



June 26, 2020

Vice Chief Administrative Patent Judge Michael Tierney
Mail Stop: Patent Board
Director of the U.S. Patent and Trademark Office
P.O. Box 1450,
Alexandria, VA 22313-1450

Via email: PTABNPRM2020@uspto.gov

Dear Vice Chief Judge Tierney:

Intellectual Property Owners Association (IPO) appreciates the opportunity to respond to the request for public comment on the USPTO's notice of proposed rulemaking relating to SAS Institute Inc. v. Iancu, 138 S. Ct. 1348 (2018) (SAS) published in the Federal Register on May 27, 2020.

IPO is an international trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO's membership includes 175 companies and close to 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members. IPO advocates for effective and affordable IP ownership rights and provides a wide array of services to members, including supporting member interests relating to legislative and international issues; analyzing current intellectual property issues; information and educational services; and disseminating information to the general public on the importance of intellectual property rights.

I. Conformation with SAS Institute

IPO supports the USPTO's proposed changes to the rules of practice for instituting review on all challenged claims or none in IPR, PGR, and CBM reviews in accordance with SAS. The USPTO proposes changes to the rules of practice for instituting a review on all grounds of unpatentability for the challenged claims that are asserted in a petition. Although IPO believes that the Supreme Court did not require the PTAB to institute review on all grounds of unpatentability raised in the petition, IPO understands that the USPTO has been treating SAS in that manner since issuance of its April 26, 2018 guidance on the impact of SAS on AIA trial proceedings. IPO believes that instituting on all challenged claims and all grounds of unpatentability presented in the petition, or denying the petition, is the most efficient course of action to fully address the parties' dispute before the PTAB, and to allow for district courts to apply any AIA estoppel in the most efficient manner during any subsequent, parallel litigation. Therefore, IPO supports the amended rule that requires the Board to either institute review on all of the challenged claims and grounds of unpatentability presented in the petition or deny the petition in all IPR, CBM, and PGR

1 https://www.govinfo.gov/content/pkg/FR-2020-05-27/pdf/2020-10131.pdf

2 https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-iaa-trial

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proceedings.

## **II. Providing Sur-replies**

IPO supports the USPTO's proposed amendments to the rules to conform to the current standard practice of providing sur-replies to principal briefs and providing that a patent owner response and reply may respond to a decision on institution. IPO believes that reply briefs allow the parties to better crystallize their arguments and allow the PTAB to more fully understand the parties' disputes.

## **III. Eliminating Presumption at Institution Favoring Petition on Testimonial Evidence**

The USPTO has proposed amending §§ 42.108(c) and 42.208(c) to delete the phrase "but a 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 [a] review." Under the proposed amendments, the second sentence in each of §§ 42.108(c) and 42.208(c) would state: "The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence." For the following reasons, IPO does not support these proposed amendments to §§ 42.108(c) and 42.208(c).

The standard for institution of an IPR petition is whether the "information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."<sup>3</sup> 35 U.S.C. § 314(a). Initially, the rules did not permit a patent owner to submit testimonial evidence with its preliminary response. The rules were amended in 2016<sup>4</sup> to permit new testimonial evidence with a preliminary response and to provide a presumption in favor of the petitioner for a general issue of material fact created by such testimonial evidence.<sup>5</sup> The proposed rule change eliminates the objective "genuine issue of material fact" standard and replaces it with no standard at all. The proposed amended rule essentially parrots the language of the statute and provides no additional guidance to the parties or the Board.

The time frame for the preliminary phase of an AIA proceeding does not allow generally for cross-examination of a declarant before institution as of right, nor for the petitioners to file a reply brief as of right. Because the petitioner has no opportunity to respond to the patent owner's testimonial evidence, the presumption favoring petitioners when the patent owner's evidence creates a genuine issue of material fact makes sense. Indeed, in the comments to the amendment permitting patent owners to present testimonial evidence with a preliminary response, the USPTO stated,

The Office understands the concern that a petition should not be denied based on testimony that supports a finding of fact in favor of the patent owner when the petitioner has not had an opportunity to cross-examine the declarant. For that reason, the Office will resolve a genuine issue of fact

<sup>3</sup> The standard for PGR's is "more likely than not." 35 U.S.C. § 324(a).

<sup>4</sup> 81 Fed. Reg. 18750 (April 1, 2016).

<sup>5</sup> 85 Fed. Reg. 31729 (May 27, 2020).

created by patent owner's testimonial evidence in favor of the petitioner solely for purposes of institution. In appropriate circumstances, a panel, in its discretion, may order some limited discovery, including cross-examination of witnesses, before institution.<sup>6</sup>

Thus, the presumption was adopted, among other reasons, to preserve petitioner's right to challenge statements made by the patent owner's declarant, which may be done as of right during a trial. *Id.* Although the USPTO stated that the Board could order limited discovery before institution with respect to the present rule, that is unnecessary in most cases because of the presumption. On the other hand, should the proposed amendment be adopted, it could give rise to almost universal requests by petitioners for pre-institution discovery, increasing the costs of the proceedings. Further, the USPTO does not mention pre-institution discovery in connection with the proposed amendment.

As commentators noted in 2016, a decision on institution is not appealable. Thus, a denial based on Patent Owner's testimonial evidence, without the safeguards of the procedures at trial that provide an opportunity for cross-examination of declarants and for a petitioner reply, is problematic. IPO agrees with the Office's determination in 2016 that no presumption that a genuine issue of material fact will be viewed in the light most favorable to the petitioner for purposes of deciding whether to institute a review will prejudice petitioners who will have no recourse though appeal. *Id.*

Further, to allow a petitioner to reply with rebuttal testimony or cross-examination of the patent owner's witnesses is problematic because it creates a trial-before-a-trial scenario when the institution decision should remain focused on the sufficiency of the petition. *Id.* Yet, without a reply, new testimony, and cross-examination, petitioners cannot test the veracity of the testimony submitted by patent owners. Adding such procedures will only complicate institution decisions and increase the costs of the parties and the workload of the Office.

The concerns of IPO are exacerbated in the case where a patent owner offers testimony asserting secondary considerations such as unexpected results, commercial success, copying by others, and long-felt but unmet need. Such issues should rarely be resolved without petitioner's right to challenge statements made by the patent owner's declarant, which may be done as of right during a trial.

P patent owners would not be subject to the same prejudice imposed upon petitioners by keeping the presumption. First, institution rates have declined since the rule was amended to include the presumption.<sup>7</sup> Second, patent owners have an opportunity to point out in the preliminary patent owner response why a petition is deficient—and many are successful. Third, patent owners have a full and fair opportunity to test any and all evidence if trial is instituted. Fourth, patent owners further have a full and fair opportunity to appeal any adverse decision of the Board to the Federal Circuit.

IPO agrees with the Office's analysis in 2016 that, "because a denial of institution is a final, non-

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<sup>6</sup> 81 Fed. Reg. 18756 (April 1, 2016).

<sup>7</sup> [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20200531.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200531.pdf), page 6

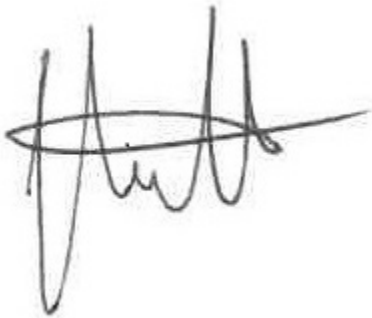
appealable decision, deciding disputed factual issues in favor of the patent owner when a petitioner has not had the opportunity to cross-examine patent owner's declarant is inappropriate and contrary to the statutory framework for AIA review.” *Id.* IPO further agrees with the Office’s analysis in 2016 that the fact that “both parties are in the same position at the preliminary stage, where generally there is no time for cross-examination of witnesses, does not support the view that no presumption should exist for either party because it is only through the trial process that each party is afforded a full and fair opportunity to cross-examine declarants.” *Id.* Finally, IPO agrees with the Office’s analysis in 2016 that a “presumption in favor of petitioner for disputed facts, which may be fully vetted during a trial when cross-examination of declarants is available, is appropriate given the effect of denial of a petition.” *Id.*

#### **IV. Effective Date**

In terms of implementing the new rules, the USPTO has proposed that it “may apply any rule changes, if adopted, to all pending IPR, PGR, and CBM proceedings in which a patent owner preliminary response is filed on or after the effective date.” IPO believes the amended rules should be applied to “all pending IPR, PRG, and CBM proceedings in which a petition has been filed on or after the effective date.” This will provide sufficient notice to patent owners and allow them time to gather any evidence to submit in their preliminary responses.

Thank you for considering these comments. We welcome further dialogue or opportunity to provide additional information to assist your efforts.

Best regards,

A handwritten signature in black ink, appearing to read 'D. Staudt', with a large horizontal flourish across the middle.

Daniel J. Staudt  
President