

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Notice of PTAB Procedural Reform Initiative

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COMMENTS OF THE INTERNET ASSOCIATION

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STATEMENT OF INTEREST AND PRIOR COMMENTS

The Internet Association is the unified voice of the Internet economy, representing the interests of America's leading Internet companies and their global community of users.¹ The Association is dedicated to advancing public policy solutions to strengthen and protect Internet freedom, foster innovation and economic growth, and empower users. The members of the Internet Association have extensive experience with procedures employed by the Patent Trial and Appeal Board during trial proceedings, including *inter partes* review, post-grant review, and covered business method review.

The Internet Association submits these comments in response to the PTO's Notice of PTAB Procedural Reform Initiative.² The Association recognizes and appreciates that the Procedural Reform Notice is part of an ongoing exchange with the public regarding PTAB Trials that includes numerous formal and informal discussions and the Office's 2015 Notice of Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board.³ On October 19, 2015, the Internet Association commented on the Office's 2015 Rules Notice.⁴ The resulting changes to the rules were published in April 2016.⁵

STATEMENT

As an initial matter, the Internet Association supports the PTO's efforts to periodically review all aspects of AIA trials before the PTAB. But the Internet Association respectfully submits that such review is premature at this time. The PTO's recently promulgated rule changes for PTAB trials were first made effective for AIA reviews as of May 2, 2016.⁶ Given

¹ The Internet Association's members include Airbnb, Amazon, Coinbase, DoorDash, Dropbox, eBay, Etsy, Expedia, Facebook, Google, Groupon, Handy, IAC, Intuit, LinkedIn, Lyft, Match Group, Microsoft, Monster, Netflix, Pandora, Paypal, Pinterest, Practice Fusion, Rackspace, Reddit, Salesforce, Snap Inc., Spotify, SurveyMonkey, Ten-X, TransferWise, TripAdvisor, Turo, Twitter, Uber, Upwork, Yahoo!, Yelp, Zenefits, and Zynga.

² PTAB Procedural Reform Initiative, available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ptab-procedural-reform-initiative> ("Procedural Reform Notice").

³ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50720 (Aug. 20, 2015) ("2015 Rules Notice").

⁴ See 2015 Rules Notice, Comments of the Internet Association (Oct. 19, 2015), available at <https://www.uspto.gov/sites/default/files/documents/PTAB%20Rules%20Aug%202015%20Corp%20Internet%20Association%20Comment.pdf> ("2015 Internet Association Comments").

⁵ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18750 (Apr. 1, 2016) ("2016 Rule Changes").

⁶ See 2016 Rule Changes, 81 Fed. Reg. at 18750, col. 2-3.

the typical 18-month time frame for AIA proceedings, it is unlikely that any significant number of AIA reviews have advanced from petition to final written decision under the new rules. Although periodic PTO review of all aspects of AIA trials is appropriate, the PTO should proceed with caution before considering any additional reform until sufficient statistical evidence accumulates on the workability of the revised rules.

With the foregoing in mind, the Internet Association presents its comments on the subjects identified in the Procedural Reform Notice. As detailed below, the Internet Association respectfully submits that (1) no rule is needed to regulate multiple petitions as the vast majority are not abusive and potentially abusive instances are better handled on a per case basis; (2) claim construction is properly done under the broadest reasonable interpretation standard, and (3) decisions to institute are being properly handled. Moreover, it would be premature for the PTO to change procedures related to motions to amend while *Aqua Products* is pending. Finally, procedures for extending the length of proceedings, joinder practice, the interplay with other proceedings, and additional review of decisions to institute are better handled on a case-by-case basis at this time.

I. Procedural Reform Considerations

Any potential reform of PTAB procedures should take into account (1) the ongoing drag on the economy caused by the assertion of low-quality patents, (2) the PTAB's tremendous success in implementing AIA reviews under current procedures, and (3) the miniscule proportion of enforceable patents that are challenged under the AIA.

A. Low-quality patents continue to harm the economy

The Internet Industry continues to face a historic surge in the assertion of low-quality patents.⁷ In the America Invents Act, Congress created post-issuance review procedures to help address this problem while improving overall patent quality. Per the relevant congressional report, AIA reviews were designed to provide “a more efficient system for challenging patents that should not have issued.”⁸ These reviews were to help “improve patent quality and limit unnecessary and counterproductive litigation costs.”⁹

⁷ See, e.g., Patent Assertion Entity Activity, Federal Trade Commission (Oct. 2016) and references cited therein.

⁸ H.R. Rep. No. 112-98, pt. 1 at 39–40 (2011); see also Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435, 437 n.8 (2012) (“Only one committee report, H.R. Rep. No. 112-98 (2011), was issued by a committee during the Congress in which the AIA was enacted.”).

⁹ H.R. Rep. No. 112-98 at 40.

The agency's continued consideration of the problems caused by the assertion of low-quality patents is particularly appropriate in view of the specific statutory mandate that "the Director shall consider ... the integrity of the patent system" when prescribing rules concerning *inter partes* and post-grant review.¹⁰ Low-quality patents undoubtedly undermine the integrity of the patent system.

B. The PTAB has successfully implemented the statutory plan for AIA review

The PTO has successfully implemented the congressional plan. Current PTAB proceedings provide an effective and fair mechanism for administrative review of the patentability of patent claims post-issuance. These proceedings are now an essential tool for addressing the assertion of low-quality patents and in improving general patent quality. The agency has implemented a mechanism for public challenges to patentability that is faster than *inter partes* reexamination, more flexible than the court system, and ultimately more workable and efficient for patent owners and patent challengers than any prior mechanism. Changes to PTAB procedures should not diminish that achievement. Indeed, any revision of PTAB procedures should be done cautiously and in view of this great success.

Despite complaints from some quarters, the AIA proceedings have not been slanted against patent owners. Of the *inter partes* review petitions completed through March 2017, there were 4,563 total petitions filed; of these about half (2,406) resulted in trials being instituted; of these less than half (1,029, or 23% of the petitions) resulted in Final Decisions holding all instituted claims unpatentable.¹¹

Similarly, in the IPR petitions terminated through March of this year, 70,060 claims have been challenged. Trial was instituted on less than half of those claims (32,777), and roughly half of the instituted claims (16,688, or 24% of petitioned claims) were held unpatentable in a Final Written Decision.¹²

In addition, PTAB decisions have been repeatedly challenged in the courts. At the Federal Circuit, AIA decisions have been affirmed in full in more than 75% of all cases, while being reversed or vacated in full in less than 10% of such cases.¹³ This high affirmance rate further reflects the PTO's fair implementation of the congressional mandate in the AIA.

¹⁰ 35 U.S.C. § 316(b); *id.* § 326(b).

¹¹ PTO, Patent Trial and Appeal Board Statistics at 10 (Mar. 31, 2017) *available at* https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf.

¹² *Id.* at 12.

¹³ *See* Federal Circuit PTAB Appeal Statistics (Apr. 1, 2017), *available at* <http://www.aiablog.com/cafc-appeals/federal-circuit-ptab-appeal-statistics-april-1-2017/>.

C. PTAB proceedings affect only a small fraction of patents

The Office's successful implementation of AIA proceedings is a positive development for the patent system and the economy—not a crisis for the patent system as some have asserted. There are more than 2.5 million enforceable U.S. patents.¹⁴ This number dwarfs the number of AIA proceedings. In fiscal year 2016, for example, the agency received 1,683 AIA petitions.¹⁵ Thus, only a tiny percentage of enforceable patents are challenged in AIA proceedings each year. Even on a per-year basis—the PTO issues 300,000 utility patents each year—AIA petitions challenge less than 1% of the PTO's output.

Furthermore, only a fraction of asserted patents are challenged in AIA proceedings. In calendar year 2016, the number of AIA petitions was 1,723, compared to 4,382 patent suits filed in district courts.¹⁶ Notably, there is not a 1-to-1 correspondence between petitions and patent litigations. For example, 20% of patents challenged at the PTAB have not been asserted in litigation.¹⁷ Altogether, since AIA review became available, only about 17% of the patents asserted in litigation have been challenged at the PTAB.¹⁸

II. Multiple-Petition Practice Should Not Be Significantly Altered

The statistical evidence suggests that the PTAB's review of multiple petitions addressing the same patent is not problematic. First, more than two-thirds of all patents challenged since the beginning of AIA proceedings have been challenged with a single petition.¹⁹ The vast majority of the remaining patents faced only one additional petition.²⁰ Thus, multiple-petition practice is neither wide-spread nor facially abusive.

¹⁴ World Intellectual Property Indicators at 55, WIPO (2016) available at http://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2016.pdf.

¹⁵ PTO, Patent Trial and Appeal Board Statistics at 3.

¹⁶ See Unified Patents' 2016 Annual Patent Dispute Report, Fig. 1 (Jan. 1, 2017), *available at* <https://www.unifiedpatents.com/news/2016/12/28/2016-annual-patent-dispute-report>.

¹⁷ RPX Data Update: Patent Litigation Volatility Persists as Strategies Shift, (Jan. 3, 2017), *available at* <https://www.rpxcorp.com/2017/01/03/rpx-data-update-patent-litigation-volatility-persists-as-strategies-shift/>.

¹⁸ *See id.*

¹⁹ Director Michelle K. Lee, Keynote Address at George Washington University School of Law (May 16, 2017), *available at* <https://www.uspto.gov/about-us/news-updates/remarks-director-michelle-k-lee-george-washington-university-school-law> (“2017 Director Lee Keynote Address”).

²⁰ *Id.*

Second, the experience of the Internet Association membership regarding multiple petitions shows that the need for multiple petitions is driven primarily by patentee behavior. The lion's share of multiple petitions appears to fall into two groups: (1) petitions filed to address patents with numerous claims asserted in litigation, and (2) petitions filed by multiple parties sued by the patent owner. Both instances are legitimate, productive uses of PTAB procedures.

A. Multiple petitions filed to address patents with numerous claims are necessary to preserve the rights of defendants in view of the PTAB's strict word limits

Multiple petitions are often filed when parties are accused of infringing a patent with many—sometimes hundreds—of claims. The Board's strict word limits make it necessary for petitioners to file multiple petitions, each one challenging a subset of the patent claims. Petitioners do not do this frivolously as the PTO fee required, and related increase in attorney's fees, are substantial.

Often such petitions are the direct result of patent owners failing to appropriately narrow the number of claims asserted in litigation, requiring petitioners to address many claims (and frequently alternative constructions for a single claim) in their petitions. The agency should not limit the number of AIA petitions in a way that disqualifies infringement defendants from properly challenging all the asserted claims faced in district court. These are necessary to allow parties to adequately defend themselves against patentees that assert multiple claims in litigation. Such a limit is unnecessary and undermines the intent of Congress in providing an alternative to patent challenges in litigation. Limiting petitions would also undermine the critical role that AIA review plays in improving patent quality through the elimination of invalid patents by limiting the PTAB's ability to fully review patents with numerous claims.

To the extent any change is contemplated, the PTO should extend the arbitrary word limits on petitions that address multiple claims. For example, the petition filing fee currently increases when a petitioner challenges more than twenty claims or when trial is instituted on more than fifteen claims.²¹ These limits reflect the agency's judgment that such proceedings require additional time and effort. But that inherently shows that additional challenged claims add complexity to a petition. To alleviate that complexity, the PTO should allow petitioners additional pages to explain the challenges when institution is sought on more than fifteen claims. A reasonable number would be 500 words for each additional claim beyond fifteen challenged. This reflects roughly half the words per claim allowed in a current petition that leads to institution on fifteen claims. While not a cure-all—some patent claim sets are simply too complex or too lengthy to deal with in a single petition—this change may reduce the number of

²¹ 37 C.F.R. § 42.15(a)(3)-(a)(4); *see also id.* § 42.15(b)(3)-(4).

multiple petitions while giving petitioners the additional consideration that they are paying for under the current fee structure.

B. Petitions filed by multiple defendants are necessary to preserve the rights of litigants to challenge asserted patents

Multiple petitions are also sometimes filed when patent owners accuse multiple parties of infringing the same patent. But asserting a patent against multiple parties triggers each of those parties to respond through the mechanisms available to challenge the asserted claims. Frequently, the second and following petitions are so-called “me too” petitions.²² As the Office has recognized, these petitions “raise virtually identical issues” and can be used to effectively resolve AIA proceedings involving multiple parties.²³ These petitions add little to the work of the patent owner or the PTAB while more broadly providing the benefit of statutory estoppel should the patent owner prevail.

To the extent some defendants file IPR petitions after seeing the Board’s treatment of prior petitions by others, there is nothing wrong with that approach, which is built into the statutory scheme. Each defendant is granted by statute one year to decide whether to file a petition and the agency has six months to decide whether to institute. A defendant—often one among dozens—accused of infringement is within its rights to see if others can render the patent unpatentable before investing hundreds of thousands of dollars in AIA expenses.

C. Multiple petitions help the PTO fulfill its quality mandate

Multiple petitions are not only necessary to preserve certain statutory rights, but also typically help the agency fulfill its mandate to raise the quality of patents by eliminating low-quality patents through an adversarial process. This is consistent with the structure of the AIA, which provides no statutory limit on multiple petitions that legitimately challenge patent claims. Patent owners do, however, enjoy many other protections under the AIA. For example, AIA review is limited time-wise in several ways so that an asserted patent cannot be subject to continuous petitions or conflicting *inter partes* and post-grant reviews.²⁴

The lack of numerical limits on AIA review comports with reexamination practice dating back to 1980.²⁵ *Ex parte* reexamination never had a limit on the number of requests that might be filed; nor did *inter partes* reexamination, the direct predecessor to *inter partes* review. And

²² See 2016 Rule Changes, 81 Fed. Reg. at 18760.

²³ *Id.*

²⁴ See, e.g., 35 U.S.C. §§ 311(c), 315(b).

²⁵ Pub. L. 96-517, 94 Stat. 3016 § 1 (Dec. 12, 1980) (establishing *ex parte* reexamination).

for good reason, neither AIA proceedings nor reexamination proceedings were so limited because of “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.”²⁶ That interest has long required the courts to allow vetting of patent rights by parties “with enough economic incentive to challenge the patentability of an inventor’s discovery” because “[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.”²⁷ The agency should likewise treat multiple petitions in a way that preserves the ability of every party accused of infringement to fully challenge every asserted claim in a patent.

D. PTAB panels have sufficient authority to treat instances where multiple-petition practice is abusive or harassing

The Internet Association would caution the agency against promulgating broad rules that apply to every petition in an attempt to dispense more readily with outliers that seek to abuse the system. Such rules invariably have unintended consequences. To the extent that there are instances of multiple petitions falling outside the two categories above, these can be dealt with on an ad hoc basis by the panel or panels considering the later petitions.

The PTAB panels have available remedies that are more than sufficient to treat multiple petitions that go beyond what is reasonable. To the extent that the filing of such petitions becomes abusive or frivolous, the PTO need not institute them. For example, the Board has relied on its discretion under Section 314(a) to deny institution where “essentially the same arguments” were made and rejected in a final written decision upholding “substantially similar claims” in a related patent.²⁸ Similarly, the Board’s statutory discretion over multiple proceedings—including the power to “stay, transfer, consolidat[e], or terminat[e]” related proceedings—ensures that each panel can address multiple filings it deems abusive.²⁹

Finally, the PTO has recently enhanced the PTAB’s authority to sanction the filers of abusive petitions. New Rule 42.11(b) creates an agency analog to Rule 11 of the Federal Rules of Civil Procedure.³⁰ In the courts, this rule has long been used to deter frivolous or abusive filings. There is no reason to suppose it will be less effective in the PTO.

²⁶ *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

²⁷ *Id.*

²⁸ *Tietex Int’l, Ltd. v. Precision Fabrics Grp., Inc.*, IPR2015–01671, slip op. at 9 (PTAB Feb. 11, 2016) (Paper 7); *see also id.* at 6-9.

²⁹ 35 U.S.C. § 315(d).

³⁰ *See* 2016 Rule Changes, 81 Fed. Reg. at 18765, col. 1.

III. The Broadest Reasonable Interpretation Should Continue To Apply To Claims Before The Office

The Internet Association continues to support the Office’s use of the broadest reasonable interpretation (BRI) standard in proceedings before the agency. As the PTO recognized prior to the 2016 Rule Changes, Congress expected that the Office would apply the broadest reasonable interpretation to claims before it in AIA proceedings just as in other proceedings.³¹ During regular examination, claims are always given their broadest reasonable interpretation; likewise, in reexamination and reissue practice, which predates the AIA by over a century, every unexpired claim is given its broadest reasonable interpretation.

As the Supreme Court recognized in *Cuozzo*, “construing a patent claim according to its broadest reasonable construction helps to protect the public.”³² Use of the BRI standard “helps ensure precision” in claim drafting “while avoiding overly broad claims” that tie up “too much knowledge” from the public domain.³³ At the same time, the resultant more precise claim drafting allows the public to “better understand the lawful limits of the claim.”³⁴ The need for precision in claim language is at its peak for claims that are being asserted by the patent owner, which claims make up the vast majority of petitioned claims in AIA proceedings.

Using the BRI standard in the agency—including in AIA proceedings—further ensures that the PTAB does not uphold the patentability of claims that are then given a broader interpretation in district court proceedings. It would defeat the purpose of AIA proceedings if the courts can find infringement of a claim under a broader construction than the agency allows in challenging the patentability of the claim. This is particularly troubling because the defendant may be estopped from asserting invalidity under the district court’s broader construction.

Such conflicts are a real possibility were the agency and the courts—using different evidence and different levels of expertise—to both apply a *Phillips*-type construction to the claims.³⁵ In *American Piledriving*, for example, seven district courts were called on to decide infringement of the same patent claims. There, infringement “largely turn[ed] in each action on

³¹ See 80 Fed. Reg. at 50721-22.

³² *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2145 (2016).

³³ *Id.*

³⁴ *Id.*

³⁵ See *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

the construction of three claim terms. Of the district courts that ha[d] considered those terms, no two ... construed all three terms the same way.³⁶

Thus, applying a *Phillips* construction is no guarantee that claims will be uniformly interpreted between the agency and the district courts. Furthermore, the Federal Circuit is unable to cure such inconsistency because claim construction is a question of law with underlying fact finding to which the Federal Circuit must defer.³⁷

To the extent that claims are unpatentable under the BRI standard, patent owners have the opportunity to amend. *Cuozzo* rejected the argument that the opportunity is not broad enough because the relevant statistics “may reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all.”³⁸ The agency should do likewise, particularly because in modern practice many patent owners have other avenues for seeking modified claims for a patent family that go well beyond narrowing the claims in one particular patent in a particular AIA proceeding.

The Internet Association further believes that the agency’s recently promulgated exception in Rule 42.100(b) should not be altered. New Rule 42.100(b) allows a *Phillips*-type construction for claims that have expired or will likely expire before a final written decision is entered.³⁹ Because the claim-construction methodology is based on the expiration date of the patent, the petitioner and patent owner will typically be able to draft their submissions using only one claim construction standard. This lowers the burden on each party and allows them to present focused arguments within the word limitations provided by the Board. By applying a somewhat bright-line rule based on the expiration date of the patent, the agency also avoids evaluating multiple complicated filings that include two interpretations for each claim challenged.

The Internet Association previously advocated for an even brighter line—applying *Phillips*-type claim construction in all cases where the filing of the petition was within eighteen months of the patent’s expiration date.⁴⁰ But the PTO should not tinker further with this

³⁶ *Am. Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1327 (Fed. Cir. 2011) (emphasis added).

³⁷ *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 839 (2015) (recognizing that “divergent claim construction stemming from divergent findings of fact” may occur).

³⁸ *Cuozzo*, 136 S. Ct. at 2145.

³⁹ 37 C.F.R. § 42.100(b) (parties may request district-court type claim construction for claims that will expire within 18 months of the Notice of Filing Date Accorded); *see also id.* at § 42.200(b) (post-grant review), § 42.300(b) (covered business method review).

⁴⁰ 2015 Internet Association Comments at 2-3.

procedure—effective only as of May 2, 2016—until sufficient statistical evidence accumulates on the workability of the current rule.⁴¹

IV. The PTAB’s Decisions To Institute Are Being Decided Under Appropriate Evidentiary Standards

The PTO is properly considering the evidence and arguments presented in the petitions and patent owner preliminary responses that are reviewed in deciding whether to institute AIA proceedings. In particular, the agency properly considers disputed material facts in the light most favorable to the petitioner.

At the preliminary response stage, evaluating evidence in the light most favorable to the petitioner makes the most sense in view of the statute. In IPRs, for example, the preliminary response “sets forth reasons why no *inter partes* review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”⁴² A weighing of evidence between the petition and preliminary response under any other standard would not only be premature, it would go beyond evaluating a “failure of the petition” to meet statutory requirements.

By analogy, the patent owner’s preliminary response is in the nature of a motion to dismiss (without supporting evidence) or for summary judgment (with supporting evidence) in a civil action. The patent owner attempts to show a legal failing that requires that the petition not be granted. In both instances, courts evaluate disputed facts in the light most favorable to the non-moving party. There is no compelling reason to do so differently here.

The Internet Association supported the Office’s proposal to remove the bar on testimonial evidence in a patent owner’s preliminary response, provided that the PTO also required: (1) that disputed material facts will be viewed in the light most favorable to the petitioner in deciding whether to institute a trial, as proposed; and (2) further that a reply to the preliminary response should be allowed *as of right* when the patent owner presents testimonial evidence.⁴³ The agency adopted the former but not the latter condition.⁴⁴ Nevertheless, the Internet Association would urge the agency not to alter the newly developing practice—again, effective *only* as of

⁴¹ See 2016 Rule Changes, 81 Fed. Reg. at 18750, col. 2.

⁴² 35 U.S.C § 313 (IPR) (emphasis added); *id.* § 323 (PGR) (same).

⁴³ 2015 Internet Association Comments at 4-5.

⁴⁴ See 2016 Rule Changes at 18756-57.

May 2, 2016—until sufficient statistical evidence accumulates on the workability of the current rule.⁴⁵

To the extent a change is needed, the agency would be better returning to the old system, wherein patent owners were not allowed affidavits at the preliminary stage rather than providing for an equal weight of evidence. Such weighing of the evidence would require a sort of “mini-trial before the trial” that would only waste party and agency resources and threaten the six-month time frame for institution decisions. For example, discovery would be required when weighing the evidence equally because a petitioner has the statutory right to depose affiants of the patent owner.⁴⁶

V. The PTO Should Await Resolution Of *In Re Aqua Products* Before Addressing Motions To Amend

The Internet Association believes that the PTO’s examination of procedures related to motions to amend is premature. The PTAB has already developed sufficient case law for parties to understand the current procedures for motions to amend. The Board’s case law—for example, *MasterImage*, which delineated the universe of prior art that the patent owner need address—is sufficient for present purposes.⁴⁷ Indeed, parties have been well served by the clarifications provided therein.

But, as to reform, the en banc Court of Appeals for the Federal Circuit is currently considering motions to amend in *Aqua Products*.⁴⁸ In particular, the Federal Circuit vacated the original *Aqua Products* panel decision and ordered the parties to file briefs addressing two questions:

1. When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?
2. When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is

⁴⁵ See *id.* at 18750, col. 2.

⁴⁶ See 35 U.S.C. § 316(5)(A).

⁴⁷ *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015–00040, slip op. at 1–3 (PTAB July 15, 2015) (Paper 42).

⁴⁸ See *In re: Aqua Products, Inc.*, No. 2015-1177 (Fed. Cir. Aug. 12, 2016) (en banc order).

inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?⁴⁹

These questions directly address who must carry the burden(s) when claim amendments are proposed by the patent owner. This is at the heart of PTAB procedures for motions to amend. The resulting opinion will undoubtedly inform future PTO practice in this area. The Internet Association notes that its prior comments addressed current practice.⁵⁰ Moreover, the Internet Association filed an amicus brief in *Aqua Products* setting forth its position on the questions presented.⁵¹

Oral argument was held in *Aqua Products* on December 9, 2016. Thus, a decision is imminent and any change to present amendment practice would be premature. The Internet Association urges the PTO to allow the public an opportunity to submit comments regarding amendment practice once that decision issues. But, in the event that the PTO adopts changes, it should understand that the current system (which places the burden on the patent owner to show that amended claims are patentable over the closest prior art) is simple and easy to administer. Proposals that would distribute the burden differently—or expand the amendment proceedings in other ways—would require additional briefing and potentially additional discovery that can only increase the complexity of the proceedings. With rising complexity comes rising costs and the related fees charged should be “paid by the person requesting the review” of the amended claims, *i.e.*, the patent owner.⁵²

VI. The PTO Should Allow Case-By-Case Development In Other Areas

The PTO initiative will also examine when it is appropriate to (1) extend the length of proceedings beyond 12 months, and (2) review a decision to institute. The Director has also indicated that (3) joinder practice and (4) the interplay between AIA and other proceedings are of interest to the agency.⁵³

The Internet Association believes that the PTAB should treat these issues on a case-by-case basis to the extent necessary. Furthermore, providing case-by-case development is particularly appropriate in view of the agency’s new initiative “streamlining the way the Board

⁴⁹ *Id.* at 2-3.

⁵⁰ *See* 2015 Internet Association Comments at 6.

⁵¹ Brief of The Internet Association et al. as Amici Curiae in Support of Intervenor, *In re: Aqua Products, Inc.*, No. 2015-1177 (Doc. No. 143).

⁵² 35 U.S.C. § 311(a); *see also id.* § 321(a).

⁵³ 2017 Director Lee Keynote Address.

identifies and designates opinions as precedential” and its “goal of designating more opinions precedential.”⁵⁴

Extending the length of AIA proceedings

With respect to extending the length of the proceedings, the statute provides a standard: “[T]he Director may, for good cause shown, extend the 1-year period by not more than 6 months.”⁵⁵ The Internet Association is unaware of any PTAB cases finding good cause for an extension beyond the standard 1-year period. The Board panels are capable of deciding what constitutes good cause and should be allowed to extend the length of proceedings on a case-by-case, when necessary. Thus far, it appears that such decisions are rarely, if ever, necessary. Without multiple representative cases extending the length of AIA proceedings beyond the 1-year period, it is premature to consider “procedural reform” as contemplated in the Procedural Reform Notice.

Additional review of institution decisions

With respect to the review of a decision to institute, the rules provide for a request for reconsideration.⁵⁶ This allows a dissatisfied party to address “all matters the party believes the Board misapprehended or overlooked.”⁵⁷ Thus, an ordinary request for reconsideration is generally sufficient to address any concerns a party has with the PTAB’s institution decision. In the rare instance where a decision to institute involves an issue of Board-wide concern, litigants before the PTAB may already suggest review by an expanded panel.⁵⁸

Additional review mechanisms should be rare and should be considered only on a case-by-case basis unless and until reasons develop for additional review. The agency should understand that any such additional review procedures and mechanisms would only remove Board and party resources from the merits disputes that, by design, are the focus of AIA proceedings.⁵⁹ In addition, they would invariably add to the expense and complexity of the

⁵⁴ *Id.*

⁵⁵ *Id.* § 316 (a)(11) (emphasis added).

⁵⁶ *See, e.g.*, 37 C.F.R. § 42.71(d).

⁵⁷ *Id.*

⁵⁸ PTAB, Standard Operating Procedure 1 (Revision 14), Assignment Of Judges To Merits Panels, Interlocutory Panels, And Expanded Panels, Section III.C.

⁵⁹ *See, e.g.*, 35 U.S.C. § 314(d) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”); *id.* § 315(e) (applying estoppel only where the review “results in a final written decision”).

proceedings. Thus, the “interests of justice” and “economic factors” cited to the Office generally weigh against expanded review of institution decisions.⁶⁰

Joinder practice

The Office should continue to develop joinder practice through case-by-case development. The Internet Association is aware of only two “representative cases” regarding joinder practice and believes that additional case law would allow parties to address whether procedural reform is necessary. Regardless, the Director should reject the suggestion that procedural reform is appropriate to limit joinder based on multiple petitions (as discussed above) or that joinder is being used as an “end-run” in *inter partes* review. The statute provides for joinder and more specifically exempts requests for joinder from the 1-year time limit.⁶¹ While joinder is at the Director’s discretion, the statute also provides the focus of that discretion: Whether the petition at issue “warrants the institution of an *inter partes* review.”⁶² When the petition so warrants, the Director should allow joinder absent strong countervailing considerations.

Other proceedings

There are myriad other proceedings that may address the patentability or validity of claims being challenged before the PTAB. Because the interplay between these proceedings may be complex, because the standards and evidence presented may be different, and because the particular PTAB panel is generally best situated to understand the proper course given the facts across all proceedings—the Internet Association suggests that procedural reform in this area is unnecessary and could limit panels in unforeseen circumstances.

Furthermore, binding the PTAB panel in view of findings and legal conclusions made in these other proceedings would be inappropriate. For example, it would be inappropriate for the PTAB to refuse to consider a petition challenging the patentability of claims in view of art that was before the examiner. The arguments and art in such petitions are entitled to the same independent and careful consideration that the Board gives to every petition.⁶³

⁶⁰ See 2017 Director Lee Keynote Address.

⁶¹ See 35 U.S.C. § 315(b) (“The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).”).

⁶² *Id.* § 315(c).

⁶³ See *id.* § 312(a) (The petition requirements are set forth with no requirement that the art be new or not in the file.); *id.* § 314 (determining the threshold “reasonable likelihood” based on “the information presented in the petition”).

Both the statute and the Federal Circuit have recognized that—short of statutory estoppel⁶⁴—other proceedings do not bind the PTAB’s review of the patentability of claims.⁶⁵ Indeed, two functions of AIA review are to (1) act as a quality check on prior PTO decisions to issue patents, and (2) provide an expert alternative to district court proceedings. Neither function would be served by binding panels to what has gone before. Nor is there statutory authority whereby the Director may so bind panels. Notably, this does not prevent the parties from presenting such findings to the panel, which may consider them and find the reasoning therein persuasive in individual cases.

Finally, any PTO consideration of the interplay between proceedings should not be limited to review of the effect prior non-AIA proceedings have on a pending AIA review. The PTO should also consider how the results of AIA proceedings are considered by Office personnel in other proceedings involving the same or related patents. For example, there appears to be no mechanism ensuring that the results at the Board for a particular patent are considered during the *ex parte* prosecution of patent applications in the same family. In the experience of the Internet Association membership, the duty of candor alone is insufficient to ensure that examiners and their supervisors consider, understand, and address the PTAB’s findings during prosecution of a related application. Too often the PTO issues patent claims without considering on the record the reasons similar claims in a related patent were held unpatentable.

CONCLUSION

The Internet Association again applauds the PTO for evaluating its procedures for AIA proceedings. But the great success of those proceedings in creating a forum for sure and swift evaluation of patentability counsels against major change. This is particularly true as the effect of the PTO’s recent revision of rules is still being determined.

⁶⁴ See, e.g., *id.* § 315(e)(1)-(2).

⁶⁵ See, e.g., *id.* § 316(e) (unpatentability decided by a preponderance of the evidence); *Novartis AG v. Noven Pharm. Inc.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017) (citing *Cuozzo*, 136 S. Ct. at 2145).