

# REPORT

## THE USPTO ISSUES FINAL RULES IMPLEMENTING *INTER PARTES* REVIEW AND POST-GRANT REVIEW

August 27, 2012

### I. Introduction

On August 14, the U.S. Patent and Trademark Office (USPTO) published final rules implementing new procedures in the America Invents Act (AIA) that allow third parties to challenge issued patents.<sup>1</sup> These new procedures include *inter partes* review, post-grant review, and a transitional post-grant review program for business method patents. With these final rules, the USPTO also issued final rules governing trials before the Patent Trial and Appeal Board (Board) and a final version of a "Practice Guide" for practicing before the Board that provides the USPTO's suggestions for complying with and operating within the rules. Each of the rules packages and Practice Guide is discussed in this Special Report.<sup>2</sup> This Special Report focuses on important procedural aspects and effects of the rules that we believe will be useful to our clients in deciding whether and when to use these new procedures, and how to respond when drawn involuntarily into one of them.

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<sup>1</sup> These new procedures are discussed in Sections III.G., H., and I. of our November 22, 2011 Special Report, "Updated Analysis of America Invents Act (AIA)," available in the News and Events section of our website ([www.oliff.com](http://www.oliff.com)).

<sup>2</sup> The rule package related to practice before the Board also implements, and the Practice Guide also discusses, certain aspects of derivation proceedings. Those aspects will be discussed in a separate Special Report related to derivation proceedings when the final rules are issued for those proceedings.

August 27, 2012

**TABLE OF CONTENTS**

I. Introduction ..... 1

II. Effective Dates ..... 5

III. *Inter Partes* Review ..... 5

    A. Applicability ..... 5

        1. Who Can File ..... 5

        2. Time for Filing ..... 5

    B. Characteristics ..... 5

        1. Basis of Petition ..... 5

        2. Contents of Petition ..... 6

        3. Threshold Standard ..... 7

        4. Fee ..... 7

    C. Estoppels ..... 8

        1. Real Party in Interest and Privies ..... 8

        2. Patent Owner ..... 9

IV. Post-Grant Review ..... 10

    A. Applicability ..... 10

        1. Who Can File ..... 10

        2. Time for Filing ..... 10

    B. Characteristics ..... 10

        1. Basis of Petition ..... 10

        2. Contents of Petition ..... 10

        3. Threshold Standard ..... 11

        4. Fee ..... 12

    C. Estoppels ..... 12

        1. Real Party in Interest and Privies ..... 12

        2. Patent Owner ..... 13

V. Transitional Post-Grant Review for Business Method Patents ..... 13

August 27, 2012

A.	Applicability .....	13
B.	Who Can File.....	13
C.	Qualifying Patents .....	13
D.	Grounds for Challenging Patents .....	14
E.	Estoppels .....	14
F.	Stay of Infringement Action.....	15
VI.	Trial Process.....	15
A.	Settlement.....	15
B.	Petition.....	16
C.	Optional Preliminary Patent Owner Response .....	16
D.	Institution of Trial .....	17
E.	Scheduling Order.....	17
F.	Preliminary Conference Call .....	17
G.	Supplemental Information.....	17
H.	Patent Owner Response.....	18
I.	Motion to Amend .....	19
J.	Petitioner's Reply to the Patent Owner Response .....	20
K.	Evidence .....	20
L.	Motion Practice .....	20
M.	Discovery.....	21
1.	Mandatory Initial Disclosures.....	22
2.	Routine Discovery .....	23
3.	Additional Discovery.....	23
N.	Protective Orders.....	24
O.	Oral Hearing.....	24
P.	Final Decision.....	24
Q.	Timing .....	24
R.	Requests for Rehearing .....	25
S.	Judicial Review .....	25
T.	Sanctions .....	25

August 27, 2012

VII. Recommendations ..... 26

    A. Third Parties ..... 26

        1. Availability ..... 26

            a. Post-Grant Review Will Not be Immediately Available..... 26

            b. Reexamination Remains Available ..... 26

            c. One-Year from Service Bar..... 27

        2. Claim Selection..... 27

        3. Grounds of Challenge ..... 28

        4. Thoroughness of Petition ..... 28

        5. Forum Selection..... 28

        6. Stay of Civil Action ..... 30

        7. Early Planning and Preparation ..... 30

        8. Settlement ..... 30

        9. Claim Construction..... 31

    B. Patent Owners..... 31

        1. Patent Claims ..... 31

        2. Early Planning and Preparation ..... 31

        3. Preliminary Patent Owner Response ..... 31

        4. Claim Amendment Considerations..... 32

August 27, 2012

## II. Effective Dates

The final rules implementing these new procedures will become effective **September 16, 2012**. However, as discussed below, each procedure has applicability requirements that affect when and whether each procedure will be available for a particular patent.

## III. *Inter Partes* Review

*Inter partes* review is a procedure by which parties can challenge a patent in the USPTO based on prior art patents and printed publications. *Inter partes* review will replace *inter partes* reexamination on September 16, 2012.<sup>3</sup> Of the new procedures under the AIA, *inter partes* review is the closest to existing *inter partes* reexamination, but there are many important differences. The rules regarding *inter partes* review can be found in 37 C.F.R. §§ 42.100 - 42.123.

### A. Applicability

On and after September 16, 2012, *inter partes* review will be available as to any still-enforceable issued patent, subject to the limitations discussed below.<sup>4</sup>

#### 1. Who Can File

Any third party (i.e., anyone who is not the owner of the challenged patent) can file a Petition for *inter partes* review challenging a patent, as long as none of the following exceptions apply:

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<sup>3</sup> *Inter partes* reexaminations pending on September 16 will continue under the prior rules governing *inter partes* reexamination.

<sup>4</sup> A patent is enforceable up to six years after it expires (whether expiration results from the full statutory term being exhausted or from failure to pay a maintenance fee).

- The petitioner or real party in interest has filed a civil action challenging the validity of the patent (e.g., a declaratory judgment action).
- A complaint alleging infringement of the patent was served on the petitioner, real party in interest, or privy more than one year before the Petition for *inter partes* review is filed.
- The petitioner, real party in interest, or privy is estopped from challenging the claims on the grounds identified in the Petition. (The estoppel provisions are discussed in detail below.)

#### 2. Time for Filing

A Petition for *inter partes* review must be filed on or after September 16, 2012, and can only be filed after the later of (1) the date that is nine months after the issue date of the patent; or (2) if a post-grant review of the patent has been instituted, the date of termination of the post-grant review. Termination means that the post-grant review was ended by settlement, dismissal, or the USPTO's issuance of a certificate based on the final decision of the Board.

## B. Characteristics

### 1. Basis of Petition

Like current *inter partes* reexamination, a Petition for *inter partes* review can only challenge one or more claims of a patent under 35 U.S.C. §§ 102 or 103 based on patents or printed publications. Thus, for example, no claim can be challenged under §§ 101, 112, or 251, and no claim can be challenged under §§ 102 or 103 based on prior knowledge, use, sale, or offer for sale. For presently issued patents and future patents to which current §§ 102 and 103 apply, only current §§ 102 and 103 can be relied upon in

August 27, 2012

*inter partes* review. For a patent that is subject to the new §§ 102 and 103 (i.e., issued sometime well after March 16, 2013), then the Petition can only challenge the claims under the new §§ 102 and 103 based on patents or printed publications.

## 2. Contents of Petition

The specific contents of a Petition for *inter partes* review are detailed in 37 C.F.R. §42.104. Generally, the Petition must (a) establish that the petitioner has standing, (b) identify the relief requested, and (c) identify, as to each challenged claim:

- The challenged claim
- The statutory basis for the challenge (i.e., §§ 102 or 103), including the patent(s) and/or printed publication(s) relied upon
- How the challenged claim is to be construed
- Why the claim is unpatentable under the identified statutory grounds, including a showing of where each element of the claims can be found in the relied upon patent(s) and/or printed publication(s)
- The exhibit number of any evidence included in an attached exhibit supporting the challenge to the claims
- Specific portions of the evidence that support the challenge

The Petition must also identify the real party in interest, related matters (including both judicial matters and matters before the USPTO or ITC), counsel, and service information. A statement of material facts may be included in the petition, but is not required. The Petition must be accompanied by the cited exhibits and a translation into English of any non-English language document with an affidavit attesting to the accuracy of the translation.

The Petition is limited to 60 double-spaced, 14-point font pages in length. If necessary, different groups of claims may be challenged in separately filed Petitions for *inter partes* review (at a substantially higher cost) if all of the claims cannot be effectively addressed within the 60-page limit. The rules and USPTO commentary strongly encourage use of claim charts (which may be single-spaced) to provide a concise showing of unpatentability.

Facially, the rules appear to require the Petition to construe the full breadth of each claim term in each challenged claim, even if such complete construction of the term is not necessary to establish that the limitation can be found in the prior art. However, in its commentary about the rules, the USPTO indicates that according to the "broadest reasonable construction in light of the specification standard," claim terms will be given their plain meaning unless the plain meaning is inconsistent with the specification. Thus, the USPTO believes that detailed claim construction will only be necessary for those terms that have taken on a special meaning in view of the specification. The commentary further indicates that alternative proposed claim constructions are permissible. For means-plus-function or step-plus-function limitations under 35 U.S.C. §112, 6<sup>th</sup> paragraph (§112(f) as of September 16, 2012), the rules require that the construction of each challenged claim identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function.

Under 35 U.S.C. §301(a)(2), the petitioner may submit separately or as part of the Petition statements of the patent owner filed in a proceeding before a federal court or the USPTO (but not the ITC) in which the patent owner took a position on the scope of any claim of a particular patent for the purpose of claim construction. However, under 35 U.S.C. §301(d),

August 27, 2012

such statements cannot be considered by the Board for the purpose of institution of the trial; the statements can only be used to determine the proper meaning of a patent claim after the trial has been instituted.<sup>5</sup>

### 3. Threshold Standard

The Board will institute an *inter partes* review if the Petition, un rebutted, demonstrates that "there is a reasonable likelihood that at least one of the claims challenged in the Petition is unpatentable." The USPTO has described this standard as a "somewhat flexible standard that allows the [Board] room for the exercise of judgment." This standard is viewed by the USPTO as easier to meet than the "more likely than not" standard for post-grant review discussed below. The rules specify that the Board will take into account any Patent Owner Preliminary Response when determining whether the standard has been met.

According to the USPTO, this threshold standard does not require "new issues," which are required by the SNQ (substantial new question of patentability) standard for *ex parte* reexamination. That is, the "reasonable likelihood" standard can be met even if the petitioner is alleging that a claim is unpatentable based on art that was considered during original examination of the

patent for the same reason that the art was considered during original examination. However, the Board may take into account prior presentation of substantially the same prior art or arguments in deciding whether to institute *inter partes* review.

The Board will apply this standard on a claim-by-claim, ground-by-ground, basis. That is, the Board may institute *inter partes* review for all or only some of the claims, based on all or only some of the grounds of unpatentability asserted for each claim, depending on whether or not the Board believes that the standard has been met for a particular claim and ground of unpatentability. The proceeding will generally thereafter be limited to addressing those claims and those issues, unless the petitioner raises new issues by submission of supplemental information or the patent owner files new and/or amended claims.

### 4. Fee

The USPTO fee for filing a Petition for *inter partes* review depends on the number of claims challenged in the Petition. Specifically, the fee for a Petition challenging up to 20 claims is **\$27,200**. There is no small or micro entity discount. An additional fee of **\$600** will be required for each challenged claim over 20 claims. According to the USPTO's commentary about the rules, if a dependent claim is challenged, but the claim(s) from which it depends is not challenged, the dependent claim will be counted for fee-determination purposes as if each claim from which the challenged claim depends was also challenged. Thus, for example, if in a hypothetical four-claim patent, dependent claim 4 depends from claim 3, which depends from claim 2, which depends from independent claim 1, a Petition challenging only claim 4 will be considered to have challenged four claims for fee-determination purposes. However, the commentary further indicates that any multiple

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<sup>5</sup> 37 C.F.R. §1.501 governs the submission of patent owner statements and was issued on August 6, 2012, as part of a separate set of final rules covering miscellaneous post-patent provisions of the AIA. That rulemaking package also included rules permitting statements of the patent owner filed in a proceeding before a federal court or the USPTO (but not the ITC) in which the patent owner took a position on the scope of any claim of a particular patent to be filed in an *ex parte* reexamination for the purpose of claim construction. However, as with *inter partes* review and post-grant review, patent owner statements filed in an *ex parte* reexamination can only be considered after the reexamination has been ordered.

August 27, 2012

dependent claim will be counted as a single claim.<sup>6</sup>

As can be seen, even if only 20 or fewer claims are challenged in the petition, the fee is far greater than the current fee for *inter partes* reexamination (\$8800), and significantly higher than the new fee for *ex parte* reexamination (\$17,750). To the extent it becomes necessary to challenge more than 20 claims, or to file more than one Petition for *inter partes* review to avoid the 60-page limit for the Petition, the fee may be many times greater than the current fee for *inter partes* reexamination.

In its commentary, the USPTO indicates that it will be adopting a staged fee structure in a separate rulemaking that includes a limited subsidization of the fees.

### C. Estoppels

#### 1. Real Party in Interest and Privies

As with current *inter partes* reexamination, the petitioner, real party in interest, and privies will be subject to statutory estoppels. Specifically, according to 35 U.S.C. §315(e), once a final decision of the Board is issued in an *inter partes* review, the petitioner, real party in interest, or privy will be estopped from

challenging in a USPTO proceeding,<sup>7</sup> a civil action, or a proceeding before the ITC any claim included in the final written decision in the *inter partes* review on any ground that was raised against the claim during the *inter partes* review or reasonably could have been raised against the claim during the *inter partes* review. The final rules mirror the language of §315(e).

The scope of this estoppel is different from the existing *inter partes* reexamination statutory estoppel in three important aspects. First, the estoppel will apply on a claim-by-claim basis. That is, if a claim is not included in a final written decision, or the trial is terminated (e.g., by settlement) before a final written final decision, the claim should not be subject to the statutory estoppel provision. Thus, the petitioner, real party in interest, or any privies would not be barred from challenging the claim in a USPTO proceeding, a civil action, or a proceeding before the ITC. This aspect of the statutory estoppel provision of *inter partes* review raises strategic considerations discussed in our Recommendations section, below.

Second, the estoppel standard includes the modifier "reasonably" in the "could have raised" language of the statute. The statute and rules do not provide guidance on what types of grounds will be considered to have been reasonable or unreasonable to have raised during a particular *inter partes* review. Thus, the extent to which this reasonableness standard permits or prevents certain grounds of challenge from being raised will have to be decided by the courts. The USPTO's commentary and the legislative history

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<sup>6</sup> How the USPTO ultimately counts a multiple dependent claim is subject to a number of different interpretations. Under one interpretation, the USPTO may always count a multiple dependent claim as only one claim. Under a more likely interpretation, the mere fact that a claim is multiple dependent will not cause it to be counted more than once, but if no claim from which the multiple dependent claim depends is challenged, the multiple dependent claim will be counted as if at least one of the claims from which the challenged claim depends was also challenged. We hope to receive clarification from the USPTO in this respect in the future.

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<sup>7</sup> In the USPTO's commentary on a separate rulemaking, the USPTO indicated that the statutory estoppels will not affect pending reexamination proceedings. That is if a reexamination has already been ordered, a final decision in an *inter partes* review (or post-grant review) cannot stop the reexamination from proceeding.

August 27, 2012

of the AIA, though not binding on courts, indicate that "[a]dding 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."

Third, the estoppel provisions take effect once a final decision of the Board is issued. Thus, the estoppel provisions will attach within about 12 - 18 months after the trial is instituted. This is much sooner than in *inter partes* reexamination, in which the estoppels do not apply until after the reexamination certificate issues, which does not occur until after all appeals (both at the USPTO and in federal court) are exhausted.

The Practice Guide provides a detailed discussion of what the USPTO considers to qualify as a "real party in interest" and a "privy." According to the Practice Guide, the USPTO generally considers the "real party in interest" to be the party that desires review of the patent and a "privy" to be a party whose relationship is sufficiently close to the real party in interest that both should be bound by the trial outcome and related estoppels. The Practice Guide further indicates that the determination of whether a party will be considered a privy will be very fact specific, but cannot be established only by "mere association" with the real party in interest. Thus, the mere fact that two parties are related in some way, absent any evidence that the relationship is sufficiently close that both should be bound by the trial outcome and related estoppels, should not be enough to establish privity.

## 2. Patent Owner

The final rules also provide for a patent owner estoppel, which was not included in the AIA. According to this patent owner estoppel, if a claim is canceled as part of the final judgment in the *inter partes* review, the patent owner will

be precluded from taking action in the USPTO that is inconsistent with the 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 (unless the application or patent has a different written description).

This provision essentially prevents a patent owner from attempting to subsequently obtain a claim of similar or broader scope than a claim that was finally refused or cancelled in an *inter partes* review. That is, the patent owner is not entitled to "a second bite at the apple" as to claims that were lost, or claim amendments that were presented and denied, during a trial. A patent owner can still present patentably distinct claims in a continuing or reissue application.

Although not specifically addressed by the rules, as with *inter partes* reexamination, substantive amendments made or new claims added by a patent owner during an *inter partes* review can result in intervening rights under new 35 U.S.C. §318(c) for the amended or new claims. Thus, any substantively amended or new claim can only be enforced from the date that the Board issues a certificate with the amended or new claim. Furthermore, under the doctrine of equitable intervening rights, to the extent an accused infringer of an amended or new claim has made substantial preparations with respect to the accused product or method before the certificate issues, a court may grant the accused infringer a limited right to sell the accused product or practice the accused method after the certificate issues to the extent necessary to recover its investment in the substantial preparations.

August 27, 2012

#### IV. Post-Grant Review

Post-grant review is a procedure by which parties can challenge a patent in the USPTO on any basis available under 35 U.S.C. §§ 282(b)(2) or (3). Procedurally, post-grant review is similar to *inter partes* review, but there are important differences, discussed below. The rules regarding post-grant review can be found in 37 C.F.R. §§ 42.200 - 42.224.

##### A. Applicability

As of September 16, 2012, post-grant review will be available for any issued patent that either (1) includes claims subject to the new §§ 102 and 103 (in general, patents granted on applications having (or having had) one or more claim with an earliest effective filing date on or after March 16, 2013, or continuations, CIPs, or divisionals thereof), or (2) is eligible for the transitional post-grant review for business method patents (discussed below).

##### 1. Who Can File

Like *inter partes* review, any third party (i.e., anyone who is not the owner of the challenged patent) can file a Petition for post-grant review challenging a patent as long as none of the following exceptions apply:

- The petitioner or real party in interest has filed a civil action challenging the validity of the patent.
- The petitioner, real party in interest, or privy is estopped from challenging the claims on the grounds identified in the petition. (The estoppel provisions are discussed in detail below.)

##### 2. Time for Filing

Subject to the applicability provisions discussed above, a Petition for post-grant review

must be filed on or after September 16, 2012, and can only be filed on or before the date that is nine months after the issue date of the patent. If the Petition is challenging claims of a reissue patent that are of the same scope as or narrower than the claims of the original patent, the Petition must be filed on or before the date that is nine months after the issue date of the original patent. If the Petition is only challenging claims of a reissue patent that are broader than claims of the original patent, the Petition must be filed on or before the date that is nine months after the issue date of the reissue patent.

##### B. Characteristics

##### 1. Basis of Petition

A Petition for post-grant review can challenge one or more claims of a patent on any basis available under 35 U.S.C. §§ 282(b)(2) or (3). That is, in post-grant review, a claim can be challenged under 35 U.S.C. §§ 101, 102, 103, 112 (except for failure to disclose best mode), and/or 251. Thus, post-grant review substantially broadens the scope of bases for challenging claims before the USPTO. However, inequitable conduct is not a basis for instituting a post-grant review.

##### 2. Contents of Petition

The specific contents of a Petition for post-grant review are detailed in 37 C.F.R. §42.204. Generally, the Petition must (a) establish that the petitioner has standing, (b) identify the relief requested, and (c) identify for each challenged claim:

- The challenged claim
- The statutory basis for the challenge (i.e., §§ 101, 102, 103, 112 (except for failure to disclose best mode), and/or 251) and the identity of any patent(s)

August 27, 2012

- and/or printed publication(s) relied upon
- How the challenged claim is to be construed
  - Why the claim is unpatentable under the identified statutory grounds, including a showing of where each element of the claims can be found in any relied-upon patent(s) and/or printed publication(s)
  - The exhibit number of any evidence included in an attached exhibit supporting the challenge to the claims
  - Specific portions of the evidence that support the challenge

The Petition must also identify the real party in interest, related matters (both judicial and before the USPTO or ITC), counsel, and service information. A statement of material facts may be included in the Petition, but is not required. The Petition must be accompanied by the cited exhibits and a translation into English of any non-English language document with an affidavit attesting to the accuracy of the translation.

The Petition is limited to 80 double-spaced, 14-point font pages in length. However, if necessary, different groups of claims may be challenged in separately filed Petitions for post-grant review (at a substantially higher cost) if all of the claims cannot be effectively addressed within the 80-page limit. The rules and USPTO commentary strongly encourage use of claim charts (which may be single-spaced) to provide a concise showing of unpatentability.

As in *inter partes* review, the rules appear to require the Petition to construe the full breadth of each claim term in each challenged claim, even if such complete construction of the term is not necessary to establish unpatentability. However, in its commentary about the rules, the USPTO indicates that according to the "broadest

reasonable construction in light of the specification standard," claim terms will be given their plain meaning unless the plain meaning is inconsistent with the specification. Thus, the USPTO takes the position that detailed claim construction will only be necessary for those terms that have taken on a special meaning in view of the specification. The commentary further indicates that alternative proposed claim constructions are permissible. For means-plus-function or step-plus-function limitations under 35 U.S.C. §112, 6<sup>th</sup> paragraph (§112(f) as of September 16, 2012), the rules require that the construction of each challenged claim identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function.

As in *inter partes* review, the petitioner may submit separately or as part of the Petition statements of the patent owner filed in a proceeding before a federal court or the USPTO (but not the ITC) in which the patent owner took a position on the scope of any claim of a particular patent for the purpose of claim construction. However such statements will only be considered by the Board after the trial has been instituted.

### 3. Threshold Standard

The Board will institute a post-grant review if the Petition, un rebutted, demonstrates that it is "more likely than not that at least one of the claims challenged in the Petition is unpatentable." As discussed above, this standard is viewed by the USPTO as harder to meet than the "reasonable likelihood" standard for *inter partes* review. The rules specify that the Board will take into account any Patent Owner Preliminary Response when determining whether the standard has been met.

August 27, 2012

It is likely that the USPTO will also take the position that this threshold standard does not require "new issues." For example, the standard can be met even if the petitioner is alleging that a claim is unpatentable based on art that was considered during original examination of the patent for the same reason that the art was considered during original examination. However, the Board may take into account prior presentation of substantially the same prior art or arguments in deciding whether to institute post-grant review.

As in *inter partes* review, the Board will apply this standard on a claim-by-claim, ground-by-ground, basis. That is, the Board may institute post-grant review for all or only some of the claims, based on all or only some of the grounds of unpatentability asserted for each claim, depending on whether or not the Board believes that the standard has been met for a particular claim and ground of unpatentability. The proceeding will generally thereafter be limited to addressing those claims and those issues, unless the petitioner raises new issues by submission of supplemental information or the patent owner files new and/or amended claims.

In limited circumstances, the Board may also institute a post-grant review if the Petition raises a novel or unsettled legal question that is important to other patents or patent applications. However, the USPTO has indicated that this alternative standard will rarely be met.

#### 4. Fee

The USPTO fee for filing a Petition for post-grant review depends on the number of claims challenged in the Petition. Specifically, the fee for a Petition challenging up to 20 claims is **\$35,800**. There is no small or micro entity discount. An additional fee of **\$800** will be required for each challenged claim over 20 claims.

Dependent claims and multiple dependent claims will be counted in the same way as in *inter partes* review.

As can be seen, even if only 20 or fewer claims are challenged in the Petition, the fee is far greater than the current fee for *inter partes* reexamination (\$8800). To the extent it becomes necessary to challenge more than 20 claims, or to file more than one post-grant review to avoid the 80-page limit for the Petition, the fee will be even greater.

In its commentary, the USPTO indicates that it will be adopting a staged fee structure in a separate rulemaking that includes a limited subsidization of the fees.

### C. Estoppels

#### 1. Real Party in Interest and Privies

The statutory estoppel provisions that apply to petitioners, real parties in interest, and privies use the same standard as in *inter partes* review. As with *inter partes* review, the estoppel will apply on a claim-by-claim basis once a final decision of the Board is issued.

Although the standard is the same, the fact that post-grant review permits a broader range of grounds of challenge results in a broader range of estoppels. That is, after a final decision is issued in a post-grant review, the petitioner, real parties in interest, and any privies will be estopped from raising any arguments that were raised or reasonably could have been raised during the proceeding under any of 35 U.S.C. §§ 101, 102, 103, 112 (except for failure to disclose best mode), and/or 251, not just arguments based on prior art patents and printed publications under §§ 102 and 103. Thus, for example, if a party decided to challenge the claims of a particular patent only based on prior art patents and printed

August 27, 2012

publications under §§ 102 and 103, during *inter partes* review, that party, the real party in interest, and any privies would only be estopped from later raising any arguments that were raised or reasonably could have been raised based on prior art patents and printed publications under §§ 102 and 103. However, if that party instead decided to challenge the same claims of the same patent based only on prior art patents and printed publications under §§ 102 and 103, during post-grant review, that party, the real party in interest, and any privies would be estopped from later raising any arguments that were raised or reasonably could have been raised based on prior art patents and printed publications under §§ 102 and 103 and that could have been raised under §§ 101, 102 based on public knowledge, public use, sales, or offers for sale, 112 (except for failure to disclose best mode), and/or 251.

## 2. Patent Owner

The patent owner estoppel provision in post-grant review is the same as in *inter partes* review.

## V. Transitional Post-Grant Review for Business Method Patents

Transitional post-grant review for business method patents permits petitioners to request post-grant review of certain patents that are directed to business methods, and that are otherwise ineligible for post-grant review. Procedurally, the post-grant review of a patent under this option will be conducted in the same manner as discussed above, and create the same estoppels as post-grant review, subject to the limitation on available grounds for challenging patents (discussed below). However, it will be available to challenge qualifying patents much sooner. The rules regarding transitional post-grant review for business method patents can be found in 37 C.F.R. §§ 42.300 - 42.304.

## A. Applicability

Transitional post-grant review for business method patents will become available to challenge qualifying patents as of September 16, 2012. There is no 9-month-from-issue limitation on this type of proceeding. However, this proceeding will only be available for eight years. Thus, absent further legislation, no petitions can be filed after September 15, 2020. Furthermore, transitional post-grant review for business method patents is only applicable to a patent during a period in which regular post-grant review would not be available (e.g., at any time for patents for which post-grant review is completely unavailable, and after nine months from the issue date for patents in which post-grant review is otherwise available).

## B. Who Can File

In order to file a Petition for transitional post-grant review for a business method patent, the petitioner's real party in interest or a privy of the real party in interest must have been sued for infringement of the patent or must have been charged with infringement of the patent. To establish that it was "charged with infringement," the petitioner must establish facts that would be sufficient to establish standing to bring a declaratory judgment action in federal court. Requirements for establishing standing to bring a declaratory judgment action are discussed in detail in our January 26 and April 13, 2007, Special Reports.

## C. Qualifying Patents

For a patent to be eligible for transitional post-grant review for business method patents, the patent must be a "covered business method patent." A "covered business method patent" is defined as "a patent that claims a method or corresponding apparatus for performing data

August 27, 2012

processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." Thus, eligible patents include patents that claim methods and/or apparatuses. However, eligible patents will be limited to those relating to financial products or services, and will exclude patents for "technological inventions." Only one claim of the patent needs to qualify in order for the entire patent to be subject to post-grant review.

According to the rules, when determining whether a patent is for a technological invention, the USPTO will consider "whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution." According to the Practice Guide, claims that recite a novel and nonobvious device or machine that performs a financial service will be considered to be directed to "technological inventions," while claims reciting using a known prior art technology or combination of prior art structures in a normal, expected, or predictable way to perform a financial service will not be considered to be directed to "technological inventions."

Thus, in some respects, the parties will have to address, and the USPTO will have to consider, novelty and nonobviousness as threshold issues when determining whether a financial products or services patent is eligible for transitional post-grant review for business method patents.

#### **D. Grounds for Challenging Patents**

The statutory bases for asserting unpatentability are the same as with regular post-grant review (i.e., §§ 101, 102, 103, 112 (other than best mode), and 251). However, when the Petition challenges a claim based on pre-AIA §§ 102 or 103 (i.e., not the §§ 102 or 103 as

amended by the AIA), such a challenge can only be based on prior art that:

- (1) qualifies as prior art under pre-AIA §102(a); or
- (2) is art that: (a) disclosed the invention more than one year before the patent's U.S. filing date, and (b) would qualify as pre-AIA §102(a) prior art, if such disclosure had been made by another before the invention thereof by the applicant for patent.

Thus, at least sales or offers for sale within the United States, which would have been prior art under pre-AIA §102(b), cannot be used to challenge a claim of a covered business method patent under this transitional program. Further, a claim of a covered business method patent cannot be challenged under this transitional program under pre-AIA §§ 102(d), (e), (f), or (g).

#### **E. Estoppels**

The statutory estoppel provisions are slightly different for transitional post-grant review for business method patents. For subsequent and pending proceedings before the USPTO, the statutory estoppels apply in the same way as discussed above with respect to *inter partes* review and post-grant review, i.e., on a claim-by-claim basis under the "raised or reasonably could have raised" standard. However, for proceedings in a federal court or the ITC, the petitioner will only be estopped on a claim-by-claim basis from raising arguments actually raised and addressed in a final decision in the transitional post-grant review. That is, in a pending or subsequent federal court action or ITC hearing, the petitioner will not be estopped from raising arguments that reasonably could have been raised in the transitional post-grant review.

August 27, 2012

## F. Stay of Infringement Action

If a party seeks a stay of a corresponding infringement action in federal court based on the filing of a petition for transitional post-grant review, the court must consider the following factors when determining whether or not to grant the stay:

(1) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial in the court action;

(2) whether discovery is complete and whether a trial date has been set in the court action;

(3) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party in the court action; and

(4) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

## VI. Trial Process

Each of *inter partes* review, post-grant review, and transitional post-grant review for business method patents will be conducted entirely before the Board in a trial format. This format is outlined below, and is very similar to the interference practice in which we have substantial experience. The rules governing trial procedure can be found in 37 C.F.R. §§ 42.1 - 42.80.

All papers must be electronically filed whenever possible. The time from institution to final decision will generally be twelve months or less. While six month extensions are available for some cases, they will rarely be used.

During a trial, a petitioner must prove that claims are unpatentable by "a preponderance of the evidence" (compared to the higher "clear and convincing" standard in federal court). Also during a trial, no claims will be given a presumption of patentability. When considering whether to institute a trial, and during a trial, unexpired claims will be construed based on the USPTO's broadest reasonable construction standard, which will often result in a broader construction than under the claim construction standard used in federal court.<sup>8</sup>

### A. Settlement

The rules permit parties to file a written settlement agreement and request termination of the trial at any time prior to a final decision. The Board will be available to facilitate settlement and, where appropriate, may require settlement discussions as part of the trial proceedings. The Board is likely, but not required, to terminate the trial based on a settlement agreement. Although the Practice Guide recognizes that there is strong public policy favoring settlement between the parties, even if a written settlement agreement is filed by the parties, the rules allow the Board to take any action it deems necessary, including issuing a final decision on the patentability of the claims, in spite of the agreement.

If a trial is terminated before the final decision is issued, for example by settlement, the estoppel provisions will not apply. A true copy of any settlement agreement must be filed in the USPTO, and will be available to other federal agencies or to any person on a showing of good cause.

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<sup>8</sup> The rules do not address the standard that will apply to expired claims that are subject to review.

August 27, 2012

## B. Petition

A petitioner initiates the trial process by filing a Petition. The contents of the Petition for each proceeding are discussed above. While the Petition must establish that the threshold standard for the proceeding has been met, it is also the Petitioner's principal brief. As much as possible, the Petition should contain all of the petitioner's fully developed arguments and all of the evidence available to support those arguments such that the petition alone establishes that each of the challenged claims is unpatentable. Great care should be taken in any decision to hold back arguments or evidence for submission as supplemental information. Although discovery is available following the filing of the Petition, for a petitioner discovery will be primarily focused on rebutting the patent owner's arguments, not on supporting its own arguments against the patentability of the claims.

## C. Optional Preliminary Patent Owner Response

In response to the Petition, the patent owner has the option to prepare and file a Preliminary Patent Owner Response. The Preliminary Patent Owner Response must be filed no later than three months after the date of a USPTO notice indicating that the *inter partes* review, post-grant review, or transitional business method post-grant review has been granted a filing date. The Preliminary Patent Owner Response must be limited to setting forth reasons why no trial should be instituted under 35 U.S.C. §314 (*inter partes* review) or §324 (post-grant review). That is, the Preliminary Patent Owner Response must set forth reasons why the Petition has not met the threshold standard or timing requirements discussed above. The Preliminary Patent Owner Response can include evidence and must be limited to 60 pages (*inter partes* review) or 80 pages (post-grant review). The Preliminary

Patent Owner Response can only include new testimonial evidence if it is shown to be in the "interests of justice."<sup>9</sup> For example, under this standard, the Board may permit new testimonial evidence where it addresses issues relating to the petitioner's standing, or where the Board determines that consideration of the identified evidence demonstrates that the trial should not be instituted.

A Preliminary Patent Owner Response may include, for example, arguments and/or evidence showing that: (1) the petitioner is statutorily barred from pursuing a review; (2) the references asserted to establish that the claims are unpatentable are not in fact prior art; (3) the prior art lacks a material limitation in all of the independent claims; (4) the prior art teaches or suggests away from a combination that the petitioner is advocating; (5) the petitioner's claim interpretation for the challenged claims is unreasonable; (6) if a petition for post-grant review raises 35 U.S.C. §101 grounds, a brief explanation as to how the challenged claims are directed to a patent-eligible invention; and (7) that the proceeding would be too complex to be completed within the statutory time frames.

A patent owner may expedite the Board's decision on whether to institute the trial by filing

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<sup>9</sup> The rules do not specifically define what is required to meet the interests-of-justice standard. However, the USPTO's commentary on the rules states the following: "Good cause and interests-of-justice are closely related standards, but on balance, the interests-of-justice standard is a slightly higher standard than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, interests-of-justice would mean that the Board would look at all relevant factors. The interests-of-justice standard covers considerably more than the good cause standard, and in using such a standard the Board will attempt to consider whether the additional discovery is necessary in light of 'the totality of the relevant circumstances.'"

August 27, 2012

an election to waive its right to file a Preliminary Patent Owner Response. When such a waiver is filed, the Board will issue a determination as to whether a trial will be instituted without waiting for expiration of the three-month period in which the Preliminary Patent Owner Response can be filed.

#### **D. Institution of Trial**

After (i) the three-month period for filing the Preliminary Patent Owner Response has expired, (ii) a Preliminary Patent Owner Response has been filed, or (iii) an election to waive the Preliminary Patent Owner Response has been filed, the Board will decide whether or not to institute a trial. As discussed above, the Board will determine on a claim-by-claim, ground-by-ground, basis whether the relevant threshold standard has been met. The Board will also determine whether the relevant timing requirements have been met.

If the Board decides to institute a trial with respect to at least one challenged claim, the Board will mail a Notice of the trial to all parties to the proceeding. Subject to introduction of new issues (but not additional claims) by submission of supplemental information, or submission of amendments, any claim or ground of unpatentability not included in the Notice will not be part of the trial. As discussed below, if a party is dissatisfied with the Board's inclusion or exclusion of a claim or ground in the Notice, the party may request rehearing. The Notice will identify the claims and issues upon which the trial is to be based.

#### **E. Scheduling Order**

The Board will issue a Scheduling Order at the same time as the Notice instituting the trial. The Scheduling Order will set the various due dates related to the trial. The Scheduling Order

will take into account the specific facts of each case and will generally include due dates for the following seven events or groups of events: (1) the Patent Owner Response, including any motion to amend the patent (discussed below), (2) the petitioner's reply to the Patent Owner Response and an opposition to the motion to amend, (3) the patent owner's reply to the opposition to the motion to amend, (4) the petitioner's motion for an observation on the cross-examination testimony of a reply witness, both parties' motions to exclude evidence, and any request for oral argument, (5) the patent owner's reply to the petitioner's observation on cross-examination testimony, and both parties' oppositions to motions to exclude evidence, (6) both parties' replies to the oppositions to the motions to exclude evidence, and (7) oral argument.

#### **F. Preliminary Conference Call**

Although not required by rule, the Board expects to initiate a conference call within about one month after the date that the trial is instituted. During the conference call, the parties can stipulate to due dates different than those specified in the Scheduling Order, except for the date of the oral hearing. Two days prior to the conference call, the parties are expected to provide the Board with an accurate list of proposed motions (discussed below) to be filed during the trial, including an outline of proposed claim amendments. Parties are not precluded from later filing motions that were not included on the list; however, the Board may require prior authorization for such motions and will be unlikely to change due dates to accommodate motions that are not included on the list.

#### **G. Supplemental Information**

During trial, a petitioner may file a motion to submit supplemental information if:

August 27, 2012

(1) A request for authorization to file a motion to submit supplemental information is made within one month after the date the trial is instituted and the supplemental information is relevant to a claim for which the trial has been instituted;

(2) A request for authorization to file a motion to submit the information is filed more than one month after the date the trial is instituted, and the motion to submit supplemental information shows (i) why the supplemental information could not reasonably have been obtained earlier, and (ii) that consideration of the supplemental information would be in the interests of justice; or

(3) A request for authorization to file a motion to submit the information that is not relevant to a claim for which the trial has been instituted is filed at any time, and the motion to submit supplemental information shows (i) why the supplemental information could not reasonably have been obtained earlier, and (ii) that consideration of the supplemental information would be in the interests of justice.

Under alternative (1) above, therefore, the petitioner has an opportunity to move to present information that was not included in the Petition regarding claims involved in the trial, including raising new patentability issues as to those claims. The petitioner would apparently not have to justify its delay or show good cause or interests-of-justice, although it would have to show why the motion should be granted. This particularly gives the petitioner one opportunity to try to rebut arguments and/or evidence that had been presented in any Preliminary Patent Owner Response, and to try to raise new issues as to claims included in the proceeding.

Unless supplemental information relevant to a claim for which the trial has been instituted

could not reasonably have been obtained less than one month after the date the trial is instituted, a motion to submit such supplemental information more than one month after the date the trial is instituted will be denied. Similarly, any supplemental information that is not relevant to a claim for which the trial has been instituted can only be submitted if it could not reasonably have been obtained prior to a date one month after the date the trial is instituted.

#### **H. Patent Owner Response**

The Patent Owner Response may address any ground for unpatentability in the Petition that was not already denied in the notice of the trial, and any timely filed supplemental information. Unless the time period for response is changed by order of the Board, the Patent Owner Response must be filed within three months after issuance of the Notice of the trial. The Patent Owner Response is treated as an opposition, and is subject to the same page limits as the Petition. The Patent Owner Response should identify all of the involved claims that are believed to be patentable, explain the basis for that belief, and be filed with all supporting evidence (presented through affidavits or declarations) upon which the patent owner intends to rely and certified translations of any non-English-language documents.

Thus, unlike the Preliminary Patent Owner Response, the Patent Owner Response can include new testimonial evidence, as well as other new evidence, without Board authorization. Such new evidence could include affidavits from the patent owner's experts and/or other witnesses and transcripts of cross-examination depositions of the petitioner's experts and/or other witnesses. Furthermore, when preparing the Patent Owner Response, the patent owner can expand its arguments and evidence as to issues regarding which it was unsuccessful in preventing

August 27, 2012

institution of the trial. The patent owner can also eliminate arguments regarding issues that the petitioner was unsuccessful in having included in the trial. In addition, the Patent Owner Response can present positions that were strategically not included in a Preliminary Patent Owner Response.

In the trial, the patent owner need only establish patentability by a preponderance of the evidence. Thus, arguments that were unsuccessful in a Preliminary Patent Owner Response to show that a threshold was not met by the Petition might be successful in a Patent Owner Response to prevail in an *inter parte* review. However, this is less likely to be the case in a post-grant review, in which the threshold is higher. In either case, the patent owner should add evidence and arguments in the Patent Owner Response to buttress its position.

### **I. Motion to Amend**

The patent owner may, as a matter of right, file one motion to amend the patent after conferring with the Board. Additional motions to amend require Board authorization prior to filing. Each motion to amend must set forth:

- (1) Support in the original disclosure of the patent for each amended or added claim; and
- (2) Support in an earlier filed disclosure for each claim for which benefit of an earlier filing date is sought.

A motion to amend will not be authorized where:

- (1) The amendment does not respond to a ground of unpatentability involved in the trial; or
- (2) The amendment broadens the scope of the claims or introduces new matter.

A motion to amend and the corresponding opposition each have a 15-page limit. However, the proposed amendment to the claims will be a separate attachment that should not count toward the page limit.

Unless a different time is set by the Board in the Scheduling Order, the motion to amend must be filed no later than the Patent Owner Response. For amendments sought later in the proceeding, either a demonstration of good cause will be required, or authorization to file the motion must be jointly requested by the parties (for example to facilitate settlement). Motions to cancel claims or correct simple, obvious typographical errors will generally be granted at any time. A patent owner may also file a statutory disclaimer of one or more challenged claims at any time to streamline the proceedings. When considering whether to grant a late motion to amend, the Board must also consider whether the petitioner has filed any supplemental information after the time period for the original motion to amend.

According to the statute and rules, the number of replacement claims included in a motion to amend must be "reasonable." The patent owner must confer with the Board before filing this motion "to discuss compliance with" this requirement.<sup>10</sup> Further, the rules establish a rebuttable presumption "that only one substitute claim would be needed to replace each challenged claim." That is, the patent owner may not be able to add as many new claims as desired during a trial. For example, patent owners may not be able to present many different backup positions in new dependent claims in a motion to amend. Excess

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<sup>10</sup> This conference is to be included in the preliminary conference call discussed above. Because that call is conducted about one month after the Notice of trial, the patent owner must move quickly to determine whether and how its claims should be amended.

August 27, 2012

claim fees may be required if the total number of claims, or the number of independent claims, in the patent is increased by the amendment.

A motion to amend may be denied by the Board, without prejudice, if it is determined by the Board that the original patent claims remain patentable. This helps a patent owner avoid creating intervening rights or file history estoppels by unnecessarily amending a patentable claim.

The petitioner will be afforded an opportunity to respond to any motion to amend at a time set in the Scheduling Order. No authorization is needed to file an opposition to a motion to amend. Petitioners may respond to new issues arising from proposed substitute claims, including submitting evidence such as expert declarations that are directed to the proposed substitute claims. Unless another arrangement is agreed to by the Board, the petitioner can only address the motion to amend in its 15-page opposition. That is, the petitioner will not be able to use its Reply to the Patent Owner Response to address a motion to amend. The patent owner will have an opportunity to file a reply to the petitioner's opposition. The parties should address modification of the briefing limitations in the preliminary conference call (discussed above).

#### **J. Petitioner's Reply to the Patent Owner Response**

The petitioner will be afforded an opportunity to file a Reply to the Patent Owner Response at a time set in the Scheduling Order. The Reply may only respond to arguments raised in the Patent Owner Response. According to the rules, if the Reply raises a new issue or belatedly presents evidence, the entire Reply will not be considered and may be returned. Examples of indications that a new issue has been raised in a

Reply include new evidence necessary to make out a *prima facie* case for the unpatentability of an original claim, and new evidence that could have been presented in a prior filing. The Reply has a 15-page limit.

Because the Reply is limited to arguments raised in the Patent Owner Response and has a 15-page limit, it is important that petitioners fully present and develop their arguments in the Petition and/or supplemental information. The Reply may not be effective to cure any defective or insufficiently supported arguments in the Petition.

#### **K. Evidence**

By rule, the Federal Rules of Evidence generally govern the trial. Throughout the trial, evidence will be included in exhibits to the Petition, Patent Owner Response, etc. Evidence will take the form of documents and testimony (including affidavits and deposition transcripts). By rule, expert opinion testimony that does not disclose the underlying facts or data will be given little to no weight by the Board. Further, the rules specify that an affidavit must accompany test data explaining, among other things, why the test data is being used, why the test was performed, how the data is used to determine a result, and how the test is regarded in the relevant art. Testimony regarding patent law or patent examination practice will not be admitted. All non-English language documents relied on by either party must be translated into English and be accompanied by an affidavit attesting to the accuracy of the translation.

#### **L. Motion Practice**

Relief requested by any party during the trial must be requested in the form of a motion. In general, other than a timely patent owner motion to amend and other specified motions, a

August 27, 2012

motion may not be entered without Board authorization. Such authorization may be provided in a general order or during the trial. In each motion, the moving party has the burden of proof to establish that it is entitled to the requested relief. The Board may order briefing on any issue raised in a motion. Motions and oppositions thereto are limited to 15 pages, and replies to oppositions are limited to 5 pages.

In addition to motions to amend the claims, some examples of motions that may be filed include motions to exclude evidence, motions to seal, motions for joinder of related proceedings, motions to file supplemental information, motions for judgment based on supplemental information, motions to dismiss, and motions for observation on cross-examination.

The Board may require a party to file a notice stating the relief it requests in the filing of a motion. Such a notice must include sufficient detail of the precise relief requested. The failure to state sufficient basis for relief may result in a denial of the relief requested even without consideration of an opposition to the motion. Further, when a notice has been required by the Board, a party will be limited to filing motions consistent with the notice.

Each 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, governing law, rules, and precedent. The motion may also include (3) a statement of material facts in which each material fact shall preferably be set forth as a separately numbered sentence.

Every time a party files a motion, an opposing party may file an opposition to the motion within one month or another time period

set in the Scheduling Order, or otherwise set by the Board. An opposition must comply with the content requirements for motions, but need only identify material facts in dispute. Any material fact not identified as being disputed may be considered admitted. When a party files an opposition, the moving party may file a reply to the opposition. A reply may only respond to arguments raised in the corresponding opposition.

Motions may be decided on an interlocutory basis. That is, the Board may rule on a motion before issuing a final decision. The Board's decision on the motion prior to a final decision in the proceeding is not final for the purpose of judicial review. However, a party dissatisfied with such a decision may request rehearing by the Board.

#### **M. Discovery**

Limited discovery is permitted at various times throughout the trial. Discovery will be used by the parties to develop the trial record. Beginning with the patent owner, each party will be provided discovery periods that will be set in the Scheduling Order. Three types of discovery are contemplated by the rules: "mandatory" initial disclosures, routine discovery and additional discovery. However the parties may agree to more or less discovery between themselves at any time. All non-English language documents produced during discovery must be translated into English by the producing party, and be accompanied by an affidavit attesting to the accuracy of the translation. In case a party seeks discovery of electronic documents, the Practice Guide includes a model order governing e-discovery, specifying the manner of producing such information and the manner of identifying emails by custodian and search terms.

August 27, 2012

**1. Mandatory Initial Disclosures**

The parties may agree to "mandatory" initial disclosures. The agreement must be reached and submitted to the Board no later than (1) the filing date of a Preliminary Patent Owner Response, or (2) if no Preliminary Patent Owner Response is filed, the expiration of the time period for filing the Preliminary Patent Owner Response. After institution of the trial, the initial disclosures of a party must be filed "as soon as reasonably practicable to permit discovery related to that information." If the parties fail to come to an agreement regarding mandatory initial disclosures, a party may seek mandatory initial disclosures by motion.

Mandatory initial disclosures can proceed in one of two different ways:

- The first, less-extensive, way (which is balanced as to the parties) is based on the Federal Rules of Civil Procedure and requires disclosure of:

(1) witnesses upon whom the party may rely: the name and, if known, the address and telephone number of each individual likely to have discoverable information—along with the subjects of that information—that the disclosing party may use to support its claims or defenses, unless the use would be solely for impeachment; and

(2) documents upon which the party may rely: a copy—or a description by category and location—of all documents, electronically stored information, and tangible things that the disclosing party has in its possession, custody, or control and may use to support its claims or defenses, unless the use would be solely for impeachment.

- The second, more-extensive, way (which seems to strongly favor the patent owner) requires that:

(1) If the Petition seeks cancellation of one or more claims in whole or part on the basis of the existence of an alleged prior non-published public disclosure, the petitioner will provide a statement:

(a) identifying, to the extent known by the petitioner, the names and information sufficient to contact all persons other than those offering affidavits or declarations who are reasonably likely to know of the alleged prior non-published public disclosure;

(b) indicating which of such persons are within the control of petitioner, or have otherwise consented to appear for testimony in connection with the proceeding;

(c) indicating which, if any, of such persons are represented by petitioner's counsel;

(d) identifying all documents and things within petitioner's possession, custody, or control referring to or relating to the alleged prior non-published public disclosure; and

(e) identifying all things relating to the alleged prior non-published public disclosure, including a complete description, photographs, chemical analyses (if a chemical composition is in issue), and computer code (for computer-related subject matter), and their locations, and whether petitioner will produce such things for inspection, analysis, testing, and sampling; and

(2) If the Petition seeks cancellation of one or more claims in whole or in part on the basis of the alleged obviousness of one or more of the claims, the petitioner will provide a statement:

August 27, 2012

(a) identifying, to the extent known by the petitioner, the names and information sufficient to contact all persons other than those offering affidavits or declarations who are reasonably likely to have information regarding the secondary indicia of non-obviousness;

(b) indicating which of such persons are within the control of petitioner, or have otherwise consented to appear for testimony in connection with the proceeding;

(c) indicating which, if any, of such persons are represented by petitioner's counsel;

(d) identifying all documents and things within petitioner's possession, custody, or control referring to or relating to such secondary indicia of non-obviousness; and

(e) identifying all things relating to the secondary indicia of nonobviousness, including a complete description, photographs, chemical analyses (if a chemical composition is in issue), and computer code (for computer-related subject matter), and their locations, and whether petitioner will produce such things for inspection, analysis, testing, and sampling.

All such information would be submitted as exhibits and would be subject to discovery.

## 2. Routine Discovery

In routine discovery, a party must serve on all opposing parties any exhibit that it cites in a paper or in testimony (unless it has previously been served). Furthermore, a party is entitled to conduct a deposition to cross-examine the opposing party's affiants within a time period set by the Board.

Unless otherwise agreed by the parties or ordered by the Board, the party proffering a witness's testimony must make every effort to produce that witness for a deposition in the

United States. That party must also bear the costs (other than attorney fees) of the deposition, including witness travel expense and court reporter, transcript and translation costs.

In general, each deposition may last up to about two days. For depositions to cross examine affiants, cross-examination would generally be limited to seven hours, redirect examination limited to four hours, and any re-cross examination limited to two hours.

Also during routine discovery, a party must serve on the opposing party any non-privileged, relevant information that is inconsistent with a position advanced by the party and that is known to the inventors, persons involved in preparation or filing of documents in the proceeding, or corporate officers of a petitioner or patent owner. This information need not be filed in the USPTO, but must be served concurrently with the filing of the documents or things advocating the position to which the inconsistent information is directed. No explanation of the information being served is required.

## 3. Additional Discovery

In addition to routine discovery, a party may file a motion for additional discovery, including filing a motion seeking to compel testimony. In post-grant reviews, a party moving for additional discovery must show good cause as to why the additional discovery is needed. In *inter partes* reviews, the party moving for additional discovery must show that such additional discovery is in the interests of justice. The USPTO's commentary about the rules indicates that the "interests of justice" standard is slightly higher than the "good cause" standard.<sup>11</sup>

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<sup>11</sup> In this context, the USPTO commentary states: "Specifically, to show good cause, a party would be

August 27, 2012

According to the commentary, the Board believes that parties are unlikely to make the requisite showing, and authorization for additional discovery will be rare. However, additional discovery would likely be granted to permit a party to obtain production of documents and things referred to in direct testimony or during cross-examination of an opposing party's witness, or during authorized compelled testimony. Additional discovery is also likely to be granted when a party raises an issue "where the evidence on that issue is uniquely in the possession" of the party that raised the issue. Additional discovery may also be authorized in light of a motion to amend claims.

#### **N. Protective Orders**

A party may file a motion requesting that the Board issue a protective order to protect confidential information.<sup>12</sup> The protective order may forbid the disclosure of, or discovery relating to, the confidential information, or may specify circumstances for conducting discovery regarding the confidential subject matter. Absent agreement by the parties, persons (including counsel) receiving confidential information under the USPTO default protective order in a proceeding may only use that information in that proceeding. However, such counsel for a receiving party are not precluded from representing that party in other proceedings. Unless otherwise agreed by the parties, those granted access to confidential material in the protective order will be required to sign an

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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."

<sup>12</sup> Procedures are also provided for maintaining confidentiality of information relied upon in a Petition pending entry of a protective order.

acknowledgment agreeing "to submit to the jurisdiction of the [USPTO] and the United States District Court for the Eastern District of Virginia for purposes of enforcing the terms of the Protective Order and providing remedies for its breach."

Confidential information is not available to the public during the pendency of a proceeding. A motion to expunge that information may be filed at the conclusion of the proceeding. Otherwise, the information will then be made publicly available.

#### **O. Oral Hearing**

Either party is entitled to request an oral hearing before the Board on any issue raised in a paper. The request for the oral hearing must be filed as a separate paper and must specify the issues to be argued.

#### **P. Final Decision**

The Board will enter a final written decision not more than one year after the institution of the trial. For good cause shown, the Board may extend this time period to 18 months. This final written decision terminates the proceeding and causes the statutory estoppels to attach to the petitioner and the non-statutory estoppels to attach to the patent owner. As discussed below, the final written decision also starts the time periods for filing a request for rehearing or appeal to the U.S. Court of Appeals for the Federal Circuit.

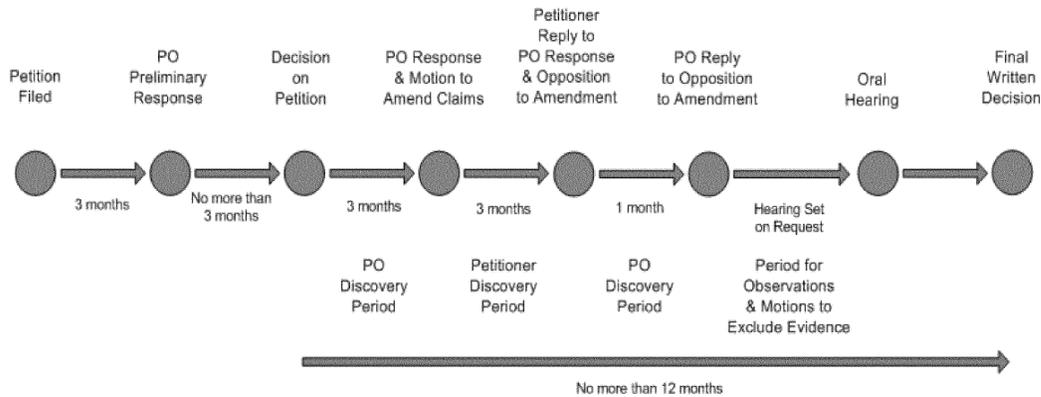
#### **Q. Timing**

The following timeline included in the Practice Guide provides a useful overview of the general timing of the procedure. As discussed above, the specific timing for a trial will be set in

August 27, 2012

the Board's Scheduling Order. Thus, this timeline should only be considered an approximation.

institute a trial) or a non-final decision (such as a decision to include or exclude one or more



This timeline depicts the general procedure of a trial from Petition to final written decision, and the general timing between steps. The timeline also lays out the general sequence of discovery. According to the Practice Guide, for example, the patent owner (PO) may generally begin depositing the petitioner's affidants as soon as the proceeding is instituted. After the patent owner has filed a Patent Owner Response and any motion to amend the claims, the petitioner may deposit the patent owner's affidants. Similarly, after the petitioner has filed a reply to the Patent Owner Response and an opposition to a motion to amend, the patent owner may deposit the petitioner's affidants and file a reply in support of its claim amendments. If the patent owner relies upon new affidavit evidence in support of its amendments, the petitioner may deposit the affiant and submit observations on the deposition. Once the time for taking discovery in the trial has ended, the parties will be authorized to file motions to exclude evidence believed to be inadmissible.

**R. Requests for Rehearing**

A party may request rehearing of both a written final decision (including a decision not to

grounds of unpatentability and/or one or more claims, or a decision on a motion). A request for rehearing of the final written decision must be filed within 30 days of the decision, and a request for rehearing of a non-final decision must be filed within 14 days of the non-final decision. A request for rehearing must specifically identify all matters that the requester believes the Board misapprehended or overlooked.

**S. Judicial Review**

Within 63 days of the Board's final decision, either party can appeal to the U.S. Court of Appeals for the Federal Circuit. This period may be extended for good cause or excusable neglect. On appeal, the Federal Circuit will review the Board's factual findings for substantial evidence and the Board's legal conclusions *de novo*. Civil actions in federal district court are not available to obtain review of decisions in these proceedings.

**T. Sanctions**

During the trial, the Board may impose a sanction against a party for misconduct including, but not limited to: (1) failing to comply with an applicable rule or order in the proceeding; (2)

August 27, 2012

advancing a misleading or frivolous argument or request for relief; (3) misrepresenting 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. The Board's sanctions can include: (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; (6) an order providing for compensatory expenses, including attorney fees; (7) an order requiring terminal disclaimer of patent term; and/or (8) judgment in the trial or dismissal of the Petition.

## VII. Recommendations

We provide the following recommendations, for our clients who may be considering challenging a patent in the USPTO or who find that someone has challenged their own patent in one of these proceedings. These recommendations supplement the recommendations included in our November 22, 2011 Updated Special Report on the AIA.

### A. Third Parties

Of course, the decision whether to file a Petition for *inter partes* review or post-grant review will be very fact dependent. Potential petitioners should weigh all of the options, including *ex parte* reexamination, *inter partes* reexamination (not available on or after September 16, 2012), *inter partes* review, post-grant review, licensing negotiations, a civil action such as a declaratory judgment action, obtaining an expert opinion, some combination of these options, or even doing nothing. These options

must be considered with respect to cost, availability, potential estoppels, and other business and legal considerations. However, once a party has decided it might want to challenge a patent by filing a Petition for *inter partes* review or post-grant review, the following should be considered.

### 1. Availability

#### a. Post-Grant Review Will Not be Immediately Available

As discussed above, post-grant review for patents that do not qualify for the transitional post-grant review of business method patents will not be available to challenge patents that are not subject to the new §§ 102 and 103. Such patents are not likely to issue before 2014.

#### b. Reexamination Remains Available

Parties can still file requests for *ex parte* reexamination at any time (unless estopped), and can file requests for *inter partes* reexamination as late as September 15, 2012. Reexamination is a far less expensive option to challenge a patent before the USPTO. This option is especially less expensive if the challenging party wishes to challenge a large number of claims or believes that it will exceed the page limits of a Petition for *inter partes* review or post-grant review. However, procedurally, reexamination favors the patent owner and does not provide for any discovery. Also, reexamination will generally take much longer, which may or may not be advantageous depending on the particular circumstances.

August 27, 2012

**c. One-Year from Service Bar**

As discussed above, *inter partes* review is not available for parties to challenge a patent who have been served with a complaint alleging infringement of the patent more than one year prior to the filing of a Petition for *inter partes* review. For parties who were served with a complaint alleging infringement of a patent before September 16, 2011 (even if the complaint has since been dismissed), *inter partes* review will not be available for that patent. Thus, the only options for challenging the patent at the USPTO will be a request for *inter partes* reexamination filed no later than September 15, 2012, or a request for *ex parte* reexamination.

The one-year time limit can create problems for alleged infringers who have been sued multiple times based on the same patent. The very first complaint alleging infringement of a patent will begin the one-year time limit for filing a Petition for *inter partes* review. Thus, when deciding whether to file a Petition for *inter partes* review, companies must consider the implications that an asserted patent may have on future products (even those yet unknown) despite the fact that the details or commercial significance of a currently accused product may not itself warrant the filing of a Petition

**2. Claim Selection**

The selection of which claims to challenge will be very important, both strategically and with respect to cost. As discussed above, the USPTO has taken the position that statutory estoppels will apply only to those claims at issue in the trial. Thus, petitioners should carefully consider which claims will be addressed in the Petition to effectively challenge the patent, but also to preserve claims that could be challenged in

another proceeding with further evidence if the original challenge is unsuccessful.

However, use of claim selection as an estoppel "loophole" can be risky. For example, a petitioner may decide to challenge a particular dependent claim in an *inter partes* review or post-grant review, but not the independent claim from which it depends. Based on the USPTO's current interpretation of the statutory estoppel provisions, the unchallenged independent claim would not be subject to statutory estoppels. However, it may appear in a subsequent proceeding that the petitioner is simply trying to reiterate the same arguments that were already unsuccessfully made in a prior *inter partes* review or post-grant review. The USPTO has stated that it will exercise its statutory authority to deny subsequent petitions that submit the same or substantially the same prior art or arguments previously presented to it. A federal court may also interpret the independent claim as having been effectively challenged in the prior *inter partes* review or post-grant review (and thus subject to estoppel) because all of the elements of that claim were addressed in the prior proceeding. Even if a federal court were to decline to subject the previously unchallenged independent claim to statutory estoppels, the court may nonetheless refuse to consider any arguments that were asserted or could have reasonably been asserted against the dependent claim challenged in the prior *inter partes* review or post-grant review, for example, for equitable reasons.

Also, because the fees for *inter partes* review and post-grant review are dependent on the number of claims challenged, the choice of which claims to challenge can affect the cost of the proceeding. Special care must be taken in this analysis due to fact that certain dependent claims may count as more than one claim for the purpose of determining the fee.

August 27, 2012

### 3. Grounds of Challenge

As discussed above, the different grounds of challenge available between *inter partes* review and post-grant review result in both greater opportunities to challenge claims and a broader scope of estoppels attaching after final decision in a post-grant review. Thus, once post-grant review begins to become available, parties should carefully consider the potential grounds of challenge, and if only §§ 102 and/or 103 challenges based on prior art patents and printed publications will be asserted, it will often be better to wait until nine months after the patent has been issued and file a Petition for *inter partes* review to avoid being estopped from later raising arguments under §§ 101, §102 based on prior knowledge, public uses, sales, or offers for sale, 112 (except for lack of best mode), and/or §251 challenges against the claims for which the *inter partes* review is instituted.

### 4. Thoroughness of Petition

Although the rules for the Petition focus on the threshold standard requirements, it is important to remember that the Petition may be the primary document by which the petitioner will present its arguments and supporting evidence regarding the unpatentability of the challenged claims. The purpose of the Petition is not simply to meet the threshold standard for instituting a trial, but to thoroughly present the petitioner's arguments and evidence. From a petitioner's perspective, the remainder of the trial (with the exception of a motion to submit supplemental information) may focus only on the patent owner's counter-arguments and/or amendments and petitioner's attempts to rebut them, not on attempting to establish or support

the petitioner's arguments for the unpatentability of the originally challenged claims.<sup>13</sup>

Obviously, therefore, the Petition should thoroughly present the petitioner's position. It should also be as concise as possible, and include claim charts to supplement the arguments.

A petitioner could withhold some information from its Petition for claims that it is confident will be included in the trial. This might permit the petitioner to conceal such information until only two months (rather than about six months) before the Patent Owner Response is due to be filed. However, this might create a risk that the subject claims will not be included in the trial. In addition, the Board might extend the deadline for a Patent Owner Response in view of the supplemental information. Thus, we recommend that ramifications of such a tactic be very carefully considered before it is used.

Generally, the purpose of a trial proceeding is to have the Board cancel an opponent's patent claims. However, other goals can be achieved in such proceedings. For example, a patent owner can be forced to espouse claim construction positions, create argument- or amendment-based estoppels, or create amendment-based intervening rights. All of these goals should be considered in drafting a Petition.

### 5. Forum Selection

Because the standard of review, claim construction standards, and the existence of a presumption of patentability are different between

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<sup>13</sup> The USPTO estimates that, on average, attorney fees for preparing Petitions will be about \$46,000 for *inter partes* review, and about \$61,000 for post-grant review, plus about \$34,000 for any needed request for reconsideration of a decision not to institute a proceeding or not to include claims or issues in the Notice of trial. For complex patents and/or issues, these amounts could be much higher.

August 27, 2012

trials before the Board and in federal court, petitioners may have the opportunity to select the forum that will best suit their arguments. That is, for example, if a petitioner's challenge to the claims of a patent requires a broad construction of the claims or would benefit from a lower burden of proof, those arguments may have a greater

August 27, 2012

likelihood of success in a trial before the Board than in court.<sup>14</sup>

## 6. Stay of Civil Action

Much like *inter partes* reexamination, the filing of a Petition for *inter partes* review or post-grant review before or soon after the filing of an infringement action in federal court will likely result in a stay of the infringement action. Of course, whether or not the infringement action is stayed is within the discretion of the court and will vary based on the venue and the timing of the filing of the Petition for *inter partes* review or post-grant review relative to the timing of the filing of the infringement action. Further, as discussed above, the AIA establishes standards that courts must use to determine whether an infringement action should be stayed based on the filing of a Petition for transitional post-grant review of a business method patent. Potential petitioners should keep in mind however, that being served with a complaint for infringement more than one year prior to the filing of a Petition for *inter partes* review will bar *inter partes* review.

Suits filed in federal court by the petitioner prior to the filing of a Petition may bar *inter partes* review and post grant review, and suits filed by the petitioner after the filing of a Petition are subject to automatic stays under the provisions of 35 U.S.C. §§ 315(a)(2) and 325(a)(2).

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<sup>14</sup> In *In re Baxter*, Appeal No. 2011-1073 (Fed. Cir. May 17, 2012), the Federal Circuit confirmed that claims that were found to be patentable in federal court could nonetheless subsequently be determined to be unpatentable in a proceeding before the USPTO due to USPTO's lower burden of proof.

## 7. Early Planning and Preparation

As is apparent from the discussion of the procedures above, trials will move quickly and there will likely be, for example, discovery obligations, testimony to be obtained, and depositions to be conducted within relatively short windows of time. Thus, before filing a Petition, petitioners should have considered, planned for, and already prepared as much as possible for: discovery; motions that will be filed; identification of potential witnesses, including expert witnesses; preparation for e-discovery including identification of possible email custodians and search terms; potential mandatory initial disclosures; and potential additional discovery.

The procedural framework of *inter partes* review and post-grant review gives petitioners a substantial advantage with respect to preparation because the petitioner can begin preparing for many aspects of the trial long before the Petition is filed, while patent owners generally do not become aware of the proceeding until after the Petition has been filed.

## 8. Settlement

Unlike reexaminations, an *inter partes* review and a post-grant review can be terminated based upon a settlement agreement of the parties. Thus, pursuing an *inter partes* review or a post-grant review need not foreclose the possibility of settlement. For this reason, the threat of filing, or filing and serving, an *inter partes* review or a post-grant review can be an effective part of a negotiation strategy, especially because *inter partes* review and post-grant review do not have the same standing requirements as a declaratory judgment action in federal court. Also, as discussed above, if a trial is terminated based on a settlement agreement, estoppels will not apply.

August 27, 2012

Thus, settlement can be an effective tool to avoid estoppels.

## **9. Claim Construction**

As discussed above, the petitioner must construe the challenged claims in the Petition. Petitioners need to carefully consider what effect any proposed claim construction may have on a subsequent litigation, licensing negotiation, etc.

### **B. Patent Owners**

#### **1. Patent Claims**

For business method-related patents, the presence of a single claim that meets the standard for transitional post-grant review for business method patents can subject the entire patent to post-grant review, even if the patent would not otherwise be subject to such review. Thus during prosecution of such patents, consider separating out in separate continuing (e.g., divisional) applications claims that may be subject to such transitional post-grant review from claims that are not likely to be subject to such review.

#### **2. Early Planning and Preparation**

Patents owners will have little control over whether or not they become involved in an *inter partes* review or post-grant review. Thus, absent any indication that a party is planning to file an *inter partes* review or post-grant review, patent owners will not be able to begin preparing for the trial until after the Petition has been filed. Thus, patent owners must move quickly to begin preparing at the earliest sign that a Petition might be or has been filed. For example, when a dispute with a competitor is in negotiation, the patent owner should begin organization and preparation, including identifying experts and preserving evidence, in the event that the

competitor files a Petition for *inter partes* review or post-grant review.

In addition to the preparation related to discovery obligations, testimony to be obtained, and depositions (discussed above with respect to petitioners) that will need to be undertaken as soon as practical, patent owners also need to immediately begin considering potential amendments and/or replacement claims. At least an outline of proposed claim amendments should be completed by the initial conference with the Board (generally less than 4 months after a Petition is filed).

#### **3. Preliminary Patent Owner Response**

The patent owner must make a strategic decision as to whether to file, or what to include in, a Preliminary Patent Owner Response. The petitioner can file a motion to submit supplemental information within one month after trial is instituted. Thus, a patent owner may want to avoid including in a Preliminary Patent Owner Response substantive issues as to which a trial is likely to be instituted and supplemental information that might not be appropriate in a reply could be submitted as timely supplemental information.

Particularly in light of the estoppels against a petitioner that is unsuccessful in the trial, a patent owner should consider not filing any Preliminary Patent Owner Response directed to substantive patentability issues, and instead withhold such arguments and evidence until it files a Patent Owner Response after a trial is instituted.

August 27, 2012

**4. Claim Amendment  
Considerations**

As discussed above, the USPTO is planning to limit the number of claims that a patent owner can present in a motion to amend. Thus, patent owners must carefully consider potential amendments and/or replacement claims in view of the petitioner's, the patent owner's, and third-parties' current products and/or future product plans, intervening rights, possible design-arounds, patent owner estoppels, and the effects additional claims can have on the construction of non-amended claims (e.g., through the doctrine of claim differentiation).

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*Oliff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.*

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