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USPTO Issues New Rules for Patent Office Trials

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Completing a rule-making cycle that began last August, the United States Patent and Trademark Office ("USPTO") published a final set of rules for patent office trials, including *inter partes* reviews ("IPR"), post-grant reviews ("PGR") and covered business method ("CBM") reviews.¹ The rule changes address a number of issues, including the proper claim construction standard for patents approaching the end of their term and a patent owners ability to submit evidence in the form of expert testimony in a preliminary response. Some of these rules, which go into effect on May 2, 2016, have the potential to level the playing field that many patent owners believe is tilted against them. The specific rule changes, and the potential impact of these changes, are discussed below.

Claim Construction Standard

In patent office trials, the controlling standard for claim construction has been the "broadest reasonable interpretation" ("BRI") standard, which is the same standard used by the USPTO for *ex parte* examinations of patent applications. This standard, however, is different from—and broader than—the standard used in district court litigation, which is largely governed by the seminal case *Phillips v. AWH Corp.*,² and its progeny. There has been some concern that the differing claim construction standards—between patent office and district court litigation—can lead to conflicting results, with the broader BRI standard favoring petitioners challenging the validity of patents in patent office trials.

The rationale underlying the BRI standard is that patent owners have the ability to amend contested claims and thereby cure any issues of overbreadth that may arise under the BRI standard. As a practical matter, however, as noted in comments submitted during the rule making cycle, the ability to amend claims in post-grant trials is very limited, and for patents nearing the end of their patent term, is illusory. The USPTO was not persuaded that, in general, the high threshold for amending claims in post-grant trials justified changing the claim construction standard for all proceedings, but did agree that for patents nearing the end of their patent term, the BRI standard was no longer appropriate.

The USPTO has addressed this concern through an amendment to 37 C.F.R. §42.100, which now states that "a claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification...." For an "involved patent [that] will expire within 18 months from the entry of the Notice of Filing Date Accorded to the Petition," a party "may request a district court-type claim construction approach...." Either party can request a district court-type claim construction by filing a motion with the appropriate certification of patent term within thirty (30) days of the filing of the petition.

The availability of a potentially narrower claim construction may assist patent owners in preserving the validity of soon-to-expire patents. This could prove significant since a patent owner still has the ability to recover patent damages for a period of up to six (6) years preceding the filing of the complaint, even if the complaint is filed after the patent has expired, but cannot enforce a patent if it is found to be invalid during a patent office trial.

Patent Owner's Preliminary Response

Under the original rules of AIA patent office trials, a petitioner could support its petition with testimonial evidence from an expert in the form of expert declarations. In opposing the petition in a Preliminary Statement, however, a patent owner was generally precluded from submitting competing testimonial evidence, unless the evidence was pre-existing, such as from a prior or co-pending litigation. Consequently, in considering whether to institute a proceeding, the Patent Trial and Appeal Board (the "Board") typically would not have expert testimony from the patent owner to rebut the expert-supported positions taken by the petitioner. The new rules reduce this imbalance and now allow the patent owner to provide testimonial evidence in its pre-institution Preliminary Statement.

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Although the new rule provides an opportunity to present expert testimony, the petitioner still maintains numerous advantages in the pre-institution phase, including one advantage relevant to this rule change. Because the patent owner's declarant is not subject to cross-examination prior to institution and the petitioner is not given a reply as of right, the new rule provides that any "genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an inter partes review."³ As a result, if the testimonial evidence presented by the patent owner is found only to raise a genuine issue of material fact (*i.e.*, the testimonial evidence does not resolve an issue in the patent owner's favor) that evidence will not be sufficient to prevent trial from being instituted. The office did note that "the mere existence in the record of dueling expert testimony does not necessarily raise a genuine issue of material fact."⁴ Accordingly, the Board will need to evaluate the nature of the disputes between the parties' respective experts to determine whether there is a genuine issue of material fact or not in each instance.

Administrative Changes

In addition to the important substantive and procedural changes discussed above, there are also important administrative changes that are implemented by the new rules, including new provisions for sanctions against practitioners and parties to patent office trials and changes to the limits in certain papers from page limits to word-count limits.

Sanctions

Patent office rules have long imposed a duty of candor on applicants and practitioners before the office, including in patent office trials. The rules also establish that by signing a paper submitted to the office, the filer certifies that the statements in the submission are true—or if submitted on information and belief, were formed after a reasonable inquiry—and the paper is not being submitted for an improper purpose.⁵ Sanctions have been available against a party engaging in misconduct under §42.12, but there was no clear mechanism for invoking or imposing such sanctions.

The new rules add further teeth to the existing disciplinary and ethical provisions and now provide a vehicle similar to Fed. R. Civ. P. 11 ("Rule 11") for a party to move for sanctions against "any attorney, registered practitioner, or party that violated the rule or is responsible for the violation."⁶ The new rule expressly incorporates the standards under §11.18(b)(2) and §42.12. Similar to Rule 11, the new rule provides a twenty-one (21)-day period following receipt of a proposed motion for the party accused of misconduct to cure by withdrawing or correcting the challenged submission.⁷ In addition to the remedial sanctions already provided for in §42.12, the new rule expressly provides that "[i]f warranted, the Board may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion."⁸ The rule also allows the Board to issue an order to show cause on its own initiative if it identifies conduct that it believes is in violation of the rules.⁹

Page Count/Word Count

The new rules amend the length limits for petitions, oppositions and replies by changing the limits from page limits to word counts. Specifically, petitions for IPRs and derivation proceedings which were previously limited to sixty (60) pages now have a 14,000-word count limit, and petitions for post-grant review or covered business method patent review which were previously limited to eighty (80) pages now have an 18,700-word count limit. Oppositions have the same limits as the corresponding petitions. The word counts are directed to the substantive portions of the papers and exclude tables of authorities, tables of contents, statements of grounds for standing, mandatory notices and certificates. §42.24. The USPTO stated that these word count limits were intended to improve office efficiency. As a practical matter, the change should limit formatting games and other mechanisms sometimes used by parties in an effort to get over-length submissions to comply with prior page limits.

Conclusion

Post-grant patent office trials under the AIA have become very popular proceedings. Experience with these proceedings since their relatively recent adoption have uncovered a number of procedural and substantive shortcomings that many felt put patent owners at an undue disadvantage. The new rules implemented by the USPTO address some of these concerns

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while working to strike a balance intended to allow the Board to efficiently manage these proceedings to meet the statutory goal of completion of the proceedings within one year from institution.

1. See Federal Register published on 4/1/2016, [3510-16-P] at <http://federalregister.gov/a/2016-07381>
2. *Phillips v. AWH Corp.*, 415 F. 3d 1303 (Fed. Cir 2005)
3. 37 C.F.R. §42.108(c) [See also 42.208(c) for PGR].
4. *Mortgage Grader, Inc. v. First Choice Loan Servs.*, 2015-1415, 2016 WL 362415, at *8
5. See 37 C.F.R. §11.18(b).
6. 37 C.F.R. §42.11 (d).
7. 37 C.F.R. §42.11 (d)(2).
8. *Id.*
9. 37 C.F.R. §42.11 (d)(3).