

# ARE PATENT OWNERS GIVEN A FAIR FIGHT? INVESTIGATING THE AIA TRIAL PRACTICES

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More than two years have passed since the Leahy-Smith America Invents Act (“AIA”) ushered in a new era for the U.S. patent system by establishing three new proceedings allowing patent validity challenges before the United States Patent and Trademark Office (“PTO”): *inter partes* review (“IPR”), covered business method review (“CBM”), and post-grant review (“PGR”).<sup>1</sup> The PTO Patent Trial and Appeal Board (“PTAB”) conducts these administrative reviews, intended to weed out low-quality patents, primarily those asserted by non-practicing entities (“NPEs”).<sup>2</sup> Yet, no one predicted how popular these reviews would become. In fact, they have caused a paradigm shift in patent litigation strategy.

Since it was established in 2012, the PTAB has quickly risen as one of the nation’s premier venues for challenging patent validity—behind only the Eastern District of Texas in overall patent adjudications.<sup>3</sup> 1494 AIA petitions were filed in fiscal year 2014, nearly tripling the previous year’s filings.<sup>4</sup> For perspective, the two-year AIA petition volume has already exceeded the total number of requests filed during the entire thirteen-year history of *inter partes* reexamination, the predecessor to the AIA reviews.<sup>5</sup>

This boom in popularity is partially due to the AIA proceedings providing a more effective means to invalidate patents than district court

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1. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284–341 (2011) (codified at 35 U.S.C. §§ 1–37).

2. See 198 CONG. REC. S131 (daily ed. Jan. 25, 2011) (statement of Sen. Leahy introducing the “Patent Reform Act of 2011”).

3. See Lisa Shuchman, *Patent Troll MPHJ Faces Special PTO Review*, LAW.COM (Aug. 27, 2014), <http://www.law.com/sites/articles/2014/08/27/patent-troll-mphj-faces-special-pto-review/?slreturn=20150101012722>.

4. See *Patent Trial and Appeal Board AIA Progress*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_01-22-2015.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_01-22-2015.pdf) (last updated Jan. 22, 2015).

5. See *Inter Parte Reexamination Filing Data*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/patents/stats/inter\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY\\_2013.pdf](http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY_2013.pdf) (last updated Sept. 30, 2013).

litigation. The AIA reviews combine a one-year statutory timeline,<sup>6</sup> lower costs,<sup>7</sup> and more favorable standards for challengers, including a lower preponderance-of-evidence standard for demonstrating unpatentability,<sup>8</sup> and the broadest reasonable claim construction<sup>9</sup> standard that potentially encompasses a greater amount of invalidating prior art.

The compressed timeline and streamlined evidentiary procedures raise concerns, however, that the new procedures treat patent owners unfairly. At first blush, patent claim cancellation rates from IPR and CBM reviews appear alarming. As of January 15, 2015, in reviews resulting in a final written decision, the PTAB has instituted a trial on 6,114 claims, or sixty-eight percent of claims challenged.<sup>10</sup> Fifty-one percent of those instituted claims were found unpatentable or were conceded by the patent owner.<sup>11</sup> Business method claims have fared even worse under the broader CBM review.<sup>12</sup> Of the twenty-six CBM cases reaching a final written decision and corresponding 531 claims that have overcome the “more likely than not” hurdle for institution, only twenty-four claims, less than five percent,

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6. 35 U.S.C. § 316(a)(11) (2012) (requiring that final determinations in IPR issue not later than one year after the institution of a review, with a six month maximum extension); *id.* § 326(a)(11) (CBM and PGR).

7. *See* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,715 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42) (estimating the cost of filing an IPR petition to be approximately \$46,000).

8. *See* 37 C.F.R. § 42.1(d) (2014) (“The default evidentiary standard is a preponderance of the evidence.”).

9. *See id.* § 42.100(b) (“A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”); *see also* *In re Swanson*, 540 F.3d 1368, 1377–78 (Fed. Cir. 2008) (“And unlike in district courts, in reexamination proceedings [c]laims are given their broadest reasonable interpretation, consistent with the specification. . . .”) (quoting *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1298 (Fed. Cir. 2007)).

10. *See Inter Partes Review Petitions Terminated to Date*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/stats/inter\\_partes\\_review\\_petitions\\_terminated\\_to\\_date\\_01\\_15\\_2015.pdf](http://www.uspto.gov/ip/boards/bpai/stats/inter_partes_review_petitions_terminated_to_date_01_15_2015.pdf) (last updated Jan. 15, 2014).

11. *See id.* (2,176 claims were found unpatentable, while an additional 893 were cancelled or disclaimed by the owner).

12. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, 125 Stat. 331 §13(d)(1) (2011) (“the term ‘covered business method patent’ means a patent that claims a method or corresponding apparatus for performing data 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”).

remained intact: 493 claims were found unpatentable, with patent owners conceding the remaining fourteen claims.<sup>13</sup>

High claim cancellation rates trouble patent owners who are forced to defend themselves in AIA proceedings that appear patent-unfriendly. There is growing concern that even if there is no bias against patent owners, the AIA trial rules and practices do not provide patent owners with a fair opportunity to defend their patents.

This Note assesses whether the AIA proceedings afford patent owners a fair opportunity to defend their patents. Part I reviews the AIA's statutory language, legislative intent, and trial timelines for the AIA review proceedings. Part II analyzes the most common practitioner complaints about the AIA review proceedings: page limitations, motions to amend, and discovery. Part III addresses constitutional and administrative law concerns, drawing upon prior judicial challenges to PTO patent validity review to conclude that the AIA reviews likely dodge these concerns.

## I. THE AIA AND THE PTO'S RULEMAKING

With the rise of costly and abusive patent litigation during the past fifteen years, Congress established a new set of post-grant review proceedings to provide timely, fair, cost-effective, and efficient patent validity determinations by technical experts at the PTO.<sup>14</sup> Pursuant to its authority under this new regime, the PTO promulgated rules to govern PTAB trial practices to meet this goal, while attempting to balance the interests of all parties involved.<sup>15</sup> This Section reviews the PTO's AIA implementation in light of Congress's intent and provides an overview of the new AIA proceedings and PTAB practices.

### A. LEGISLATIVE INTENT AND THE PTO RULEMAKING PROCESS

AIA §§ 316(b) and 326(b) set forth considerations for the PTO's new review proceedings: (1) the effect of any such regulation on the economy, (2) the integrity of the patent system, (3) the efficient administration of

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13. See 35 U.S.C. § 324(a) (2012) (requiring that for a CBM or PGR trial to be instituted, the petitioner must "demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable"); Daniel F. Klodowski & Jonathan R.K. Stroud, *AIA Claim and Case Disposition*, AIABLOG, <http://www.aiablog.com/claim-and-case-disposition/> (last updated Jan. 1, 2015).

14. See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,756–57 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

15. *Id.*

the PTO, and (4) the ability of the PTO to timely complete the AIA proceedings.<sup>16</sup> These concerns prompted the PTO to publish a series of proposed rules and request public comments.<sup>17</sup> In February 2012, the USPTO published a Practice Guide for Proposed Trial Rules (“Patent Trial Practice Guide”) to provide guidance on the general framework and structure of the new proceedings.<sup>18</sup> In response, the PTO received 251 public comments providing support for and opposition against the proposed rules.<sup>19</sup>

After considering the public comments, the PTO modified the proposed rules to “provide clarity and to balance the interests of the public, patent owners, and patent challengers, and other interested parties in light of the statutory requirements and considerations.”<sup>20</sup> The final rules and the Patent Trial Practice Guide were published in August 2012,<sup>21</sup> and the PTO responded to the public comments, explaining the changes made or justifying its position for maintaining the rules initially proposed.<sup>22</sup>

In June 2014, the PTO again asked for public commentary on how the AIA proceedings were working.<sup>23</sup> The PTAB reviewed the thirty-seven written comments it received and plans to issue rule packages throughout

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16. 35 U.S.C. §§ 316(b), 326(b) (2012).

17. *See, e.g.*, Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. §§ 42, 90); Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42).

18. *See* Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. § 42).

19. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756 (Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

20. *Id.*

21. *Id.*

22. *See, e.g., id.*

23. *See* Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36,474, 36,476 (June 27, 2014); *see also* *Comments on Trial Proceedings Under the American Invents Act Before the Patent Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/page/comments-trial-proceedings-under-america-invents-act-patent-trial-and-appeal-board/> (last updated Oct. 16, 2014).

2015 that will improve the proceedings, especially for patent owners.<sup>24</sup> On March 27, 2015, the PTO announced a three-part plan to revise and improve the PTAB proceedings.<sup>25</sup> The first rule package, described as “quick fixes,” was effective immediately and expands the page limits for certain briefs and motions.<sup>26</sup> Most attractive to patent owners, the page limit for motions to amend will nearly double to twenty-five pages.<sup>27</sup> A second proposed rule package will issue mid-year, and further modify the amendment procedure.<sup>28</sup> The rule packages will be followed by a revised Trial Practice Guide and another notice-and-comment period for more significant modifications to the proceedings.<sup>29</sup>

## B. OVERVIEW OF IPR, CBM, AND PGR PROCEEDINGS

The AIA placed statutory requirements on PTAB trial proceedings—they begin with a patent challenger filing a petition and conclude with the PTAB’s final written decision. While the statute designed the trial structure, PTO rules govern the conduct of the proceedings, subject to guidance through the PTAB’s procedural and substantive rulings. The figure below<sup>30</sup> and subsequent discussion illustrate the AIA trial timeline and provide context for the more specific practitioner complaints and PTO responses that follow in Part II.

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24. See Director’s Forum, *PTAB’s Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, U.S. PATENT & TRADEMARK OFFICE (Mar. 27, 2015, 10:18AM), <http://www.uspto.gov/blog/>.

25. See *id.*

26. See *id.*

27. See *id.*

28. See *id.*

29. See *id.*

30. See *id.* The figure provides a representative timeline for IPR, PGR, and CBM proceedings. *Id.*

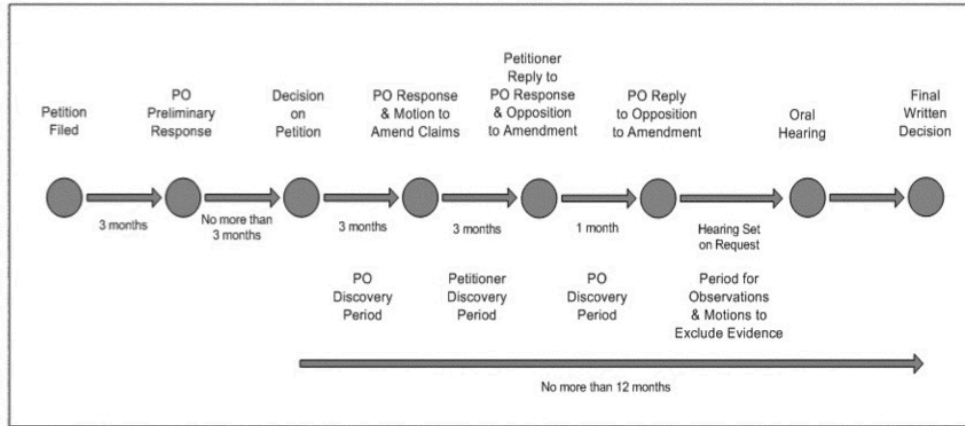


Figure 1: PTO Summary Timeline for IPR, CBM, and PGR

### 1. *Petition to Institute and Patent Owner Response*

An AIA proceeding begins with a patent challenger filing a petition to institute a trial, requesting to cancel as unpatentable one or more claims of a patent.<sup>31</sup> The petition must identify each claim challenged, the grounds of each challenge, a claim construction for each challenged claim, and evidence to support the grounds.<sup>32</sup> Copies of prior art patents or printed publications relied upon to challenge patentability must accompany the petition.<sup>33</sup>

A petition to institute IPR is limited to challenges on 35 U.S.C. § 102 or 35 U.S.C. § 103 grounds as being anticipated by or obvious in light of “prior art consisting of patents or publications.”<sup>34</sup> CBM and PGR allow challenges on any ground relating to invalidity, including 35 U.S.C. § 101 and 35 U.S.C. § 112 subject matter eligibility and written description challenges.<sup>35</sup> While the petition requesting IPR is limited to sixty pages,<sup>36</sup> the additional grounds available in CBM review warranted expanding the CBM petition to eighty pages.<sup>37</sup>

31. See 37 C.F.R. §§ 42.104 (IPR), 42.204 (PGR), 42.304 (CBM) (2014).

32. See *id.* §§ 42.104(b) (IPR), 42.204(b) (PGR), 42.304(b) (CBM).

33. See *id.*

34. 35 U.S.C. § 311(b) (2012); 37 C.F.R. § 42.104(b)(2) (2014).

35. See 35 U.S.C. § 321(b) (2012); see also 37 C.F.R. § 42.304(b)(2) (2014) (permitting invalidity arguments consistent with 35 U.S.C. §§ 282(b)(2)–(3)).

36. 37 C.F.R. § 42.24(a)(1)(i) (2014).

37. *Id.* § 42.24(a)(1)(iii).

After a petition has been filed, the patent owner can file an optional preliminary response within three months from the petition filing date.<sup>38</sup> The preliminary response addresses the grounds raised in the challenger's petition and explains why no review is warranted.<sup>39</sup> The preliminary response is limited to the same of number pages the challenger was allowed in its petition.<sup>40</sup> The patent owner may include additional evidence to demonstrate that no review should be instituted. However, the evidence will only be permitted if it is shown to be "in the interests of justice."<sup>41</sup>

Since October 2012, patent owners have chosen to file a preliminary response to 1,644 of the 2,653 IPR and CBM petitions—roughly sixty-two percent of cases.<sup>42</sup> The purpose of the preliminary response is to prevent trial institution, arguing either that the petitioner's claim constructions are incorrect, that the cited patents or publications do not qualify as prior art, or that they do not disclose each and every claim limitation. A patent owner may choose not to file a preliminary response because, by doing so, the patent owner is allowed more time to craft its arguments. While the petitioner could well have spent several months preparing the petition, the patent owner's preliminary response must be filed within three months.<sup>43</sup>

## 2. *PTAB Decision to Institute*

The first determination made by the PTAB is whether to institute a trial. The PTAB will make its decision no more than three months from the patent owner's preliminary response (if applicable) and no more than six months from the petition filing date. To institute an IPR, the petitioner must show there is a "reasonable likelihood" that at least one of the claims challenged in the petition is unpatentable.<sup>44</sup> The threshold to institute a CBM is slightly higher, requiring the petitioner to demonstrate it is "more likely than not" that at least one of the claims challenged is

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38. *Id.* §§ 42.107(b) (IPR), 42.207(b) (CBM and PGR).

39. *Id.* §§ 42.107(a) (IPR), 42.207(a) (CBM and PGR).

40. *Id.* § 42.24(b).

41. *Id.* § 42.107(c) (IPR), 42.207(c) (CBM and PGR).

42. See *ALA Progress Statistics—Graphical View and Subsets*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/stats/012215\\_aia\\_stat\\_graph.pdf](http://www.uspto.gov/ip/boards/bpai/stats/012215_aia_stat_graph.pdf) (last updated Jan. 22, 2014).

43. 37 C.F.R. §§ 42.107(b) (IPR), 42.207(b) (CBM and PGR) (2014).

44. *Id.* §§ 314(a)–(b).

unpatentable, in other words, a greater than 50 percent chance of prevailing.<sup>45</sup>

To ensure fast and inexpensive patent validity resolutions relative to district court litigation, the statute requires the PTAB to issue a final written decision no more than twelve months from its decision to institute.<sup>46</sup> The AIA provides flexibility to extend the twelve-month deadline by up to six additional months “for good cause shown” or in the case of joinder.<sup>47</sup> The PTAB enters an initial scheduling order concurrent with the decision to institute, and all deadlines are subject to the order.<sup>48</sup> Any objection to evidence that was submitted prior to the PTAB decision to institute must be served within ten business days from the decision to institute.<sup>49</sup> The decision to institute begins a three-month patent owner discovery period, allowing the patent owner to depose the petitioner’s declarants.<sup>50</sup>

### 3. *Patent Owner Response and Motions; Petitioner Reply and Oppositions; Oral Hearing*

In the three months following the decision to institute, the patent owner may file a response to the petition, limited to sixty pages,<sup>51</sup> addressing grounds for unpatentability not already denied in a preliminary response.<sup>52</sup> The patent owner can accompany its response with a motion to amend the claims, but only after first conferring with the PTAB.<sup>53</sup> The patent owner’s motion to amend is limited to fifteen pages<sup>54</sup> and must include a claim chart that clearly shows the amendments and citations to the original patent disclosure.<sup>55</sup> The patent owner’s response filing ends the three-month patent owner discovery period and begins a three-month

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45. *Id.* § 324(a).

46. *Id.* §§ 316(a)(11) (IPR), 326(a)(11) (CBM and PGR).

47. *See id.* §§ 316(a)(11), 326(a)(11) (providing that the PTAB “may, for good cause shown, extend the one-year period [for resolving an IPR, PGR, or CBA review] by not more than six months, and may adjust the time periods . . . in the case of joinder”).

48. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

49. 37 C.F.R. § 42.64(b)(1) (2014).

50. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757–58 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

51. 37 C.F.R. § 42.24(b) (2014).

52. *Id.* §§ 42.120 (IPR), 42.220 (CBM and PGR).

53. *Id.* §§ 42.121(a) (IPR), 42.221(a) (CBM and PGR).

54. *Id.* § 42.24(a)(1)(v).

55. *Id.* §§ 42.121(b) (IPR), 42.221(b) (CBM and PGR).



petitioner discovery period, allowing the petitioner to depose the patent owner's declarants.<sup>56</sup>

After the patent owner response, the petitioner may file a reply within three months, and oppose the motion to amend (if applicable).<sup>57</sup> The petitioner's reply and opposition are each limited to fifteen pages, with the opposition to amendment limited to the same number of pages as the patent owner's motion to amend.<sup>58</sup> If the patent owner relied on new declaration evidence to support its claim amendments, the petitioner may depose those declarants and submit all deposition observations in a statement not to exceed one short paragraph.<sup>59</sup> Upon receipt of the petitioner's reply, the three-month petitioner discovery period ends and another one-month patent owner discovery period begins.<sup>60</sup>

Before this final one-month discovery period ends, the patent owner may file a reply to the petitioner's opposition; however, the reply must only respond to arguments raised in the opposition and cannot introduce new issues or evidence.<sup>61</sup> If a patent owner reply to the opposition is filed, this ends the one-month patent owner discovery period.<sup>62</sup> After all motions have been filed, the parties may request an oral argument before the PTAB.<sup>63</sup> During oral argument, each party will present their position to at least three members of the PTAB. The petitioner generally argues first, followed by the patent owner, and ending with the petitioner's rebuttal.<sup>64</sup>

The end of motion filing also ends the discovery period.<sup>65</sup> Admissibility of evidence in the proceedings is generally governed by the Federal Rules of Evidence.<sup>66</sup> The parties may object to evidence during a deposition, within ten days from trial institution for evidence submitted in the petition or preliminary response, and for evidence submitted after trial

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56. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757–58 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

57. *See id.* at 48,769.

58. 37 C.F.R. §§ 42.24(b)(3)–(c)(1) (2014).

59. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,768–69.

60. *See id.* at 48,757–58.

61. 37 C.F.R. §§ 42.23 (IPR), 42.220 (CBM and PGR) (2014).

62. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,758

63. 37 C.F.R. § 42.70(a) (2014).

64. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

65. *Id.*

66. 37 C.F.R. § 42.62(a) (2014).

is instituted the objection must be made within five days from the date upon which it is served.<sup>67</sup>

4. *PTAB Final Written Decision and Request for Rehearing*

When a trial has been instituted and the case proceeds to a final written decision, the PTAB will issue its decision within one year from the decision to institute.<sup>68</sup> This deadline may be extended by up to six months for good cause or in the case of joinder,<sup>69</sup> yet the PTAB strictly adheres to the one-year statutory deadline because district courts often stay litigation pending the AIA trial outcome because of the short deadline. The petitioner and patent owner may choose to terminate the proceeding by filing a written agreement, and settling the case, unless the PTAB has already decided the merits of the proceeding.<sup>70</sup> Strong policy reasons favor settlement and the PTAB may require a settlement discussion as part of the proceeding.<sup>71</sup>

A party dissatisfied with the final written decision may file a request for rehearing within thirty days.<sup>72</sup> The requesting party has the burden to show that the decision should be modified and must “specifically identify” all matters believed to have been “misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.”<sup>73</sup> A request for rehearing is decided approximately one month after receipt, unless there is a need for additional briefing by the opposing party.<sup>74</sup> After the PTAB issues its final written decision, and the time for appeal has expired or any appeal has terminated, the PTO will issue a certificate canceling or confirming the claims at issue, or incorporating any claims amendment.<sup>75</sup>

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67. *Id.* §§ 42.64(a)–(b).

68. *Id.* § 42.100(c); *see also* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,768.

69. 37 C.F.R. § 42.100(c) (2014); *see also* 35 U.S.C. § 326(a)(11) (2012).

70. 35 U.S.C. §§ 317, 327 (2012).

71. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

72. 37 C.F.R. § 42.71(d) (2014).

73. *Id.*

74. Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,768.

75. 37 C.F.R. § 42.80 (2014).

## II. PTAB TRIAL PRACTICES, PUBLIC COMMENTS, AND PTO RESPONSES

As part of the rulemaking process, the PTO published a series of proposed rules for the new review proceedings.<sup>76</sup> The PTO also published a Patent Trial Practice Guide and asked for public comments.<sup>77</sup> During the comment period, the PTO hosted a series of public roadshows across the country to present its AIA implementation.<sup>78</sup> In response to the proposed rules, Patent Trial Practice Guide, and AIA roadshows, the PTO received 251 public comments.<sup>79</sup> The comments raised over 124 issues, with the most common complaints relating to (1) presenting successful arguments within the strict page limitations, (2) limited discovery, and (3) the near impossibility of amending claims during a proceeding. This Section describes the relevant rules and trial practices, and then summarizes the public comments, PTO responses, and resulting modifications to the proposed rules.

### A. PAGE LIMITS

Practitioners lamented their inability to make successful arguments, especially in complex cases, given the short page limits. The PTO responded by loosening the proposed rules, effectively increasing the page space allotted for arguments. In the most recent PTO announcement, the rules were modified to nearly double the number of pages for a motion to amend and the petitioner's reply brief. Under the AIA, parties may also file a motion to waive page limits if the additional pages are found necessary in the "interest of justice."<sup>80</sup> The PTAB has narrowly applied the interest-of-justice standard, and denied most motions to waive page limits,

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76. See Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. §§ 42, 90); Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42).

77. See Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. § 42).

78. See *AIA Roadshow*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/aia\\_implementation/roadshow.jsp](http://www.uspto.gov/aia_implementation/roadshow.jsp) (last visited Feb. 2, 2015).

79. See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,680, 48,681 (Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

80. 37 C.F.R. § 42.24(a)(2) (2014).

but at the same time approving alternative means for circumventing page limitations.<sup>81</sup>

1. *USPTO Rulemaking and PTAB Practices*

AIA petitions, responses, motions, oppositions, and replies are subject to strict page limits to streamline the proceedings.<sup>82</sup> The PTAB requires a minimum fourteen-point font,<sup>83</sup> double spacing (except in claim charts), and one inch margins.<sup>84</sup> IPR petitions are limited to sixty pages, CBM and PGR petitions are limited to eighty pages, and motions are limited to fifteen pages, except for motions to amend, which were expanded to twenty-five pages.<sup>85</sup> The patent owner preliminary response and response (post-institution) are limited to an equal number of pages as the corresponding petition, and oppositions are each limited to an equal number of pages as the corresponding motion.<sup>86</sup> A challenger's reply to the patent owner response was expanded from fifteen to twenty-five pages and replies to oppositions are limited to five pages.<sup>87</sup>

The PTO's rationale for strict limits is that allowing petitioners to file petitions without page limits would severely burden both the patent owner and the PTAB.<sup>88</sup> Lengthy petitions, without restrictions, could adversely affect the patent owner's ability to effectively respond to the challenges, and the PTAB's ability to timely complete the proceeding.<sup>89</sup> In the previous *inter partes* reexamination regime, the PTO did not impose a page limit—requests averaged 246 pages and the PTAB took, on average, thirty-eight months to make a decision.<sup>90</sup>

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81. See Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. 48,612, 48,635 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. §§ 1, 42, 90).

82. See 37 C.F.R. § 42.24 (2014).

83. *Id.* § 42.6(a)(2)(ii)(A).

84. *Id.* § 42.6(a)(2)(iii).

85. *Id.* § 42.24(a); see Director's Forum, *PTAB's Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, U.S. PATENT & TRADEMARK OFFICE (Mar. 27, 2015, 10:18 AM), <http://www.uspto.gov/blog/>.

86. *Id.* § 42.24(b).

87. *Id.* § 42.24(c); see Director's Forum, *PTAB's Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, U.S. PATENT & TRADEMARK OFFICE (Mar. 27, 2015, 10:18 AM), <http://www.uspto.gov/blog/>.

88. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

89. See *id.* at 48,763.

90. Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. 48,612, 48,634 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. §§ 1, 42, 90).

Based on its reexamination experience, the PTO found that where it imposed page limits, the reexamination proceedings concluded in an average of nine months.<sup>91</sup> According to the PTAB, the page limits assist in effectively managing the proceeding without being unduly restrictive on the parties.<sup>92</sup> The PTO also provided examples of federal court procedures using page limits to manage motions practice, even in complex patent cases.<sup>93</sup>

Petitioners first attempted to sidestep the page limits by including citations to appended expert reports, effectively allowing the lengthy expert declarations to include all of the challenger's arguments, while staying within the petition's sixty-page limit.<sup>94</sup> The PTAB denied several petitions for noncompliance with the page limit because the petitioner's arguments were not contained within the petition.<sup>95</sup> The PTAB denied one such petition that cited primarily to an expert declaration for failing to contain a "full statement of the reasons for the relief requested, including a

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91. See *FY 2011 Performance Measures*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/stats/perform/FY\\_2011\\_Performance.jsp](http://www.uspto.gov/ip/boards/bpai/stats/perform/FY_2011_Performance.jsp) (last modified Sept. 14, 2012).

92. See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

93. *Id.*; see also *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994) ("Attorneys who cannot discipline themselves to write concisely are not effective advocates, and they do a disservice not only to the courts but also to their clients."); *Blackboard, Inc. v. Desire2Learn, Inc.*, 521 F. Supp. 2d 575, 576 (E.D. Tex. 2007) ("[The parties] seem to share the misconception, popular in some circles, that motion practice exists to require Federal judges to shovel through steaming mounds of pleonastic arguments in Herculean effort to uncover a hidden gem of logic that will ineluctably compel a favorable ruling. Nothing could be further from the truth."); *Broadwater v. Heidtman Steel Prods., Inc.*, 182 F. Supp. 2d 705, 710 (S.D. Ill. 2002) ("Counsel are strongly advised, in the future, to not ask this Court for leave to file any memoranda (supporting or opposing dispositive motions) *longer than 15 pages*. The Court has handled complicated patent cases and employment discrimination cases in which the parties were able to limit their briefs supporting and opposing summary judgment to 10 or 15 pages.").

94. See Matthew Cutler, *PTAB Getting Tough on Petitions Seeking to Circumvent Page Limits*, HARNESS DICKEY IP LAW BLOG, <http://blog.hdp.com/interpartesreview/ptab-getting-tough-on-petitions-seeking-to-circumvent-page-limit/> (last updated Oct. 15, 2014).

95. See 35 U.S.C. § 312(a)(3) (2012) ("A petition filed under section 311 may be considered only if . . . (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim . . ."); see, e.g., *Cisco Systems, Inc. v. C-Cation Techs., L.L.C.*, IPR2014-00454, 2014 WL 4352301, Paper No. 12, at \*10 (P.T.A.B. Aug. 29, 2014) ("[W]e will not consider arguments that are not made in the Petition, but are instead incorporated by reference to the cited paragraphs and claims charts of [the] Declaration.").

detailed explanation of the significance of the evidence” as required under 37 C.F.R. § 42.22(a)(2).<sup>96</sup> This petition cited to a 287-page expert declaration that itself cited to an appended 1,003-page single-spaced claim chart.<sup>97</sup> The PTAB declined to consider arguments or information contained in the declaration that was not also sufficiently discussed in the petition.<sup>98</sup>

## 2. *Public Comments and PTO Responses*

The PTAB continued its hard stance on page limits, yet at the same time recognized that minor revisions to the rules could ease the burden on practitioners. In response to public comments that the page limits were too strict, the PTO revised its proposed rules to provide flexibility: it no longer requires a statement of material fact in briefing<sup>99</sup> and no longer requires double spacing in claim charts.<sup>100</sup> The statement of material facts is now optional in a petition or motion, allowing a party to choose whether to include materials facts with citations or allocate that same page space for arguments.<sup>101</sup> In addition, the March 27, 2015 announcement nearly doubled the page limits for a motion to amend and the petitioner’s reply.<sup>102</sup>

Several public comments suggested that the page limits should be based on the complexity of the proceeding, such as the number of claims challenged, the number of grounds raised, or the number of proposed rejections in a petition.<sup>103</sup> The PTO disagreed, responding that allowing additional pages because additional claims are added to a petition would eviscerate the rule, and impair its ability to conclude proceedings within the statutory timeline.<sup>104</sup> Nevertheless, the availability of a motion to waive

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96. *See* Fidelity Nat’l Info. Servs., Inc. v. DataTreasury Corp., IPR2014-00489, 2014 WL 40559220, Paper No. 9 (P.T.A.B. Aug. 13, 2014) (internal quotation marks omitted).

97. *Id.*

98. *Id.*

99. 37 C.F.R. § 42.22 (2014).

100. *Id.* § 42.6(a)(2)(iii); *see also* Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. 48,612, 48,634 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. §§ 1, 42, 90).

101. 37 C.F.R. § 42.22(c) (2014) (stating that a petition or motion *may* include a statement of material fact).

102. *See* Director’s Forum, *PTAB’s Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, U.S. PATENT & TRADEMARK OFFICE (Mar. 27, 2015, 10:18 AM), <http://www.uspto.gov/blog/>.

103. Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. 48,612, 48,635.

104. *Id.*

page limits, as provided by statute, was thought to offer practitioners with the page flexibility demanded by complex cases.<sup>105</sup>

A petition to institute “must comply with the stated page limits but may be accompanied by a motion to waive the page limits.”<sup>106</sup> In the motion, the petitioner must demonstrate how a waiver of the page limits meets the strict “‘interests of justice’ standard, which is a higher standard than merely showing ‘good cause.’”<sup>107</sup> The challenger files two petitions with the motion to waive the page limits; the first petition must meet the page limit and the second petition may exceed the limit. If the PTAB denies the motion, the petition exceeding the page limit may be expunged or returned, and the petition complying with the page limits will be entered.<sup>108</sup> During the proceedings, any other motion to waive page limits must be granted by the PTAB in advance of filing the applicable motion, opposition, or reply.<sup>109</sup>

The PTAB has been reluctant to grant page limit waivers, requiring extraordinary reasons to make an exception. The PTAB warned that “[t]his higher standard means that exceptions to the page limits will not be commonly granted for broad or generic reasons.”<sup>110</sup> For example, in a recent IPR motion to waive page limits on its petition, the challenger, Illumina, argued that the extra pages were needed to present non-cumulative grounds for unpatentability.<sup>111</sup> After finding that Illumina did not provide a sufficient basis for the requested relief, the PTAB denied the motion and excluded the proposed petition that was over the sixty-page limit.<sup>112</sup> The PTAB noted that Illumina’s motion lacked “supporting evidence or explanation” for why its arguments could not sufficiently have

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105. *Id.*

106. 37 C.F.R. § 42.24(a)(2) (2014).

107. Michael Tierney, *Tips for Filing Petitions and Making Successful Arguments Before the Patent Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFFICE (Feb. 25, 2013, 2:50 PM), [http://www.uspto.gov/blog/aia/entry/message\\_from\\_michael\\_tierney\\_lead/](http://www.uspto.gov/blog/aia/entry/message_from_michael_tierney_lead/).

108. *Id.*

109. 37 C.F.R. § 42.24(a)(2) (2014).

110. Michael Tierney, *Tips for Filing Petitions and Making Successful Arguments Before the Patent Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFFICE (Feb. 25, 2013, 2:50 PM), [http://www.uspto.gov/blog/aia/entry/message\\_from\\_michael\\_tierney\\_lead/](http://www.uspto.gov/blog/aia/entry/message_from_michael_tierney_lead/).

111. *Illumina v. Trustees of Columbia Univ.*, IPR2012-00006, Paper No. 12, at \*2 (P.T.A.B. Nov. 9, 2012).

112. *Id.* at \*3 (“It is not the Board’s role to compare the Illumina petition with its proposed petition and attempt to figure out if the Illumina request for waiver of the page limit is in the interests of justice. Instead Illumina has the burden of establishing why it is entitled to the relief sought, 37 CFR 42.20(c).”).

been explained within the sixty-page limit.<sup>113</sup> The PTAB's strict adherence to page limits teaches that practitioners must clearly demonstrate why the waiver is necessary, or if they cannot, they should look to alternative means for circumventing the page limits.

The PTAB has provided guidance on adhering to the strict page limits in complex cases. First, if the challenge involves a large number of claims, the challenger should consider "filing multiple petitions directed to subsets of related claims."<sup>114</sup> The PTAB has granted a pair of petitions directed to different subsets of claims of the same patent filed by the same petitioner.<sup>115</sup> Second, a challenger may file multiple petitions directed to the same claims, but focused on different grounds for unpatentability.<sup>116</sup> This practice has become increasingly popular, especially in CBM, therein allowing a petitioner to assert additional prior art against the same claims. The PTAB has granted, at least in part, multiple petitions for CBM directed at the same claims.<sup>117</sup> The patent claims were identical in each pair and the petitioner divided prior art references among the multiple petitions directed at the same claims.

Page or word limits allow the PTAB to make the one-year statutory deadline. PTO reexamination and federal court experience shows that the PTAB's page limits help streamline its proceedings, focusing arguments on the most critical patentability issues. While practitioners have experienced pains in making complex arguments within the strict page limits, the PTO has responded by modifying the rules and recommended alternative filing strategies that provide practitioners with more page space and more petitions in which to make successful arguments.

## B. LIMITED DISCOVERY

The short statutory timeline for AIA proceedings mandates limited discovery. Important differences in discovery practices exist between AIA

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113. *Id.* at \*2.

114. Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. 48,612, 48,634 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. §§ 1, 42, 90).

115. *See, e.g.*, *Innolux Corp. v. Semiconductor Energy Lab. Co., Ltd.*, IPR2013-00064, 2013 WL 8595544, Paper No. 11 (P.T.A.B. Apr. 30, 2013).

116. *See* Rules of Practice for Trials Before the PTAB and Judicial Review of PTAB Decisions, 77 Fed. Reg. at 48,635.

117. *See* *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00002, 2013 WL 6665053, Paper No. 10 (P.T.A.B. Jan. 25, 2013) (challenging U.S. Patent No. 6,064,970, claims 1 and 3-18); *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00004, 2013 WL 6665056, Paper No. 10 (P.T.A.B. Jan. 25, 2013) (challenging U.S. Patent No. 6,064,970, claims 1 and 3-18).



trials and district court litigation. The PTAB has published representative decisions and orders, and offered guidance in the form of an AIA blog that provides practitioners with insight into additional discovery at the PTAB.

1. *PTO Rulemaking and PTAB Practices: Routine and Additional Discovery*

The AIA created the PTAB trials as a cost-effective alternative to district court litigation, but also considered the PTO's ability "to timely complete the proceedings instituted," consistent with legislative intent and public policy.<sup>118</sup> During PTAB proceedings, parties participate in discovery resembling that of an Article III court; however, the Federal Rules of Civil Procedure ("FRCP") do not apply at the PTAB.<sup>119</sup> Limited discovery relative to district court serves to "low[er] costs, minim[ize] complexity, and short[en] the time period for dispute resolution."<sup>120</sup> Each party has specified time periods to conduct meaningful discovery before submitting motions and oppositions during the proceeding.<sup>121</sup>

The statute provides for discovery of relevant evidence, but relevant evidence in an IPR is "limited to the deposition of witnesses submitting affidavits or declarations and what is otherwise necessary in the interest of justice."<sup>122</sup> In CBM and PGR, relevant evidence is "limited to evidence directly related to factual assertions advanced by either party in the proceeding."<sup>123</sup> The PTO interpretation of these provisions resulted in three categories of discovery during PTAB reviews: (1) mandatory initial disclosures, (2) routine discovery, and (3) additional discovery.<sup>124</sup>

a) Mandatory Initial Disclosures

Mandatory initial disclosures are similar to FRCP 26 initial disclosures in civil litigation, allowing parties to agree to submit disclosures before institution of the trial and, upon institution of the trial, to automatically

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118. See 35 U.S.C. §§ 316(b), 326(b) (2012).

119. See BlackBerry Corp. et al. v. Wi-Lan USA Inc., IPR2013-00126, Paper No. 15 at \*2 (P.T.A.B. Aug. 19, 2013).

120. Jacqueline Bonilla & Sheridan Snedden, *Routine and Additional Discovery in AIA Trial Proceedings: What Is the Difference?*, U.S. PATENT & TRADEMARK OFFICE (Sept. 30, 2014, 10:01 AM), [http://www.uspto.gov/blog/aia/entry/message\\_from\\_administrative\\_patent\\_judges](http://www.uspto.gov/blog/aia/entry/message_from_administrative_patent_judges).

121. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,761 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42).

122. See 35 U.S.C. §§ 316(a)(5)(A)–(B) (2012).

123. *Id.* § 326(a)(5).

124. See 37 C.F.R. § 42.51 (2014).

take discovery of the information identified in the initial disclosures.<sup>125</sup> As routine and additional discovery have become the most common categories in practice, mandatory initial disclosures will not be addressed in this Note.

b) Routine Discovery

Because parties have a burden to provide routine discovery to the other side, it does not require a motion or prior authorization from the PTAB.<sup>126</sup> Routine discovery includes three types of information: (1) “any exhibit cited in a paper or in testimony,” (2) “cross examination of affidavit testimony,” and (3) “relevant information that is inconsistent with a position advanced by a party.”<sup>127</sup>

The first type requires a party to serve cited exhibits at the same time it serves a paper or testimony citing them,<sup>128</sup> but it has its limitations. Even though exhibits cited in a paper or testimony must be produced, there is no requirement for the parties to provide uncited material that a witness relied on or considered when preparing the paper or testimony.<sup>129</sup> The second category requires a party relying on expert witness testimony by declaration or affidavit to make that witness available for cross-examination.<sup>130</sup> The third type of routine discovery relates to information inconsistent with a position advanced.<sup>131</sup> The third category also has limitations—it does not make discoverable anything protected by privilege<sup>132</sup> and is “narrowly directed to specific information known to the responding party to be inconsistent with a position advanced by that party in the proceeding.”<sup>133</sup> This category does not allow broad discovery requests to be used to uncover inconsistent information.<sup>134</sup> In *Garmin International Inc. v. Cuozzo Speed Technologies, L.L.C.*, a case designated by the PTAB as representative for discovery practice, the PTAB rejected a

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125. *See id.* § 42.51(a).

126. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,761 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. § 42); *see also* BlackBerry Corp. v. Wi-Lan USA Inc., IPR2013-00126, Paper No. 15 at \*2 (P.T.A.B. Aug. 19, 2013).

127. 37 C.F.R. §§ 42.51(b)(1)(i)–(iii) (2014).

128. *Id.* § 42.51(b)(1)(i).

129. *See* BlackBerry, IPR2013-00126, Paper No. 15, at \*2.

130. *See* 37 C.F.R. § 42.51(b)(1)(ii) (2014); Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,761.

131. 37 C.F.R. § 42.51(b)(1)(iii) (2014).

132. *Id.*

133. *Garmin Int'l Inc. et al. v. Cuozzo Speed Techs. L.L.C.*, IPR2012-00001, Paper No. 26, at \*4 (P.T.A.B. Mar. 5, 2013).

134. *Id.*

routine discovery request because it “casts a wide net directed to broad classes of information which may not include anything inconsistent with positions taken by Garmin.”<sup>135</sup>

c) Additional Discovery

Due to limitations in routine discovery, the parties may agree to additional discovery or a party may move for additional discovery if the parties cannot reach an agreement.<sup>136</sup> In an IPR, the moving party must show that the additional discovery is necessary “in the interest of justice.”<sup>137</sup> This requirement is limited in scope compared to the “showing of good cause as to why the discovery is needed”<sup>138</sup> standard in CBM and PGR proceedings where additional discovery is already limited to evidence directly related to factual assertions advanced by either party.<sup>139</sup> The PTAB has sparingly granted additional discovery.

In *Garmin*, the PTAB outlined a five-factor test to determine whether additional discovery is merited under IPR’s “interest of justice” standard:<sup>140</sup> (1) the requested discovery should be more than a possibility and mere allegation, (2) requests must not be for discovering litigation positions and their underlying basis, (3) the requesting party should not have the ability to generate equivalent information by other means, (4) the request must be accompanied by easily understandable instructions, and (5) the requests must not be overly burdensome to answer.<sup>141</sup> Although the standard is lower in PGR and CBM, the same five factors are considered to determine whether additional discovery is necessary for “good cause.”<sup>142</sup>

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135. *Id.*

136. *See* 37 C.F.R. § 42.51(b)(2)(i) (2014).

137. *Id.* (creating the “interest of justice” requirement, with limited exceptions pertaining to post-grant review).

138. *Id.* § 42.224(a) (articulating the “good cause” standard).

139. *Compare* (“good cause” standard) *with id.* § 42.51(b)(2)(i) (“interest of justice” standard).

140. *See* *Garmin Int’l Inc. v. Cuozzo Speed Techs. L.L.C.*, IPR 2012-00001, Paper No. 26, at \*6–7 (P.T.A.B. Mar. 5, 2013) (reiterating the five factors described in Paper No. 20 at \*2–3).

141. *See id.*

142. *See* 37 C.F.R. §§ 42.51(b)(2)(i), 42.224 (2014); *see also* *Bloomberg Inc. v. Markets-Alert Pty Ltd.*, CBM2013-00005, 2013 WL 5947684, Paper No. 32, at \*3 (P.T.A.B. May 29, 2013) (“On balance, the interests of justice standard is a slightly higher standard than the good cause standard . . .”).

Under the “interest of justice” standard, the PTAB has granted only twenty-eight percent of motions for additional discovery.<sup>143</sup> The first *Garmin* factor is the most difficult to overcome—the PTAB routinely denies additional discovery because it is not persuaded that there is more than a possibility or mere allegation that the request would result in evidence.<sup>144</sup> In September 2014, the PTAB provided guidance on the first *Garmin* factor via an AIA blog post, clarifying that “the party requesting discovery already should be in possession of a threshold amount of evidence or reasoning tending to show beyond speculation that something useful will be uncovered.”<sup>145</sup> The PTAB also cited nine additional IPR and CBM representative decisions illustrating how the five *Garmin* factors are evaluated and weighed.<sup>146</sup> Nonetheless, the public commentary criticized the PTAB’s discovery practices as being too restrictive on movants and recommended change.<sup>147</sup>

## 2. PTO Public Comments and Responses: Routine and Additional Discovery

As practitioner concerns mounted regarding the PTAB’s wide discretion in denying additional discovery, the PTO sought public comment on discovery practices. The PTO asked the public if the five factors enumerated in *Garmin* are appropriate, and what additional factors, if any, should be considered.<sup>148</sup> Intellectual property and patent owner

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143. Matt Cutler, *Quick Look at a Granted Motion for Additional Discovery in IPR*, HARNESSING PATENT OFFICE LITIGATION (Oct. 30, 2014), <http://ipr-pgr.com/quick-look-at-a-granted-motion-for-additional-discovery-in-ipr/>.

144. *See, e.g.*, Square, Inc. v. REM Holdings 3, IPR2014-00312, Paper No. 23, at \*5 (P.T.A.B. Sept. 15, 2014) (“We are not persuaded that Patent Owner has shown more than a possibility or mere allegation that this type of request would result in evidence . . .”).

145. *See* Jacqueline Bonilla & Sheridan Snedden, *Routine and Additional Discovery in AIA Trial Proceedings: What Is the Difference?*, U.S. PATENT & TRADEMARK OFFICE (Sept. 30, 2014, 10:01 AM), [http://www.uspto.gov/blog/aia/entry/message\\_from\\_administrative\\_patent\\_judges/](http://www.uspto.gov/blog/aia/entry/message_from_administrative_patent_judges/).

146. *See id.*

147. *See, e.g.*, IPO, *Request for Comments on Trial Proceedings Under the American Invents Act*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/ipo\\_20140916.pdf](http://www.uspto.gov/ip/boards/bpai/ipo_20140916.pdf) (last visited Feb. 2, 2015) (noting it is unfair to require a patent owner to prove the existence of commercial success before being able to discover the evidence necessary to make out such a case).

148. *See* Request for Comments on Trial Proceedings Under the America Invents Act, 79 Fed. Reg. 36,476 (June 27, 2014).

organizations asked the PTAB to relax the first *Garmin* factor under certain conditions.<sup>149</sup>

When patentability is challenged on § 103 grounds as obvious in view of prior art, the patent owner must often obtain evidence relating to secondary considerations to rebut the challenge. Under *Graham v. John Deere Co. of Kansas City*, the obviousness analysis involves objective indicia, such as commercial success, unexpected results, and licensing.<sup>150</sup> The patent owner bears the burden to prove the existence of commercial success by showing the required nexus between the claimed invention and that commercial success.<sup>151</sup> However, this evidence may lie in the hands of the petitioner, who is often an accused infringer in related district court litigation and has possession of financial information, including product sales.<sup>152</sup> The PTAB's strict treatment of the first *Garmin* factor practically requires the patent owner to possess this information before authorizing discovery, when, in reality, it could be in the petitioner's sole possession.<sup>153</sup>

In these situations, patent owners argue that the first *Garmin* factor's burden is too high and should be relaxed to allow additional discovery when the petitioner is "reasonably likely" to possess secondary considerations of nonobviousness.<sup>154</sup> A similar recommendation would

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149. See, e.g., The American Bar Association ("ABA") Section of Intellectual Property Law, American Intellectual Property Law Association ("AIPLA"), and Intellectual Property Owners Association ("IPOA"), U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/public\\_comments\\_ptab\\_aia\\_trial\\_rfc.jsp](http://www.uspto.gov/ip/boards/bpai/public_comments_ptab_aia_trial_rfc.jsp) (last visited Feb. 2, 2015).

150. See *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17–18 (1966) ("Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.").

151. See *id.*

152. See *id.*

153. See *Schott Gemtron Corp. v. SSW Holding Co.*, IPR2013-00358, Paper No. 43, at \*4–7 (P.T.A.B. Feb. 14, 2014) (denying motion for additional discovery regarding commercial success because the request did not provide a threshold amount of evidence of sales allegedly amounting to commercial success, or any alleged nexus between the claimed invention and commercial success); *Microsoft Corp. v. Proxyconn, Inc.*, IPR2012-00026, 2013 WL 6327751, Paper No. 32, at \*5–6 (P.T.A.B. Mar. 8, 2013) (denying additional discovery relevant to commercial success, stating that while "a conclusive showing of a nexus is not necessary at this stage, some showing of relevance is necessary," particularly where the claimed feature "is itself not a product but one feature of a complex software product").

154. See, e.g., IPO, *Request for Comments on Trial Proceedings Under the American Invents Act*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/ipo\\_20140916.pdf](http://www.uspto.gov/ip/boards/bpai/ipo_20140916.pdf) (last visited Feb. 2, 2015) ("The PTAB should relax the first *Garmin* factor from 'more than a possibility and mere allegation' to 'a reasonable

allow discovery when there is “a reasonable basis that the non-moving party has evidence relevant to objective indicia of non-obviousness.”<sup>155</sup> A counterargument is that the first *Garmin* factor ensures the additional discovery is restricted to “particular limited situations, such as minor discovery that PTO finds to be routinely useful, or to discovery that is justified by the special circumstances of the case,” consistent with the AIA’s purpose.<sup>156</sup>

While the PTAB should and must be conservative in authorizing additional discovery, the fifth *Garmin* factor should serve as the safety valve to deny discovery when the request is overly burdensome. The fifth *Garmin* factor can be used to prevent fishing expeditions and ensure that any requests related to secondary considerations will be limited to documents actually in existence, short discovery timelines, and a limited number of products.<sup>157</sup> Modifying the first *Garmin* factor will allow the patent owner to obtain information relating to nonobviousness and offer a more reasonable opportunity to defend one’s patent against an obviousness challenge. The fifth *Garmin* factor should be used by the PTAB to protect parties from overly burdensome requests, ensuring fairness in discovery practices for both petitioner and patent owner throughout the proceeding.

### C. MOTIONS TO AMEND CLAIMS

Since their inception, the AIA reviews have been criticized for the patent owner’s inability to amend claims. Yet, the most recent representative order on motions to amend has incorporated public commentary to improve a practitioner’s ability to make successful arguments within the motion page limits.

#### 1. PTO Rulemaking and PTAB Practices: Motions to Amend Claims

The AIA allows patent owners one opportunity to amend claims by filing a motion to cancel a challenged claim and propose a substitute claim.<sup>158</sup> The proposed amendment is not granted automatically, but only upon the patent owner having demonstrated by a preponderance of the

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basis that the non-moving party has evidence relevant to objective indicia of non-obviousness.’”).

155. *See id.*

156. *See* 154 CONG. REC. S9988–89 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (arguing that limited “second-period” discovery would allow the PTO to meet its obligations).

157. *See* IPO, *Request for Comments on Trial Proceedings Under the American Invents Act*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/ipo\\_20140916.pdf](http://www.uspto.gov/ip/boards/bpai/ipo_20140916.pdf) (last accessed Feb. 2, 2015).

158. 35 U.S.C. §§ 316(d) (IPR), § 326(d) (CBM and PGR) (2012).

evidence that the proposed claims are patentable.<sup>159</sup> While the statute clarified that amendments cannot enlarge the scope of the claims,<sup>160</sup> Congress empowered the PTAB to establish the standards and procedures for granting a patent owner's motion to amend.<sup>161</sup> The PTAB's initial proposed rules provided little guidance, merely stating that a motion to amend may not be granted where the amendment does not respond to a ground of unpatentability involved in the trial or where the amendment enlarges the claim scope or introduces new matter.<sup>162</sup>

The PTAB provided some transparency by issuing a series of representative orders on motions to amend.<sup>163</sup> The first order, in *Nichia Corp. v. Emcore Corp.*, was issued in June 2013 and specified the level of written description support for proposing substitute claims.<sup>164</sup> The PTAB explained that the motion to amend must clearly identify the written description support for the proposed substitute claims and "set forth the support in the *original disclosure* of the patent for each proposed substitute claim."<sup>165</sup> The PTAB also specified the written description test as "whether the original disclosure of the application relied upon reasonably conveys to a person of ordinary skill [sic] in the art that the inventor had possession of the claimed subject matter as of the filing date."<sup>166</sup>

The second order, in *Idle Free Systems, Inc. v. Bergstrom, Inc.*, was also issued in June 2013. It set the standard for demonstrating the patentability of each proposed amended or substitute claim over the prior art.<sup>167</sup> The PTAB advised patent owners to specifically identify the feature(s) added to each substitute claim and to provide "technical facts and reasoning about those feature(s), including construction of new claim terms, sufficient to persuade the [PTAB] that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but

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159. *See id.* § 42.1(d) (noting that the "default evidentiary standard is a preponderance of the evidence").

160. *See* 35 U.S.C. § 316(d)(3) (2012); *see also* 37 C.F.R. § 42.121(a)(2)(ii) (2014) (implementing rules consistent with 35 U.S.C. § 316(d)(3)).

161. 35 U.S.C. §§ 316(a)(9) (IPR), 326(a)(9) (CBM and PGR) (2012).

162. 37 C.F.R. § 42.221 (2014).

163. *See Representative Orders, Decisions, and Notices*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/representative\\_orders\\_and\\_opinions.jsp](http://www.uspto.gov/ip/boards/bpai/representative_orders_and_opinions.jsp) (last visited Feb. 2, 2015).

164. *See Nichia Corp. v. Emcore Corp.*, IPR2012-00005, 2013 WL 8352845, Paper No. 27 (P.T.A.B. June 3, 2013).

165. *Id.* at \*3 (emphasis in original) (citing 37 C.F.R. §42.121(b)(1) (2014)).

166. *Id.*

167. *See Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, 2013 WL 5947697, Paper No. 26 (P.T.A.B. June 11, 2013).

known to the patent owner.”<sup>168</sup> The patent owner should present “the specific technical disclosure of the closest prior art known to the patent owner, and not just a conclusory remark that no prior art known to the patent owner renders obvious the proposed substitute claims.”<sup>169</sup> In January 2014, the PTAB’s resulting final written decision in *Idle Free* issued, with a clarification that the patent owner is “not assumed to be aware of every item of prior art presumed to be known to a hypothetical person of ordinary skill in the art,” but rather is expected to “set forth what it does know about the level of ordinary skill in the art, and what was previously known, regarding each feature it relies and focuses on for establishing patentability of its proposed substitute claims.”<sup>170</sup>

The “all prior art known” requirement raised concerns among practitioners, who assumed it required the patent owner to find all relevant prior art; however, these concerns were downplayed at a February 2014 Patent Public Advisory Committee meeting by Administrative Patent Judge J. Lee.<sup>171</sup> His response was simple, in theory: “[a]ll the patent owner needs to tell us is what the patent owner itself does know and what it does know about the level of ordinary skill.”<sup>172</sup>

Finally, in May 2014, the PTAB granted-in-part a motion to amend in *International Flavors & Fragrances Inc. v. United States* and the final written decision was designated as an informative decision on a successful motion to amend claims.<sup>173</sup> The U.S. government, the patent owner, did not file any response to the challenger’s petition but only filed a motion to cancel and amend the patent claims and proposed nineteen substitute claims.<sup>174</sup> In the motion, the patent owner provided several publications, as well as an expert declaration, to demonstrate the level of ordinary skill in the art and the patentability of the features in the proposed substitute

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168. *Id.* at \*7.

169. *Id.*

170. *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, 2014 WL 824156, Paper No. 66, at \*33 (P.T.A.B. Jan. 7, 2014).

171. *See Patent Public Advisory Committee Meeting*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/about/advisory/ppac/ppac\\_transcript\\_20140212.pdf](http://www.uspto.gov/about/advisory/ppac/ppac_transcript_20140212.pdf) (last visited Feb. 2, 2015).

172. *Id.*

173. *Int’l Flavors & Fragrances Inc. v. United States*, IPR2013-00124, 2014 WL 2120542, Paper No. 12 (P.T.A.B. May 20, 2014); *see Representative Orders, Decisions, and Notices*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/ip/boards/bpai/representative\\_orders\\_and\\_opinions.jsp](http://www.uspto.gov/ip/boards/bpai/representative_orders_and_opinions.jsp) (last visited Feb. 2, 2015).

174. *Int’l Flavors & Fragrances Inc.*, IPR2013-00124, 2014 WL 2120542, Paper No. 12, at \*2.



claims.<sup>175</sup> The petitioner did not file an opposition to the motion to amend, and the PTAB concluded that the patent owner had shown, by a preponderance of the evidence, that all but one of the substitute claims were patentable over the prior art.<sup>176</sup> It was thought that amendments during AIA trials would become more frequent after *International Fragrances*, yet practitioners continue to feel a successful motion is out of reach.

## 2. Public Comments and PTO Responses: Motions to Amend Claims

The PTO, perhaps realizing that the PTAB had been strictly denying the patent owners' motions to amend claims, published a blog post in May 2014 offering guidance on making a successful claim amendment.<sup>177</sup> A few weeks later, the PTO requested suggestions for changing the PTAB's approach to amendments, signaling an acknowledgement that some corrections to amendment procedures may be necessary to balance the rapid nature of these proceedings.<sup>178</sup>

The blog post summarized and further explained guidance provided in the prior representative orders.<sup>179</sup> The PTAB noted that to successfully amend claims, given that the PTAB conducts no prior art search and performs no examination:

[T]he patent owner should explain why the claim feature added by amendment, in combination with all the other features of the claim, would not have been obvious to a person of ordinary skill in the art at the time of the invention, in light of the knowledge and skill level of the person of ordinary skill in the art.<sup>180</sup>

The PTAB clarified that the patent owner need not address each prior art reference known or in existence at the time of filing.<sup>181</sup> On a final note, the PTAB recommended that "a statement by the patent owner that the closest prior art it knows about was applied by the petitioner . . . can be

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175. *Id.* at \*12.

176. *Id.* at \*18.

177. See PTAB, *How to Make Successful Claim Amendments in an AIA Trial Proceeding*, U.S. PATENT & TRADEMARK OFFICE (May 5, 2014, 3:57 PM), [http://www.uspto.gov/blog/aia/entry/uspto\\_ptab\\_message\\_how\\_to/](http://www.uspto.gov/blog/aia/entry/uspto_ptab_message_how_to/).

178. *Cf.* Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36,474, 36,476 (June 27, 2014).

179. See PTAB, *How to Make Successful Claim Amendments in an AIA Trial Proceeding*, U.S. PATENT & TRADEMARK OFFICE (May 5, 2014, 3:57 PM), [http://www.uspto.gov/blog/aia/entry/uspto\\_ptab\\_message\\_how\\_to/](http://www.uspto.gov/blog/aia/entry/uspto_ptab_message_how_to/).

180. *Id.*

181. *Id.*

helpful if the supporting basis is explained in and established by the motion to amend.”<sup>182</sup>

The PTO received numerous comments in response to this question: “What modifications should be made to the PTAB’s practice regarding motions to amend?”<sup>183</sup> The strongest criticism came from organizations representing patent owners. One association responded that the patent owner’s burden to establish patentability over all prior art known to the patent owner, to discuss the level of ordinary skill in the art, and what would have been known by one of ordinary skill, all within the page limits, has effectively removed the ability to amend.<sup>184</sup>

Echoing those sentiments, other organizations commented that the “current 15-page limit is inadequate for patent owners to properly present a case” and recommended that the PTO modify the rules to expand the page limits (e.g., from fifteen to forty pages) and to allow the proposed amended claims to be included as an appendix, not counting toward any page limits.<sup>185</sup>

The PTAB appeared to follow practitioner recommendations by posting the latest representative order, in which the PTAB allowed the proposed claims to be included in an appendix.<sup>186</sup> In *Corning Optical Communications RF, L.L.C. v. PPC Broadband, Inc.*, the PTAB explained the requirements for the patent owner—specifically, that the substitute claim “should not eliminate any feature or element of the original patent claim which it is intended to replace” and that the motion must clearly

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182. *Id.*

183. *See* Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36,474, 36,476 (June 27, 2014); *see also* *Comments on Trial Proceedings Under the American Invents Act Before the Patent Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/page/comments-trial-proceedings-under-america-invents-act-patent-trial-and-appeal-board/> (last updated Oct. 16, 2014).

184. ABA, *Comments of the American Bar Association Section of Intellectual Property Law*, U.S. PATENT & TRADEMARK OFFICE (Oct. 16, 2014), [http://www.uspto.gov/ip/boards/bpai/aba\\_ipl\\_20141016.pdf](http://www.uspto.gov/ip/boards/bpai/aba_ipl_20141016.pdf).

185. AIPLA, *Response to the Request for Comments on Trial Proceedings Under the America Invents Act*, U.S. PATENT & TRADEMARK OFFICE (Oct. 16, 2014), [http://www.uspto.gov/ip/boards/bpai/aipla\\_20141016.pdf](http://www.uspto.gov/ip/boards/bpai/aipla_20141016.pdf); *see also* IPO, *Comments on Request for Comments on Trial Proceedings Under the American Invents Act*, U.S. PATENT & TRADEMARK OFFICE (Sept. 16, 2014), [http://www.uspto.gov/ip/boards/bpai/ipo\\_20140916.pdf](http://www.uspto.gov/ip/boards/bpai/ipo_20140916.pdf).

186. *See* *Corning Optical Communications RF, L.L.C. v. PPC Broadband, Inc.*, IPR2014-00441, Paper No. 19 (P.T.A.B. Oct. 30, 2014), *available at* [https://ptabtrials.uspto.gov/prweb/PRServlet/HcI5xOSeX\\_yQRYZAnTXXCg%5B%5B\\*!STANDARD?](https://ptabtrials.uspto.gov/prweb/PRServlet/HcI5xOSeX_yQRYZAnTXXCg%5B%5B*!STANDARD?)

show the changes to the claims, using brackets and underlining to indicate the deleted and inserted text.<sup>187</sup> The PTAB reminded the patent owner of the standards set forth in *Idle Free*—“the patent owner must show patentability over the prior art, in general, and not just over the references applied by the Petitioner.”<sup>188</sup> Most importantly, the PTAB recognized that page limits restrict the ability to make successful arguments in a motion to amend, and authorized the patent owner to attach its proposed substitute claims in an appendix that would not count toward the fifteen-page limit.<sup>189</sup>

Although the PTAB historically denied nearly every patent owner motion to amend, practitioners should be encouraged that more amendments will likely be granted post-*Corning*. The PTO’s March 2015 three-part plan to improve the AIA proceedings announced that the page limit for a motion to amend would be expanded, offering up to twenty-five pages to allow patent owners to adequately explain why the amended claims are patentable, along with the addition of a claims appendix as was introduced by *Corning*.<sup>190</sup> Now, with twenty-five pages and an appendix, the patent owner has been afforded more space to successfully argue for patentability in accordance with *Idle Free*.

### III. CONSTITUTIONAL, ADMINISTRATIVE, AND POLICY CONCERNS SURROUNDING THE AIA PROCEEDINGS

As Part II chronicled, the PTO and PTAB have confronted many challenges and criticisms in implementing the complex new review system, especially under tight timelines with an unexpectedly large number of petitions. The PTO has been responsive to criticisms to ensure procedural fairness and fidelity to legislative intent by providing guidance via representative orders and decisions, AIA roadshows, and AIA blogs. While scope and usage of this regime is unprecedented, it is not the first time that the PTO has implemented post-grant patent review proceedings. Patent owners faced comparable challenges when the PTO established patent reexamination several decades ago. This Part examines the legal framework that applies to PTO review proceedings, first by

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187. *Id.* at \*3.

188. *Id.* at \*4.

189. *Id.* at \*2.

190. See Director’s Forum, *PTAB’s Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, U.S. PATENT & TRADEMARK OFFICE (Mar. 27, 2015, 10:18 AM), <http://www.uspto.gov/blog/>.

analyzing AIA trials under constitutional due process, then by addressing PTO rulemaking under the Administrative Procedure Act (“APA”).

#### A. CONSTITUTIONAL CONCERNS

It is long established that patents are property receiving constitutional protection. The Constitution provides that the United States shall not deprive any person “of life, liberty, or *property*, without due process of law.”<sup>191</sup> Under 35 U.S.C. § 261, patent rights are assignable and “shall have the attributes of personal property.”<sup>192</sup> Moreover, the Supreme Court has affirmed “beyond reasonable debate” that patents are considered a property right within the meaning of the Due Process Clause.<sup>193</sup> To examine whether administrative action creates serious constitutional concerns, due process requires an individualized analysis of “the particular circumstances of the case.”<sup>194</sup> As defined by *Mathews v. Eldridge*, the “indispensable ingredients” of due process include: (1) notice, (2) an impartial decision maker, and (3) an opportunity for a meaningful hearing.<sup>195</sup> Courts have assessed due process in the context of both *inter partes* and *ex parte* reexamination proceedings, and these cases provide the basis for AIA review constitutionality.

##### 1. Ex Parte Reexamination

Nearly thirty years ago, *ex parte* reexamination was challenged on constitutional grounds in *Patlex I*<sup>196</sup> and *Patlex II*.<sup>197</sup> In *Patlex I*, the Federal Circuit considered whether certain provisions of the reexamination statute and implementing regulations were unconstitutional

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191. U.S. CONST. amend. V (emphasis added); *see also* U.S. CONST. amend. XIV (“[N]or shall any State deprive any person of life, liberty or property, without due process of law.”).

192. 35 U.S.C. § 261 (2012).

193. *Patlex Corp. v. Mossinghoff (Patlex I)*, 758 F.2d 594, 599 (Fed. Cir. 1985); *see also* Fla. Prepaid Postsec. Educ. Expense Bd. v. College Sav. Bank, 527 U.S. 627, 642 (1999) (“[Patents] are surely included within the ‘property’ of which no person may be deprived by a State without due process of law.”); *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.”).

194. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1327–28 (Fed. Cir. 2013) (citing *Patlex Corp. v. Mossinghoff (Patlex II)*, 771 F.2d 480, 485 (Fed. Cir. 1985)).

195. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1328 (Fed. Cir. 2013); *see also* *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976).

196. *Patlex I*, 758 F.2d at 598–99.

197. *Patlex II*, 771 F.2d at 481–82.

under the Fifth and Seventh Amendments.<sup>198</sup> While *Patlex I* focused on specific issues arising from the retroactive effect of reexamination for patents granted before enacting the statute, it also laid the foundation for applying a due process analysis to AIA post-grant reviews.

First, in accordance with the modern due process inquiry, the court addressed “whether the legislature used a rational approach to achieve a legitimate end.”<sup>199</sup> The reexamination statute allowed the PTO to regain administrative jurisdiction over a patent to remedy any defects in the initial examination and patent grant.<sup>200</sup> The purpose behind reexamination was to restore confidence in the patent system as part of a broader policy effort to reinvigorate the United States’ global competitiveness.<sup>201</sup> The reexamination benefits were threefold: (1) it could settle patent validity suits faster and less expensively than litigation, (2) patent validity questions could be referred to the PTO’s expertise, and (3) reexamination would reinforce confidence in the certainty of patent rights.<sup>202</sup> The court concluded that the overriding policy behind the reexamination statute was entitled to great weight in the due process analysis, and that Congress did not act in an irrational way to achieve its purpose by retroactively applying reexamination to issued patents.<sup>203</sup>

In *Patlex II*, the Federal Circuit denied rehearing on the issues affirmed in *Patlex I*, but granted the petition with regards to the patent owner’s challenges to procedures used during PTO reexamination.<sup>204</sup> These additional issues were not raised in *Patlex I* because the patent owner lacked standing; a decision regarding the regulation, at that time, would not have affected the patent owner’s situation.<sup>205</sup> But in *Patlex II*, the reexamination process was complete and the patent owner could now challenge the PTO’s rule that a patentee cannot participate during the threshold determination for granting reexamination.<sup>206</sup> Reexamination is unlike the AIA trials in this regard. In IPR and CBM, the patent owner is

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198. *Patlex I*, 758 F.2d at 598–99.

199. *Patlex I*, 758 F.2d at 601 (citing *Usery v. Turner Elkhorn*, 428 U.S. 1, 18–19 (1976)).

200. *Id.*

201. *Id.*

202. *Id.* at 602.

203. *Id.* at 603.

204. *Patlex II*, 771 F.2d at 481–82.

205. *Id.* at 482.

206. *Id.*

allowed to file a preliminary response to the challenger's petition before the PTAB issues its decision on whether to institute trial.<sup>207</sup>

Although Congress often defers to agencies to establish rules consistent with a statute, the regulations may be administered in a way that violates constitutional guarantees.<sup>208</sup> The decision to grant patent reexamination may affect property rights, and the question presented was whether the constitution requires patent owner participation.<sup>209</sup> The court conducted the *Mathews* test for due process in administrative procedures where initial agency action affects property rights by evaluating three factors: (1) the private interest that will be affected by the official action; (2) the risk of an erroneous deprivation of that interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and (3) the government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirements would entail.<sup>210</sup>

In addressing the private interest, the court referenced its prior discussion of property interests affected by patent reexamination in *Patlex I*—that patents are in fact property.<sup>211</sup> For the second factor, the Federal Circuit phrased the issue as “the impact of an erroneous decision to reexamine, made because the patentee was silenced during the initial determination.”<sup>212</sup> The court acknowledged that the PTO's expertise and a patent examiner's experience in making independent decisions are factors that should be given weight when considering the risk of an erroneous decision.<sup>213</sup> Finally, for the third factor, the PTO stated that it could not meet its three-month response timeline if the patent owner was allowed to participate. However, the court had no information on the cost for expanding the timeline and did not consider the elongated proceedings impossible to manage. Therefore, this factor was not given “controlling weight.”<sup>214</sup>

The court referenced the general rule that due process does not require a hearing at more than one point in an administrative proceeding,

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207. See 37 C.F.R. §§ 42.107(b) (IPR), 42.207(b) (CBM and PGR) (2012).

208. *Patlex II*, 771 F.2d at 482.

209. *Id.* at 483–84.

210. *Id.* (quoting *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976)).

211. *Id.* at 484–85.

212. *Id.* at 485.

213. *Id.*

214. *Id.*

as long as it is held before the decision becomes final.<sup>215</sup> After evaluating each factor, the court held that “[t]he weight of authority supports the conclusion that the patentee’s opportunity to participate after the threshold determination, and to appeal from final examiner and agency action, affords the patentee due process under the Fifth Amendment.”<sup>216</sup> The court found that the PTO provision excluding the patent owner from initial participation was “within tolerable limits” of the authority that Congress delegated to the PTO and did not violate due process.<sup>217</sup>

## 2. *Inter Partes Reexamination*

*Inter partes* reexamination, the predecessor to the IPR, was recently challenged on constitutional grounds in *Abbott Laboratories v. Cordis Corp.*<sup>218</sup> The Federal Circuit rejected due process arguments made in regard to the PTO’s practice to exclude subpoena documents or testimony from patent reexamination.<sup>219</sup> The court reasoned there was “no dispute that *inter partes* reexamination provides the patent owner with notice and an opportunity to be heard by a disinterested decision maker.”<sup>220</sup> Since the basic rights of notice and an opportunity to be heard were afforded, the court went on to determine what additional procedures due process guarantees.<sup>221</sup> After balancing the various interests at stake, the court held that because Congress specifically granted the PTO with authority to conduct reexamination, and that reexamination does not involve a patent ownership dispute where depositions are allowed, the need for extra controls in *inter partes* reexamination did not warrant a “serious constitutional problem.”<sup>222</sup>

Interestingly, the court in *Abbott* contrasted the new AIA legislation with *inter partes* reexamination, noting that one of the AIA reviews’ “touted improvements” over reexamination is that it allows for the limited use of depositions and authorizes discovery when in the interest of justice.<sup>223</sup> *Abbott* confirms that patent reexamination affords the patent owner notice and an opportunity to be heard by an uninterested decision

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215. *Id.* (quoting *Opp Cotton Mills, Inc. v. Administrator*, 312 U.S. 126, 152–53 (1941)).

216. *Id.* at 486.

217. *Id.*

218. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318 (Fed. Cir. 2013).

219. *Id.* at 1328.

220. *Id.*; see also *Patlex II*, 771 F.2d at 485–86 (noting that PTO determinations are made by “disinterested experts”).

221. *Abbott Labs.*, 710 F.3d at 1328.

222. *Id.* (internal quotation marks omitted).

223. See *id.* at 1326 (internal quotation marks omitted).

maker, and, because the new AIA trials similarly provide these due process ingredients, the constitutional analysis of the AIA proceedings should focus on any additional procedures that due process guarantees.

Over the past thirty-five years, the Federal Circuit has twice upheld PTO reexamination as constitutional.<sup>224</sup> The AIA proceedings must be distinguished from the previous regime to show a serious due process issue. While the new AIA trials are groundbreaking, they are based on reexamination proceedings and do not appear fundamentally different. Similar to reexamination, the new AIA reviews include notice and a meaningful hearing before an uninterested decision maker, and they allow for Article III judicial review of the administrative proceedings. Also, the AIA proceedings, like reexamination, do not give patents a presumption of validity and construe the claims using a broadest reasonable interpretation.

Due to the core similarities, a constitutional challenge to the AIA trials must show that additional procedures or safeguards are guaranteed by due process. The three most common practitioner complaints surveyed in Part II involved thorough administrative rule promulgation, including public notice, comment, and modifications. Because the AIA's purpose to create a more efficient process is entitled to great weight in the analysis, and an unfavorable final decision can be appealed, it is unlikely that these challenges rise to the level of due process violations.

#### B. ADMINISTRATIVE PROCEDURE ACT CONCERNS

The APA provides another view of AIA trial implementation. Congress charged the PTO with interpreting the AIA, where it designed the post-grant rules and established the PTAB trial procedures. In *Patlex I*, the Federal Circuit upheld the PTO's post-issuance jurisdiction over patents;<sup>225</sup> however, the question remains as to whether Congress intended the PTO to be given deference under administrative law principles to interpret the AIA statutes, promulgate rules, and speak with the force of law.

When establishing the AIA trials, the PTO must make its statutory interpretations in accordance with the APA. The *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.* standard is the means to determine

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224. See *Patlex Corp. v. Mossinghoff (Patlex I)*, 758 F.2d 594, 594 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992) (holding that reexamination proceedings did not deny patent owner of the right to a jury trial, to due process, or result in taking of property rights).

225. *Patlex I*, 758 F.2d at 604.



whether a hearing provided by statute, such as a post-grant review, requires formal or informal adjudication. In *Chevron*, the Supreme Court adopted a two-step process for reviewing an administrative agency's interpretation of a statute: (1) decide whether the statute is ambiguous, and (2) if so, determine whether the agency's construction is permissible.<sup>226</sup> In applying *Chevron* to the AIA, there is no need to proceed beyond the first step because there is little ambiguity in the post-grant review statutes.

The legislative history and statutory language intend the AIA post-grant reviews to be formal procedures. By “convert[ing] inter partes reexamination from an examinational to an adjudicative proceeding,”<sup>227</sup> Congress intended the AIA reviews to “take place in a court-like proceeding” where the patent challenger and patent owner may present evidence regarding the validity of a patent.<sup>228</sup> The statute expressly requires the PTO to provide for depositions, discovery, and oral arguments in AIA proceedings.<sup>229</sup> The AIA changed the name of the PTO review panel from the Patent Board of Appeals and Interferences to the Patent Trial and Appeal Board,<sup>230</sup> and the C.F.R. provisions that implement the AIA consistently refer to the AIA reviews as “trials.”<sup>231</sup> The express congressional grant of formal adjudicatory authority for post-grant validity review is “a very good indicator” of *Chevron* delegation, permitting the PTO to speak with the force of law.<sup>232</sup>

The PTO was granted specific and substantive rulemaking authority, and it was required to comply with APA procedures.<sup>233</sup> The AIA provided the PTO with the power to establish regulations. However, those regulations must be made in accordance with the notice-and-comment provision of the APA.<sup>234</sup> As discussed in Part I, the PTO published a series of proposed rules, requested public comments, and modified certain rules in response.<sup>235</sup> The AIA also authorizes the PTO post-grant review

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226. *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984).

227. H.R. REP. NO. 112-98, pt. 1, at 46–47 (2011).

228. *Id.* at 68.

229. *See* 35 U.S.C. §§ 316(a)(5), 316(a)(10), 326(a)(5), 326(a)(10) (2012).

230. *See id.* § 6.

231. *See, e.g.*, 37 C.F.R. 42.20(d) (2014) (“The Board may order briefing on any issue involved in the trial.”).

232. *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001).

233. *See* 35 U.S.C. § 2(b)(2) (2012).

234. *See id.* § 2(b)(2)(B) (requiring compliance with *id.* § 553).

235. *See, e.g.*, Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879

to decide novel or unsettled legal questions that are important to patents and patent applications.<sup>236</sup> Over the past thirty-five years, the Federal Circuit has upheld as within the scope of PTO authority a number of regulations governing *inter partes* and *ex parte* reexamination and interferences.<sup>237</sup> Given the PTO's statutory duty to grant patents<sup>238</sup> and disseminate information to the public,<sup>239</sup> rules that facilitate those duties are comfortably within the authority delegated by Congress.

The AIA's legislative history and statutory language explicitly redesign patent reexamination into a more formal adjudication process, the AIA reviews, and grant authority to the PTO to conduct the required rule-making. In designing these rules, the PTO is currently adhering to the APA notice and comment provision, and making revisions to its rules and practices to improve the balance between a fast and fair resolution of patent validity.

#### IV. CONCLUSION

In the two years since the AIA was enacted, PTAB trials have become the premier venue for challenging patents. The number of challenges has already surpassed all of those filed in its thirteen-year-old predecessor, *inter partes* reexamination, primarily due to the statutory promise of patent validity resolution within one year from trial institution. Congress authorized the PTO to design the AIA trial rules and procedures consistent with the AIA and APA. Thus far, the PTO has promulgated its rules in accordance with the notice-and-comment provisions of the APA, justifying its proposed rules where a change would compromise the statutory intent for a streamlined process, and modifying its rules based on practitioner criticism to balance the trial speed with a fair hearing. It is unlikely that the common practitioner complaints rise to a level that

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(proposed Feb. 9, 2012) (to be codified at 37 C.F.R. §§ 42, 90); Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42); Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. § 42).

236. See 35 U.S.C. § 324(b) (2012).

237. See, e.g., *Cooper Tech. v. Dudas*, 536 F.3d 1330, 1336–38 (Fed. Cir. 2008) (concluding the PTO had authority to interpret the term “original application” in statutory provision that established procedures for *inter partes* reexamination).

238. 35 U.S.C. § 2(a)(1) (2012).

239. *Id.* § 2(a)(2).

violates due process or the AIA. However, it remains to be seen whether the PTO can justify the AIA trial constitutionality based on reexamination precedent, or if the courts believe the AIA trials have become something new that requires taking a fresh look.

