

USPTO Introduces Second Wave of PTAB Rule Changes

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On August 20, 2015, the US Patent and Trademark Office (“USPTO”) issued a Proposed Rule¹ containing amendments to the Rules of Practice governing proceedings before the Patent Trial and Appeal Board (“PTAB”). This proposed rule introduces a number of changes affecting the proceedings before the PTAB, including *inter partes* review (“IPR”), post-grant review (“PGR”) and covered business methods (“CBM”). The major provisions of the Proposed Rule include clarification of the claim construction standard for PTAB trials, allowance of testimonial evidence submitted with a patent owner’s preliminary response, addition of Rule 11-type certification and changes to the word count for major briefing.

This Proposed Rule represents the second set of changes that the USPTO has implemented in an effort to improve PTAB proceedings since its inception on September 16, 2011. Earlier this year, the USPTO released its first set of “quick fixes” following input from the public gathered by the USPTO’s listening tour and request for formal comments. This second set of changes contains more involved rule changes. The Proposed Rule remains open for formal public comment until October 19, 2015.

Proposed Rule Changes

Declarant Testimony in Patent Owner’s Preliminary Response

Prior to the PTAB’s decision on whether to institute proceeding, the patent owner preliminary response in opposition to the petition can now include declarant testimony. Prior to this change, patent owner could not introduce declarant testimony – usually from an expert – until it files its patent owner response (assuming the proceeding is instituted). This change arises from a perceived unfairness in allowing only one party to present testimonial evidence prior to institution.

In order to allow the PTAB to issue its institution decision within the statutory three-month deadline, a petitioner cannot cross-examine the patent owner’s declarant and cannot file a reply as a matter of right. However, a petitioner can seek leave to file a reply to the preliminary response, including additional declarant testimony; requests for replies will be reviewed and granted by the PTAB as circumstances warrant. Nonetheless, any factual dispute that is material to the institution decision will be resolved in favor of the petitioner solely for purposes of making a determination about whether to institute.

Rule 11-type Certification

The USPTO is implementing a certification requirement akin to FRCP Rule 11 certification used in district court litigation. This new Rule 11-type certification must be included in all papers filed in PTAB proceedings. This new provision will be codified in 37 C.F.R. § 42.11, which prescribes the duty of candor owed to the Office, and will include a provision for sanctions for noncompliance.

¹ Proposed Rule is available at <https://www.federalregister.gov/articles/2015/08/20/2015-20227/amendments-to-the-rules-of-practice-for-trials-before-the-patent-trial-and-appeal-board#h-51>.

This new Rule 11-type certification provides the PTAB with a vehicle for policing and reprimanding any misuse of PTAB proceedings, including meritless filings and lack of pre-filing investigation. In addition to sanctions for noncompliance, the PTAB also may refer possible misconduct to the Office of Enrollment and Discipline for investigation and, if warranted, further proceedings under 37 C.F.R. §§ 11.19-11.61.

District Court Claim Construction Standard Applies if Patent Expires During Proceeding

In response to public comments asking that the PTAB implement the same claim construction used in district court litigation,² the USPTO reaffirmed that it will continue to construe patent claims under the “broadest reasonable interpretation” standard (“BRI”). The USPTO referred to the *In re Cuozzo Speed Techs., LLC* case in which The United States Court of Appeals for the Federal Circuit (“Federal Circuit”) found that the BRI approach is consistent with legislative intent and reasonable under the USPTO’s rulemaking authority. Because a patent owner is able to amend its patent during PTAB proceedings, the Federal Circuit explained that use of the BRI approach is appropriate, regardless of “the fact that IPR may be said to be adjudicatory rather than an examination.”

There is one circumstance in which the PTAB will forego the BRI standard and will apply the district court *Phillips* standard: when the challenged patent will expire prior to the issuance of a final decision. As the USPTO explained, these patents essentially lack any viable opportunity to amend the claims such that it is inappropriate to apply its BRI claim construction standard.

Clarification of Patent Owner’s Motion to Amend

When asked by the USPTO how the patent amendment process during PTAB proceedings could be improved, the public offered numerous suggestions – some of which the USPTO adopted. First, the USPTO reiterated its decision in the *MasterImage 3D* proceeding³ that, in order to amend its patent, the patent owner must show its amendments are patentable over the prior art of record and all other art that the patent owner already has a duty to disclose. Patent owner does not have a new, additional duty to disclose imposed by virtue of its seeking to amend the patent.

Second, any claim that patent owner cancels while amending its patent is not considered canceled until the PTAB issues its final written decision. As a result, a patent owner who cancels a claim in its patent can still assert the claim in parallel district court litigation up until the final written decision from the PTAB.

Finally, the patent owner can seek leave from the PTAB in order to cure minor defects in its motion to amend. Such minor defects include failure to construe a claim term that the PTAB deems necessary or failure to provide written description support for the substitute claim language. The PTAB will grant these requests to cure as it deems appropriate.

The USPTO stated that it would continue to improve the amendment process in the future via the rule-making process, by updating the Office Patent Trial Practice Guide, and by designating opinions as precedential or informative, as warranted. However, the USPTO affirmatively stated that it will not liberally allow amendments.

No Deadline for Patent Owner to Raise a Real-Party-In-Interest or Privity Challenge

To prevent gamesmanship in parallel IPR and district court proceedings, 35 U.S.C. § 315(b) states that a “petitioner, real-party-in-interest, or privy of the petitioner” is barred from filing a petition for IPR more than one year after being first served with a complaint for patent infringement. Thus, a patent owner can challenge an IPR proceeding on the basis of real-party-in-interest or privity.

² The Federal Circuit, in its en banc decision, stated that claim terms are given “the meaning that [a] term would have to a person of ordinary skill in the art in question at the time of the invention.” *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). This determination is based on the entire record before the court, taking into consideration both intrinsic evidence (the claims, specification and prosecution history) as well as extrinsic evidence (dictionary definitions and expert testimony).

³ *MasterImage 3D, Inc. v. RealD Inc.*, Case IPR2015-00040, slip op. at 1-3 (PTAB July 15, 2015) (Paper 42) clarified the PTAB’s statement made in *Idle Free System, Inc. v. Bergstrom, Inc.*, Case IPR2012-00027 (PTAB June 11, 2013) (Paper 26) that “[t]he burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art of record and also prior art known to the patent owner.”

The USPTO stated that there is no deadline for filing a real-party-in-interest or privity challenge. However, the USPTO clarified that this challenge is ideally raised early in the proceeding. If a challenge comes late, the Board will consider the impact of such a delay when deciding whether to grant additional discovery on the issue.

Clarification of Oral Hearings

The oral hearing represents the last opportunity for the parties to address the PTAB prior to the final written decision and the USPTO clarified a number of aspects regarding the hearing. First, parties can petition the PTAB to allow a declarant to testify live during the oral hearing. Such requests depend on the particular circumstances of a proceeding and will be decided purely on a case-by-case basis.

Second, the USPTO affirmed that a patent owner is not permitted to reserve rebuttal time to address issues raised during petitioner’s rebuttal. The party carrying the burden of proof is the only party permitted to have rebuttal time. Consequently, the petitioner, who has the burden of proving the challenged claims unpatentable, is permitted to rebut the patent owner’s opposing argument. Likewise, a patent owner who presents argument on a motion to amend at an oral hearing is permitted to rebut petitioner’s opposing argument.

Finally, the USPTO clarified some logistic issues. Parties planning to have demonstratives available during the oral hearing must serve demonstratives at least seven business days in advance – up from five days. Finally, the USPTO plans to upgrade its ability to hold hearings in regional offices.

Major Briefing Subject to Word Limit, Not Page Limit

Prior to the Proposed Rule, petitioner was allotted either 60 or 80 pages for its petition depending on the type of proceeding requested and was also allotted 25 pages if it chose to file a reply. The patent owner was allotted either 60 or 80 pages each for its preliminary response and patent owner response depending on the type of proceeding requested. These four briefs constitute the “major briefing” of the proceeding.

Under the new Proposed Rule, the major briefing is subject to a word limit, not a page limit. For briefs other than the major briefing, page limits remain in place. For the petition, a petitioner can file a motion to waive the word counts along with an accompanying version of the petition that exceeds the word count. If the request is denied, the unabridged version of the petition is expunged from the record and the shorter petition is considered by the PTAB. The new briefing limits are summarized below.

Type of Brief	Major Briefing	Allowed Length
Petition	X	IPR – 14,000 words PGR – 18,700 words CBM – 18,700 words
Preliminary Response	X	Same length as corresponding petition
Patent Owner Response	X	Same length as corresponding petition
Petitioner Reply to PO Response	X	5,600 words
Motion to Amend		25 pages
All Other Motions		15 pages
All Opp. to Motions		Same length as corresponding motion
Replies to Opp. to Motions to Amend		12 pages
All Other Replies to Opp.		5 pages

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