, along with the fee specified in § 42.15(d) and on a showing of good cause.

Certificate

§ 42.80 Certificate.

After the Board issues a final written decision in an *inter partes* review, post-grant review, or covered business method patent review and the time for appeal has expired or any appeal has terminated, the Office will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any new or amended claim determined to be patentable by operation of the certificate.

■ 7. Part 90 is added to read as follows:

PART 90—JUDICIAL REVIEW OF PATENT TRIAL AND APPEAL BOARD DECISIONS

Sec.

90.1 Scope.

90.2 Notice; service.

90.3 Time for appeal or civil action.

Authority: 35 U.S.C. 2(b)(2).

§ 90.1 Scope.

The provisions herein govern judicial review for Patent Trial and Appeal Board decisions under chapter 13 of title 35, United States Code. Judicial review of decisions arising out of *inter partes* reexamination proceedings that are requested under 35 U.S.C. 311, and where available, judicial review of decisions arising out of interferences declared pursuant to 35 U.S.C. 135 continue to be governed by the pertinent regulations in effect on July 1, 2012.

§ 90.2 Notice; service.

(a) *For an appeal under 35 U.S.C. 141.* (1) In all appeals, the notice of appeal filed pursuant to 35 U.S.C. 142 must be filed with the Director of the United States Patent and Trademark Office as provided in § 104.2 of this title. A copy of the notice of appeal must also be filed with the Patent Trial and Appeal Board in the appropriate manner provided in § 41.10(a), 41.10(b), or 42.6(b).

(2) In all appeals, the party initiating the appeal must comply with the requirements of the Federal Rules of Appellate Procedure and Rules for the United States Court of Appeals for the Federal Circuit, including:

(i) Serving the requisite number of copies on the Court; and

(ii) Paying the requisite fee for the appeal.

(3) *Additional requirements.* (i) In appeals arising out of an *ex parte* reexamination proceeding ordered pursuant to § 1.525, notice of the appeal must be served as provided in § 1.550(f) of this title.

(ii) In appeals arising out of an *inter partes* review, a post-grant review, a covered business method patent review, or a derivation proceeding, notice of the appeal must provide sufficient information to allow the Director to determine whether to exercise the right to intervene in the appeal pursuant to 35 U.S.C. 143, and it must be served as provided in § 42.6(e) of this title.

(b) *For a notice of election under 35 U.S.C. 141(d) to proceed under 35 U.S.C. 146.* (1) Pursuant to 35 U.S.C. 141(d), if an adverse party elects to have all further review proceedings conducted under 35 U.S.C. 146 instead of under 35 U.S.C. 141, that party must file a notice of election with the United States Patent and Trademark Office as provided in § 104.2.

(2) A copy of the notice of election must also be filed with the Patent Trial and Appeal Board in the manner provided in § 42.6(b).

(3) A copy of the notice of election must also be served where necessary pursuant to § 42.6(e).

(c) *For a civil action under 35 U.S.C. 146.* The party initiating an action under 35 U.S.C. 146 must file a copy of the complaint no later than five business days after filing the complaint in district court with the Patent Trial and Appeal Board in the manner provided in § 42.6(b), and the Office of the Solicitor pursuant to § 104.2. Failure to comply with this requirement can result in further action within the United States Patent and Trademark Office consistent with the final Board decision.

§ 90.3 Time for appeal or civil action.

(a) *Filing deadline.* (1) *For an appeal under 35 U.S.C. 141.* The notice of appeal filed pursuant to 35 U.S.C. 142 must be filed with the Director of the United States Patent and Trademark Office no later than sixty-three (63) days after the date of the final Board decision. Any notice of cross-appeal is controlled by Rule 4(a)(3) of the Federal Rules of Appellate Procedure, and any other requirement imposed by the Rules of the United States Court of Appeals for the Federal Circuit.

(2) *For a notice of election under 35 U.S.C. 141(d).* The time for filing a notice of election under 35 U.S.C. 141(d) is governed by 35 U.S.C. 141(d).

(3) *For a civil action under 35 U.S.C. 145 or 146.* (i) A civil action must be commenced no later than sixty-three (63) days after the date of the final Board decision.

(ii) The time for commencing a civil action pursuant to a notice of election under 35 U.S.C. 141(d) is governed by 35 U.S.C. 141(d).

(b) *Time computation.* (1) *Rehearing.* A timely request for rehearing will reset the time for appeal or civil action to no later than sixty-three (63) days after action on the request. Any subsequent request for rehearing from the same party in the same proceeding will not reset the time for seeking judicial review, unless the additional request is permitted by order of the Board.

(2) *Holidays.* If the last day for filing an appeal or civil action falls on a Federal holiday in the District of Columbia, the time is extended pursuant to 35 U.S.C. 21(b).

(c) *Extension of time.* (1) The Director, or his designee, may extend the time for filing an appeal, or commencing a civil action, upon written request if:

(i) Requested before the expiration of the period for filing an appeal or commencing a civil action, and upon a showing of good cause; or

(ii) Requested after the expiration of the period for filing an appeal or commencing a civil action, and upon a showing that the failure to act was the result of excusable neglect.

(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.

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