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## *Important Things You Should Know about the Patent Office's New Guidance Regarding PTAB Proceedings*

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On August 20, 2015, the U.S. Patent and Trademark Office (“USPTO” or “Office”) published guidance and proposed amendments in a “Proposed Rules” package aimed at improving practice before the Patent Trial and Appeal Board (“PTAB”). 80 Fed. Reg. 50720 (Proposed Aug. 20, 2015). This package is the second of two announced on March 27, 2015. Unlike the first package, which published on May 19, 2015 and contained “ministerial” changes that immediately took effect (80 Fed. Reg. 28561 (codified at 37 C.F.R. pt. 42)), the Proposed Rules cover “more involved” changes to 37 C.F.R. pt. 42 and seek comments from the public by October 19, 2015.

The Proposed Rules follow up on the USPTO’s “nationwide listening tour” in April and May of 2014 and its June 2014 Federal Register Notice requesting the public’s input on ten topics. 80 Fed. Reg. 50720; 79 Fed. Reg. 36474 (June 27, 2014). They also address an eleventh topic not raised in the Notice—misuse of America Invents Act (“AIA”) proceedings. The USPTO has begun work on a revised Office Patent Trial Practice Guide, which will include final rulemaking for the Proposed Rules, as well as additional guidance on various topics where the Office stopped short of proposing amendments. 80 Fed. Reg. 50739.

Here are several things you should know about the Proposed Rules:

### **I. Claim Construction Standards:**

The Proposed Rules specify that the broadest reasonable construction standard applies to *inter partes* review (“IPR”), covered business method (“CBM”) review, and post-grant review (“PGR”) of patents that will not expire “before a final written decision is issued.” *Id.* at 50743; *see also id.* at 50746, 50747. Conversely, the Proposed Rules call for application of a “*Phillips*-type standard” to patents that *will* expire before issuance of a final written decision, as their owners “lack any viable opportunity to amend the claims in an AIA proceeding.” *Id.* at 50721–22.

The USPTO promised to update the Office Patent Trial Practice Guide with clarification on determining which standard to apply, welcoming comments on how to structure specific guidelines. *Id.* at 50722, 50743. Citing the short timeline of AIA proceedings, however, it noted the apparent unworkability of allowing patent owners to opt-in to a *Phillips*-type construction by unilaterally forgoing the opportunity to amend. *Id.* at 50722.



## II. Motions To Amend:

Though the USPTO declined to propose any rule changes on motions to amend, it flagged several Board decisions as providing guidance. *Id.* at 50724. In particular, the Proposed Rules recognize PTAB caselaw as clarifying that a patent owner must argue for the patentability of the proposed substitute claims over the prior art of record—including art provided in light of a patent owner’s duty of candor and any other prior art or arguments supplied by the petitioner—in conjunction with the statutory requirement that substitute claims be narrower than those replaced. *Id.* at 50724. The USPTO noted, however, that the Board does not conduct a prior art search to evaluate the patentability of proposed substitute claims (*id.*) and does not contemplate enlisting the Examining Corps to assist in reviewing motions to amend. *Id.* at 50723.

Other important things to keep in mind include:

- the USPTO strongly encourages a single substitute claim for each canceled claim, but the Rules do not bar proposing more than one (*id.*);
- the Board has discretion to allow patent owners to cure, upon request, minor defects in motions to amend, but further briefing might be incompatible with time constraints in the case (*id.* at 50724);
- patent owners may file a motion to amend at any stage prior to filing a patent owner response (*id.* at 50725); and
- the USPTO has declined to propose a blanket rule on reissue practice and its relationship to PTAB proceedings, cautioning that reissue proceedings involve “additional requirements” (*id.* at 50724).

## III. New Testimonial Evidence with Preliminary Response:

The Proposed Rules call for several key changes to so-called major briefing. Most notably, they would permit patent owners to file—with their *preliminary* response—new testimonial evidence. *Id.* at 50725.

Patent owners should understand that benefit from this change would be curtailed in at least two ways. First, it would provide petitioners the opportunity to seek leave to file a reply to the preliminary response, though it would *not* provide for the filing of such a reply as a right. *Id.* Second, and more importantly, because the time frame for the preliminary phase of AIA proceedings does *not* allow for cross-examination as a right, the Proposed Rules provide that the Board’s institution decisions view supporting evidence on any disputed material facts in the light most favorable to the petitioner (solely for purposes of deciding whether to institute). *Id.* Cross-examination of a patent owner’s preliminary response witness would likely be permitted only *after* institution of the proceeding. *Id.*

## IV. Major Briefing Word Count:

The Proposed Rules also provide word-count limits in major briefing (also referred to as “main briefing,” which includes the petition, patent owner preliminary response, patent owner response, and petitioner’s reply (*id.* at 50737)). Page limits would be maintained for all other briefing. *Id.* The Proposed Rules explain that this change would allow parties to present evidence in the way they deem most effective (*id.* at 50741)—even by including argument in claim charts (*id.* at 50737, 50738).



Patent owner preliminary responses and patent owner responses would have word-count limits keyed to the corresponding petition (*id.* at 50744):

- for IPRs and derivation proceedings, 14,000 words (replacing the current limit of 60 pages); and
- for CBMs and PGRs, 18,700 words (replacing the current limit of 80 pages).

Petitioner—in all AIA proceedings—would have a limit of 5,600 words (replacing the current limit of 25 pages). *Id.*

The Proposed Rules permit parties to rely on word-processing systems to determine word count and require parties to submit a certification indicating word count when filing petitions, patent owner preliminary responses, patent owner responses, and replies. *Id.* at 50744, 50746.

## **V. Real Parties-in-Interest:**

Regarding the timing of patent owner challenges to real parties-in-interest, the USPTO indicated it would add guidance to the Office Patent Trial Practice Guide. *Id.* at 50728, 50729. Despite noting its preference that parties resolve real party-in-interest and privity issues during the preliminary stage of AIA proceedings, the USPTO indicated that it will permit patent owners to raise these challenges “at any time during a trial proceeding,”—with the caveat that for late challenges based on real party-in-interest or privity issues, it would consider on a case-by-case basis the impact of the delay, including whether it was unwarranted or prejudicial. *Id.* at 50729.

For petitioners seeking guidance on determining which entities to identify in petitions, the USPTO cited recent, “helpful” Board decisions, reiterated information already provided in the Office Patent Trial Practice Guide, and said it would add further discussion to the Guide. *Id.* at 50729–30. In addition, the Office clarified that the inquiry for determining a real party-in-interest or privity is *not* limited to the time of filing a petition, and that the issue may involve supporting evidence that comes into existence after the petition has been filed. *Id.* at 50730. However, a mere clerical error resulting in a failure to identify real parties-in-interest may be corrected without affecting the petition’s filing date. *Id.*

The USPTO rejected calls for mandatory disclosure of “highly sensitive, and possibly privileged” documents such as joint defense group and indemnity agreements, as well as the identification of counsel representing a defendant in related litigations, parties participating in preparation of the petition or in the review, and all parties funding expenses associated with review. *Id.* at 50729.

## **VI. Multiple Proceedings:**

The USPTO declined to propose changes relating to how multiple proceedings involving the same patent should be coordinated. It stressed that under current rules, the Board has “broad discretion” to manage multiple proceedings based on the unique circumstances of each case. *Id.* at 50731. Rather than undertaking a “premature attempt to establish a rule or factors divorced from the particular facts raised in a particular case,” the Office noted its preference for a “restrained evolution” involving the development of relevant factors through its body of case law, indicating that it would add to the Office Patent Trial Practice Guide further discussion on this issue. *Id.*

Regarding multiple AIA trials concerning the same or related patents or parties, the Office said that it would continue, on a case-by-case basis, coordinating the schedules of multiple related proceedings, despite having not formally consolidated them. *Id.* at 50734. The Office also noted its ongoing efforts



to balance petitioners' interest seeking to present new prior art and arguments in later-filed petitions against patent owners' interest in preventing repetitive petitions challenging the same patent claims. *Id.* at 50735. The Proposed Rules list several issued decisions that provide "useful guidance" and five exemplary factors (*id.*):

1. degree of overlap between prior art and arguments raised in the multiple petitions;
2. identity of the petitioner in the later-filed proceeding;
3. whether the petitioner in the later-filed proceeding uses a prior institution decision as a roadmap to refine and recycle arguments in an earlier petition;
4. whether circumstances surrounding the later-filed petition raise the specter of patent owner harassment; and
5. whether granting the later-filed petition is in the interests of justice.

In any event, the USPTO expressed a preference for "viewing all relevant circumstances as a whole, on a case-by-case basis," as opposed to abolishing the Board's discretion by implementing a "rigid rule." *Id.*

## **VII. Oral Hearing:**

The Proposed Rules require parties to exchange demonstratives seven days before oral argument (rather than five), in the interest of providing parties additional time to resolve related disputes. *Id.* at 50744, 50746.

Regarding the hearings themselves, the USPTO said it would revise the Office Patent Trial Practice Guide, as well as the FAQ section of the PTAB Trials website, to provide guidance on whether parties are limited to presenting argument on issues specified in the oral hearing request. *Id.* at 50736. In addition, the Office declined to amend the rules to provide patent owners the right to rebuttal time, noting that the Board has broad discretion to conduct the hearings in a manner that is in the interests of justice. *Id.* For example, the panel hearing a final argument has discretion to evaluate on a case-by-case basis a party's request for recess to consult with its expert. *Id.*

## **VIII. Rule 11-Type Certification (Regarding Misuse of AIA Proceedings):**

With the stated goal of "prevent[ing] any misuse of AIA proceedings," the Proposed Rules provide for a Rule 11-type certification and sanctions for noncompliance. *Id.* at 50745–46. Building upon the duty of candor and good faith already owed to the office by parties and individuals involved in a proceeding (37 C.F.R. § 42.11 (Duty of Candor)), the Proposed Rules require of any paper signed, filed, submitted, or advocated in a proceeding (80 Fed. Reg. 50745–46):

1. that it is not presented for improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of a proceeding;
2. that claims, defenses, or other legal contentions are warranted by existing law or a non-frivolous argument for extending, modifying, or reversing existing law or for establishing new law;
3. that factual contentions have evidentiary support; and



4. that denials of factual contentions are warranted on the evidence.

The requirement would apply to practitioners as well as parties, and it would *not* apply to discovery (i.e., disclosures and discovery requests, responses, and objections). *Id.* at 50746.

Sanctions would be consistent with those already set out in the rules and could be brought on the Board's own initiative. *Id.* The Proposed Rules provide that parties may request authorization to move for sanctions, but they must first provide the other party with written notice of the basis for the proposed motion. *Id.* After service of such notice, the nonmoving party would have 21 days (or another time set by the Board) to withdraw or appropriately correct the challenged paper, claim, defense, contention, or denial—and until this time has passed, the moving party must not file or present its motion to the Board. *Id.*

## IX. Guidance on Other Topics

The USPTO provided guidance on an amalgam of issues raised in response to its query for the public's input on "general topics," including:

- Confidential information: The USPTO indicated it would revise the protective order in the Office Patent Trial Practice Guide to include language addressing concerns that the party designating information as confidential is better positioned to explain that designation and bear the burden of maintaining confidentiality. *Id.* at 50737.
- Post-settlement patentability determinations: The USPTO indicated that the Board has discretion to determine issues of patentability, even after parties to a proceeding have settled. *Id.* at 50738.
- Designation of decisions as informative or precedential: The USPTO declined to propose a rule-based designation process, noting that its standard operating procedures provide clear and sufficient guidance whereby any member of the Board may recommend to the Chief Judge that an opinion be designated as precedential or informative. *Id.* at 50738–39 (citing Standard Operating Procedure 2 (rev. 9), downloadable at <http://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf>). The Office further noted an existing mechanism that allows parties or any third-party member of the public to request an opinion, within 60 days of its issuance, be made precedential. *Id.* at 50738–39. In addition, the USPTO provided a link to "representative" orders and decisions that, although not informative or precedential, provide guidance on the Board's treatment of recurring issues. *Id.* at 50739.
- Single-judge pilot program for institution: The USPTO indicated that it may issue a request for comments on a proposed pilot program wherein a single administrative patent judge ("APJ") would determine whether to institute an IPR and two additional APJs would be assigned to the IPR if it were instituted. *Id.* at 50740.
- Incorporation by reference of arguments from other proceedings: The USPTO declined to expressly allow at the Board's discretion incorporation by reference of arguments from across proceedings, noting concern over possible efforts to subvert page (and word) limits and that each proceeding should be self-contained within the docket. *Id.* at 50742.



The USPTO also indicated that it would provide guidance to the Office Patent Trial Practice Guide on the following:

- Additional discovery: The USPTO noted it would revise the Office Patent Trial Practice Guide to reflect guidance available at its website. *Id.* at 50726. Of note, the Office stressed that the *Garmin* factors are flexible and not *per se* rules (*id.* at 50727), and that it would continue to apply them on a case-by-case basis in IPRs (applying similar factors in PGRs and CBMs) (*id.* at 50726). The USPTO also declined to propose amendments providing for a right to additional discovery on secondary considerations (*id.* at 50728) and signaled that in deciding whether to grant motions for additional discovery in late challenges on real party-in-interest or privity issues, it would consider on a case-by-case basis the impact of the delay, including whether it was unwarranted or prejudicial (*id.* at 50729).
- Obviousness: With respect to patent owners seeking from petitioners evidence of secondary indicia of non-obviousness, the USPTO declined to propose amendments but said it would add guidance to the Office Patent Trial Practice Guide. It noted, however, that a *conclusive* showing of nexus between the claimed invention and the information sought is *not* necessary at the time a patent owner requests additional discovery. *Id.* at 50728. Still, at least some showing of nexus remains necessary, and it generally is not sufficient to rely on mere infringement contentions or allegations that the claims reasonably could be read to cover the petitioner's product. *Id.*
- Extensions of the one-year period to issue a final determination: Rather than proposing rule changes on the one-year pendency from institution to decision, the USPTO indicated it would revise the Office Patent Trial Practice Guide to include examples of instances where an extension of the one-year period may be warranted. *Id.* at 50735.

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