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Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2011-0087]

RIN 0651-AC75

Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention**AGENCY:** United States Patent and Trademark Office, Commerce.**ACTION:** Final rule.

SUMMARY: The United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement the provision of the Leahy-Smith America Invents Act (“AIA”) that requires the Office to issue regulations for determining whether a patent is for a technological invention in a transitional post-grant review proceeding for covered business method patents. The provision of the AIA will take effect on September 16, 2012, one year after the date of enactment. The AIA provides that this provision and any regulations issued under the provision will be repealed on September 16, 2020, with respect to any new petitions under the transitional program.

DATES: *Effective Date:* The changes in this final rule take effect on September 16, 2012.

Applicability Date: The changes in this final rule apply to any covered business method patent issued before, on, or after September 16, 2012.

FOR FURTHER INFORMATION CONTACT: Sally C. Medley, Administrative Patent Judge; Michael P. Tierney, Lead Administrative Patent Judge; Robert A. Clarke, Administrative Patent Judge; and Joni Y. Chang, Administrative Patent Judge; Board of Patent Appeals and Interferences, by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:

Executive Summary: *Purpose:* On September 16, 2011, the AIA was enacted into law (Pub. L. 112–29, 125 Stat. 284 (2011)). The purpose of the AIA and this final rule is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. The preamble of this notice sets forth in detail the definitions of the terms “covered business method patent” and “technological invention” that the Board will use in conducting

transitional covered business method patent review proceedings. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, this rulemaking process is designed to ensure the integrity of the trial procedures. *See* 35 U.S.C. 326(b).

Summary of Major Provisions: This final rule sets forth the definitions of the terms “covered business method patent” and “technological invention” that the Office will use in conducting transitional covered business method patent review proceedings.

Costs and Benefits: This rulemaking is not economically significant, but is significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

Background: To implement sections 6 and 18 of the AIA, the Office published the following notices of proposed rulemaking: (1) *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 FR 6879 (Feb. 9, 2012), to provide a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, derivation proceedings, and the transitional program for covered business method patents, and judicial review of Board decisions by adding new parts 42 and 90 including a new subpart A to title 37 of the Code of Federal Regulations (RIN 0651-AC70); (2) *Changes to Implement Inter Partes Review Proceedings*, 77 FR 7041 (Feb. 10, 2012), to provide rules specific to *inter partes* review by adding a new subpart B to 37 CFR part 42 (RIN 0651-AC71); (3) *Changes to Implement Post-Grant Review Proceedings*, 77 FR 7060 (Feb. 10, 2012), to provide rules specific to post-grant review by adding a new subpart C to 37 CFR part 42 (RIN 0651-AC72); (4) *Changes to Implement Transitional Program for Covered Business Method Patents*, 77 FR 7080 (Feb. 10, 2012), to provide rules specific to the transitional program for covered business method patents by adding a new subpart D to 37 CFR part 42 (RIN 0651-AC73); (5) *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 FR 7095 (Feb. 10, 2012), to add a new rule that sets forth the definition of technological invention for determining whether a patent is for a technological invention for purposes of the transitional program for covered business method patents (RIN 0651-AC75); and (6) *Changes to Implement Derivation Proceedings*, 77 FR 7028

(Feb. 10, 2012), to provide rules specific to derivation proceedings by adding a new subpart E to 37 CFR part 42 (RIN 0651-AC74).

Additionally, the Office published a Patent Trial Practice Guide for the proposed rules in the **Federal Register** to provide the public an opportunity to comment. *Practice Guide for Proposed Trial Rules*, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter “Practice Guide” or “Office Patent Trial Practice Guide”). The Office envisions publishing a revised Patent Trial Practice Guide for the final rules. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules for the implementation of the AIA.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions offering written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office’s responses to the comments are provided in the 124 separate responses based on the topics raised in the 251 comments in the Response to Comments section *infra*.

Section 18 of the AIA provides that the Director may institute a transitional proceeding only for a patent that is a covered business method patent. In particular, section 18(d)(1) of the AIA specifies that a covered business method patent is 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. Section 18(d)(2) of the AIA provides that the Director will issue regulations for determining whether a patent is for a technological invention. Consistent with these statutory provisions, this rulemaking provides regulations for determining whether a patent is for a technological invention. The AIA provides that the transitional program for the review of covered business method patents will take effect on September 16, 2012, one year after the date of enactment, and applies to any covered business method patent issued before, on, or after September 16, 2012. Section 18 of the AIA and the

regulations issued under this provision will be repealed on September 16, 2020. Section 18 of the AIA and the regulations issued will continue to apply after September 16, 2020, to any petition for a transitional proceeding that is filed before September 16, 2020.

Pursuant to section 18(d) of the AIA, the Office is prescribing regulations to set forth the definitions of the terms “covered business method patent” and “technological invention” in its regulation. In February 2012, the Office published two notices proposing changes to 37 CFR chapter I to implement sections 18(d)(1) and (d)(2) of the AIA. See *Changes to Implement Transitional Program for Covered Business Method Patents*, 77 FR 7080 (Feb. 10, 2012) and *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 FR 7095 (Feb. 10, 2012).

This final rule revises the rules of practice to implement section 18(d)(1) of the AIA that provides the definition of the term “covered business method patent” and section 18(d)(2) of the AIA that provides that the Director will issue regulations for determining whether a patent is for a technological invention. This final rule sets forth the definitions in new subpart D of 37 CFR 42, specifically in § 42.301.

This rulemaking is one of a series of rules that the Office is promulgating directed to the new trials that were created by the AIA. The Office, in a separate rulemaking, revises the rules of practice to provide a consolidated set of rules relating to Board trial practice, adding part 42, including subpart A (RIN 0651-AC70). More specifically, subpart A of part 42 sets forth the policies, practices, and definitions common to all trial proceedings before the Board. In another separate rulemaking, the Office revises the rules of practice to implement the provisions of the AIA for the transitional program for covered business method patents (RIN 0651-AC71). In particular, that separate final rule adds a new subpart D to 37 CFR part 42 to provide rules specific to transitional post-grant review of covered business method patents. Further, that separate final rule adds a new subpart B to 37 CFR part 42 to provide rules specific to *inter partes* review, and a new subpart C to 37 CFR part 42 to provide rules specific to post-grant review. The notices are available on the USPTO Internet Web site at www.uspto.gov.

Discussion of Specific Rules

Title 37 of the Code of Federal Regulations, Chapter I, Part 42, Subpart

D, Section 42.301, entitled “Definitions” is added as follows:

Section 42.301: Section 42.301 provides definitions specific to covered business method patent reviews.

Section 42.301(a) adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. Specifically, the definition provides that a *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.

Section 42.301(b) sets forth the definition for technological invention for covered business method patent review proceedings. The definition of technological invention provides that in determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods, the following will be considered on a case-by-case basis: Whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art, and solves a technical problem using a technical solution. The Office recognizes that, in prescribing a regulation to define technological invention, the Office must consider the efficient administration of the proceedings by the Office, and its ability to complete them timely, consistent with 35 U.S.C. 326(b).

The definition is consistent with the legislative history of the AIA. See, e.g., 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“The ‘patents for technological inventions’ exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution and which requires the claims to state the technical features which the inventor desires to protect.”); 157 Cong. Rec. H4497 (daily ed. June 23, 2011) (statement of Rep. Smith) (“Patents for technological inventions are those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution.”); 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Coburn) (“Patents for technological inventions are those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution.”).

Response to Comments

The Office received about 47 written submissions of comments (from intellectual property organizations, businesses, law firms, patent practitioners, and others) in response to the proposed definitions. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office’s responses to the comments that are germane to the definitions adopted in this final rule are provided below:

Section 42.301(a)

Comment 1: Several comments suggested that the Office interpret “financial product or service” broadly.

Response: The definition set forth in § 42.301(a) for covered business method patent adopts the definition for covered business method patent provided in section 18(d)(1) of the AIA. In administering the program, the Office will consider the legislative intent and history behind the public law definition and the transitional program itself. For example, the legislative history explains that the definition of covered business method patent was drafted to encompass patents “claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that “financial product or service” should be interpreted broadly.

Comment 2: One comment noted that there is no proposed definition of the term “financial product or service” and suggested amending the proposed rule for covered business method patent to include two factors to consider on a case-by-case basis: (1) Whether the claimed subject matter is directed to an agreement between two parties stipulating the movement of money or other consideration now or in the future; and (2) whether the claimed subject matter is particular to the characteristics of financial institutions. Still other comments supported the Office’s definition of a covered business method patent as is.

Response: The definition suggested by the comment for “financial product or service” is not adopted. That suggestion would appear to limit the scope of the definition of covered business method patents provided in section 18(d)(1) of the AIA, particularly the second prong of the proposed definition. In addition, the Office has considered the comment seeking to change the definition of a covered business method patent against the comments in support of the

definition set forth in the proposed § 42.301(a) and in section 18(d)(1) of the AIA. Upon consideration of the diverging comments, and the definition provided in the public law, the Office adopts proposed § 42.301(a), in this final rule, without any alterations.

Comment 3: One comment suggested that the Office should clarify that the term “financial product or service” should be limited to the products or services of the financial services industry. Still another comment stated that the term “financial product or service” is not limited to the products of the financial services industry.

Response: The suggestion to clarify that the term “financial product or service” is limited to the products or services of the financial services industry is not adopted. Such a narrow construction of the term would limit the scope of the definition of covered business method patents beyond the intent of section 18(d)(1) of the AIA. For example, the legislative history reveals that “[t]he plain meaning of ‘financial product or service’ demonstrates that section 18 is not limited to the financial services industry.” 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that “financial product or service” is not limited to the products or services of the financial services industry.

Comment 4: One comment suggested that the Office revise proposed § 42.301(a) to clarify that the determination of a “covered business method patent” would not be satisfied by merely reciting an operating environment related to data processing or management of a financial product or service, but that eligibility should be determined by what the patent claims.

Response: This suggestion is not adopted. The definition set forth in § 42.301(a) adopts the definition for a covered business method patent provided in section 18(d)(1) of the AIA. Specifically, the statutory language states that a covered business method patent is “a patent that *claims* a method or corresponding apparatus for performing data processing * * *, except that the term does not include patents for technological inventions.” (Emphasis added.) Consistent with the AIA, the definition set forth in § 42.301(a), as adopted in this final rule, is based on what the patent claims.

Comment 5: One comment suggested that the proposed definition is based on Class 705 of the United States Classification System and that the definition should be amended to include a specific reference to Class 705, including systems.

Response: The definition set forth in § 42.301(a) adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. The definition set forth in § 42.301(a) will not be altered to make reference to Class 705 of the United Classification System since doing so would be contrary to the definition set out in the public law. The legislative history reveals that

[o]riginally, class 705 was used as the template for the definition of business method patents in section 18. However, after the bill passed the Senate, it became clear that some offending business method patents are issued in other sections. So the House bill changes the definition only slightly so that it does not directly track the class 705 language.

157 Cong. Rec. S5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that the definition of a covered business method patent should not be changed to refer to Class 705 of the United States Classification System. In addition, the Office received comments in support of the definition set forth in the proposed rule. Upon considering the AIA and legislative history, as well as those supporting comments in favor of the definition against the comment to change the definition, the Office has decided to adopt proposed § 42.301(a) in this final rule, without altering the proposed definition.

Section 42.301(b)

Comment 6: One comment asked whether it is the novel and unobvious technological feature that provides the technical solution to a technical problem or that the novel and unobvious technological feature does not necessarily need to be the technical solution to the technical problem.

Response: The definition in § 42.301(b) includes considering whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution. The reference “and solves a technical problem using a technical solution” is with respect to “the claimed subject matter as a whole.”

Comment 7: One comment suggested that the definition is not actually a definition as it only states two factors to be considered, and that the Office did not have to use legislative history for the rule because Congress instructed the Office to use its own expertise. Still another comment suggested that the Office should not have based the definition on the legislative history.

Response: Section 18(d)(2) of the AIA provides that “[t]o assist in

implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.” Consistent with the AIA, the definition for technological invention, as adopted in this final rule, sets forth what is to be considered in determining whether a patent is for a technological invention. The Office disagrees that it should not have looked to the legislative history in formulating the definition. The Office, in determining the best approach for defining the term “technological invention,” concluded that the relied upon portion of the legislative history represented the best policy choice.

Comment 8: Several comments sought clarification on whether a single claim can make the patent a covered business method patent or whether it is the subject matter as a whole that is considered.

Response: The definition set forth in § 42.301(b) for a covered business method patent adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. Specifically, the language states that a covered business method patent is “a patent that *claims* a method or corresponding apparatus for performing data processing * * *, except that the term does not include patents for technological inventions.” (Emphasis added.) Consistent with the AIA, the definition, as adopted, therefore is based on what the patent claims.

Determination of whether a patent is a covered business method patent will be made based on the claims. Similarly, determination of whether a patent is to a technological invention will be determined based on the claims of the patent. A patent having one or more claims directed to a covered business method is a covered business method patent for purposes of the review, even if the patent includes additional claims.

Comment 9: Several comments suggested that the definition should not be based on novelty or nonobviousness; some proposed a definition that eliminates “novel and unobvious.” Other comments fully supported the proposed definition set forth in the proposed rule.

Response: Under § 42.301(b), in determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods, the Office will consider whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art. Therefore, the definition in § 42.301(b) is consistent with the AIA and the

legislative history. Moreover, several comments supported the definition set forth in proposed § 42.301(b). Upon considering the AIA and the legislative history as well as the supporting comments in favor of the definition balanced against the comments to change the definition, the Office adopts the definition in proposed § 42.301(b), in this final rule, without alterations. Therefore, the Office did not adopt a definition that is not based on novelty or nonobviousness.

Comment 10: Several comments proposed using the standards of patent subject matter eligibility under 35 U.S.C. 101 to define whether a patent is for a technological invention. Still other comments opposed using a 35 U.S.C. 101 standard. Moreover, several comments fully supported the definition in proposed § 42.301(b).

Response: The definition in proposed § 42.301(b) is consistent with the AIA and the legislative history as discussed above. The suggestions to change the definition using the standards of patent subject matter eligibility under 35 U.S.C. 101 will not be adopted. Several comments supported the definition set forth in proposed § 42.301(b) while other comments opposed changing the definition based on the standards of patent subject matter eligibility under 35 U.S.C. 101. Upon considering the AIA and the legislative history as well as the comments in favor of the definition balanced against the comments to change the definition, the Office decided to adopt proposed § 42.301(b), in this final rule.

Comment 11: Several comments suggested applying the definition to limit reviews under the program while others suggested applying the definition not to limit reviews under the program.

Response: The Office will consider whether a patent is for a technological invention on a case-by-case basis and will take into consideration the facts of a particular case. Therefore, the Office did not adopt the suggestions to apply a definition to limit, or not to limit, reviews without considering the factors as applied to all of the reviews.

Comment 12: Several comments stated that the definition in proposed § 42.301(b) is confusing, circular, and ambiguous. Other comments fully supported the definition set forth in the proposed rule.

Response: The definition adopted in § 42.301(b) is based upon the legislative history of the AIA. The Office believes that the definition provides appropriate guidance to the public, taken in light of the legislative history, as well as the Supreme Court case law on patent eligible subject matter and the Office's

existing guidelines. *See, e.g., Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of Bilski v. Kappos*, 75 FR 43922 (Jul. 27, 2010). The Office will consider whether a patent is for a technological invention on a case-by-case basis and will take into consideration the facts of a particular case. As applied to a particular case, only one result will occur. Moreover, additional guidance will be provided to the public as decisions are rendered applying the definition as they become available. Many comments fully supported the definition. Upon considering the AIA and the legislative history as well as the supporting comments in favor of the definition balanced against the comments to change the definition, the Office decided to adopt proposed § 42.301(b) in this final rule, and not to alter the definition as requested.

Comment 13: Several comments proposed various different definitions for technological invention. Other comments fully supported the definition set forth in the proposed rule.

Response: The Office appreciates and has considered the suggested definitions. Although the definitions have been considered, the Office is not adopting the definitions suggested in the comments. Specifically, the Office believes that the definition in § 42.301(b) is consistent with the legislative history of the AIA and more narrowly tailors the reviews that are instituted in view of that history. Moreover, several comments supported the definition set forth in the proposed rule. Upon considering the comments in favor of the definition balanced against those comments to change the definition, the Office has decided to adopt proposed § 42.301(b), in this final rule, and not alter the definition as requested.

Comment 14: One comment supported the definition set forth in proposed § 42.301(b), but encouraged the Office to include in the preamble of the final rule notice a reference to remarks made by Senator Durbin from the legislative history. One other comment suggested that the remarks of Senators Schumer and Coburn and Representative Smith should not be given controlling weight and in any event their remarks should be balanced against the remarks of others, including Senator Durbin. Both comments refer to the remarks made by Senator Durbin on September 8, 2011, 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011).

Response: The Office appreciates the comments. However, the specific remarks of Senator Durbin to which the Office is directed will not be included

in the preamble as suggested. In the testimony to which the Office is directed, Senator Durbin provided broad examples of the kinds of patents that would not be subject to a transitional covered business method patent review. Although the comments are instructive, the comments identify very specific examples that are not necessarily suited for the preamble but are better addressed when reviewing the merits of a case.

Comment 15: Several comments suggested that the case-by-case approach is not specific enough and could create uncertainty. Other comments fully supported the definition set forth in proposed § 42.301(b).

Response: The definition in proposed § 42.301(b) was drafted to ensure flexibility in administering the transitional covered business method review program. In determining whether a patent is for a technological invention, the particular facts of a case will be considered. Additionally, more information on how the rule applies to specific factual situations will be available as decisions are issued. Therefore, the Office adopts proposed § 42.301(b) in this final rule without any alteration.

Office Patent Trial Practice Guide

Comment 16: Several comments suggested that the Office provide additional examples for what is a covered business method patent and what is a technological invention.

Response: The Office agrees that more examples would be helpful to the public. The Office anticipates publishing written decisions as soon as practical, after which more examples likely will be provided in the Office Patent Trial Practice Guide. The Office will make cases publicly available to provide more guidance in the future.

Comment 17: One comment stated that the provided examples in the Practice Guide for Proposed Trial Rules are inconsistent because a hedging machine and credit card reader are computers using known technologies.

Response: The Office disagrees that the examples of covered business method patents that are subject to a covered business method patent review are inconsistent with the examples of patents that claim a technological invention. The Practice Guide for Proposed Trial Rules provides examples of covered business method patents that are subject to a covered business method patent review. One example is a patent that claims a method for hedging risk in the field of commodities trading. Another example is a patent that claims a method for verifying

validity of a credit card transaction. Still other examples are given of a patent that claims a technological invention that would not be subject to a covered business method patent review. One example is a patent that claims a novel and nonobvious hedging machine for hedging risk in the field of commodities trading. Another example is a patent that claims a novel and nonobvious credit card reader for verifying the validity of a credit card transaction. The comment assumes that in all examples the machine or card reader is a computer using known technologies. However, no such qualifications were provided in the examples.

Rulemaking Considerations

The rulemaking considerations for the series of final rules implementing the administrative patent trials as required by the AIA have been considered together and are based upon the same assumptions, except where differences between the regulations and proceedings that they implement require additional or different information. Notably, this final rule is directed to the covered business method patent provision, and therefore, does not depend on or discuss the responses or information related to *inter partes* reviews, post-grant reviews other than covered business method patent reviews, and derivations. This final rule also provides the alternatives considered for the technological invention for the purposes of the covered business method patent review, provided in section B(6) below.

A. Administrative Procedure Act (APA)

This final rule revises the rules of practice concerning the procedure for requesting a covered business method patent review. The changes being adopted in this notice do not change the substantive criteria of patentability. These changes involve rules of agency practice, including related standards. See, e.g., 35 U.S.C. 316(a)(5), as amended. These rules are procedural and/or interpretive rules. See *Bachow Commc'ns Inc. v. FCC*, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); *Inova Alexandria Hosp. v. Shalala*, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive requirements for reviewing claims); *Nat'l Org. of Veterans' Advocates v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive); *JEM Broad. Co. v. F.C.C.*, 22 F.3d 320, 328 (D.C. Cir.

1994) (The rules are not legislative because they do not “foreclose effective opportunity to make one’s case on the merits”). Moreover, section 18(d)(2) of the AIA requires the Director to prescribe regulations for determining whether a patent is for a technological invention.

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336–37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rule making for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice”) (quoting 5 U.S.C. 553(b)(A)); *U.S. v. Gould*, 568 F.3d 459, 476 (4th Cir. 2009) (“The APA also requires publication of any substantive rule at least 30 days before its effective date, 5 U.S.C. § 553(d), except where the rule is interpretive * * *”). The Office, however, published these proposed changes for comment as it sought the benefit of the public’s views on the Office’s proposed implementation of these provisions of the AIA. See *Changes to Implement Transitional Program for Covered Business Method Patents*, 77 FR 7080 (Feb. 10, 2012) (notice of proposed rulemaking) and *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 FR 7095 (Feb. 10, 2012) (notice of proposed rulemaking).

The Office received one written submission of comments from the public regarding the Administrative Procedure Act (APA). Each component of that comment directed to the APA is addressed below.

Comment 18: One comment suggested that almost all of the proposed regulations were legislative and not interpretive rules. That leads the USPTO to omit required steps in the rulemaking process.

Response: At the outset, it should be noted that the Office did not omit any steps in the rulemaking process. Even though not legally required, the Office published notices of proposed rulemaking in the **Federal Register**, solicited public comment, and fully considered and responded to comments received. Although the Office sought the benefit of public comment, these rules are procedural and/or interpretive. *Stevens v. Tamai*, 366 F.3d 1325, 1333–34 (Fed. Cir. 2004) (upholding the Office’s rules governing the procedure

in patent interferences). The final written decisions on patentability which conclude the reviews will not be impacted by the regulations, adopted in this final rule, as the decisions will be based on statutory patentability requirements, e.g., 35 U.S.C. 101 and 102.

Comment 19: One comment suggested that, even if the rules are merely procedural, reliance on *Cooper Techs. v. Dudas* was not appropriate and therefore notice and comment was required.

Response: These rules are consistent with the AIA requirements to prescribe regulations to set forth standards and procedures. The rules are procedural and/or interpretive. *Stevens v. Tamai*, 366 F.3d 1325, 1333–34 (Fed. Cir. 2004) (upholding the Office’s rules governing the procedure in patent interferences). The Office nevertheless published notices of proposed rulemaking in the **Federal Register**, solicited public comment, and fully considered and responded to comments received. In both the notice of proposed rulemaking and this final rule, the Office cites *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336, 37 (Fed. Cir. 2008), for the proposition that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for “interpretive rules, general statement of policy, or rules of agency organization, procedure or practice.” The Office’s reliance on *Cooper Technologies* is appropriate and remains an accurate statement of administrative law. In any event, the Office sought the benefit of public comment on the proposed rules and has fully considered and responded to the comments received.

B. Final Regulatory Flexibility Act Analysis

The Office estimates that 50 petitions for covered business method patent review will be filed each year in fiscal years 2013–2015. Fiscal year 2013 will be the first fiscal year in which the review proceeding will be available for an entire fiscal year.

The estimated number of covered business method patent review petitions is based on the number of *inter partes* reexamination requests filed in fiscal year 2011 for patents having an original classification in Class 705 of the United States Patent Classification System. Class 705 is the classification for patents directed to data processing in the following areas: financial, business practice, management, or cost/price determination. See Class 705 Data Processing: Financial, Business Practice, Management, or Cost/Price Determination (Jan. 2012), available at

<http://www.uspto.gov/web/patents/classification/uspc705/sched705.pdf>.

The following is the class definition and description for Class 705:

This is the generic class for apparatus and corresponding methods for performing *data processing* operations, in which there is a significant change in the data or for performing *calculation operations* wherein the apparatus or method is uniquely designed for or utilized in the *practice*, administration, or management of an *enterprise*, or in the processing of financial data.

This class also provides for apparatus and corresponding methods for performing *data processing* or *calculating operations* in which a charge for goods or services is determined.

This class additionally provides for subject matter described in the two paragraphs above in combination with cryptographic apparatus or method.

Subclasses 705/300–348 were established prior to complete reclassification of all project documents. Documents that have not yet been reclassified have been placed in 705/1.1. Until reclassification is finished a complete search of 705/300–348 should include a search of 705/1.1. Once the project documents in 705/1.1 have been reclassified they will be moved to the appropriate subclasses and this note will be removed.

Scope of the Class

1. The *arrangements* in this class are generally used for problems relating to administration of an organization, commodities or financial transactions.

2. Mere designation of an arrangement as a “business machine” or a document as a “business form” or “business chart” without

any particular business function will not cause classification in this class or its subclasses.

3. For classification herein, there must be significant claim recitation of the data processing system or calculating computer and only nominal claim recitation of any external art environment. Significantly claimed apparatus external to this class, claimed in combination with apparatus under the class definition, which perform data processing or calculation operations are classified in the class appropriate to the external device unless specifically excluded therefrom.

4. Nominally claimed apparatus external to this class in combination with apparatus under the class definition is classified in this class unless provided for in the appropriate external class.

5. In view of the nature of the subject matter included herein, consideration of the classification schedule for the diverse art or environment is necessary for proper search.

See Classification Definitions (Jan. 2012), available at <http://www.uspto.gov/web/patents/classification/uspc705/defs705.htm>.

Accordingly, patents subject to covered business method patent review are anticipated to be typically classifiable in Class 705. It is anticipated that the number of patents in Class 705 that do not qualify as covered business method patents would approximate the number of patents classified in other classes that do qualify.

The Office received 20 requests for *inter partes* reexamination of patents

classified in Class 705 in fiscal year 2011. The Office is estimating the number of petitions for covered business method patent review to be 50 requests due to an expansion of the grounds for which review may be requested including subject matter eligibility grounds, the greater coordination with litigation, and the provision that patents will be eligible for the proceeding regardless of filing date of the application which resulted in the patent.

The Office has updated its review of the entity status of patents for which *inter partes* reexamination was requested from October 1, 2000, to May 18, 2012. This data only includes filings granted a filing date, and does not include filings of improper requests. The first *inter partes* reexamination was filed on July 27, 2001. A summary of that review is provided in Table 1 below. As shown by Table 1, patents known to be owned by a small entity represented 32.09% of patents for which *inter partes* reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to covered business method patent review, it is estimated that 16 petitions for covered business method patent review would be filed to seek review of patents owned by a small entity annually in fiscal years 2013–2015.

TABLE 1—INTER PARTES REEXAMINATION REQUESTS FILED WITH PARENT ENTITY TYPE *

Fiscal year	<i>Inter partes</i> reexamination requests filed	Number filed where parent patent is small entity type	Percentage of small entity type of total
2012	226	85	37.61
2011	369	135	36.59
2010	255	89	34.9
2009	237	61	25.74
2008	155	51	32.9
2007	127	32	25.2
2006	61	16	26.23
2005	59	20	33.9
2004	26	5	19.23
2003	21	12	57.14
2002	4	1	25.00
2001	1	0	0.00
	1315	422	32.09

* Small entity status determined by reviewing preexamination small entity indicator for the parent patent.

The 16 petitions estimated to be filed annually involve only a minute fraction of the total of approximately 375,000 patents in force that are owned by small entities.

Based on the number of patents issued during fiscal years 1995 through 1999 that paid the small entity third stage maintenance fee, the number of

patents issued during fiscal years 2000 through 2003 that paid the small entity second stage maintenance fee, the number of patents issued during fiscal years 2004 through 2007 that paid the small entity first stage maintenance fee, and the number of patents issued during fiscal years 2008 through 2011 that paid a small entity issue fee, there are

approximately 375,000 patents owned by small entities in force as of October 1, 2011.

Furthermore, the Office recognizes that there would be an offset to this number for patents that expire earlier than 20 years from their filing date due to a benefit claim to an earlier application or due to a filing of a

terminal disclaimer. The Office likewise recognizes that there would be an offset in the opposite manner due to the accrual of patent term extension and adjustment. The Office, however, does not maintain data on the date of expiration by operation of a terminal disclaimer. Therefore, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011. While the Office maintains information regarding patent term extension and adjustment accrued by each patent, the Office does not collect data on the expiration date of patents that are subject to a terminal disclaimer. As such, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011, for accrual of patent term extension and adjustment, because in view of the incomplete terminal disclaimer data issue, any adjustment would be incomplete would be administratively burdensome to estimate. Thus, it is estimated that the number of small entity patents in force in fiscal years 2013–2015 will be approximately 375,000.

Based on the estimated number of patents in force, the number of small entity-owned patents impacted by covered business method patent review annually in fiscal years 2013–2015 (16 patents) would be less than 0.005% (16/375,000) of all patents in force that are owned by small entities.

1. Description of the Reasons That Action by the Office Is Being Considered

The Office is revising the rules of practice to implement the transitional program for covered business method patent review provisions of the AIA, which take effect September 16, 2012. Public Law 112–29, § 6(f), 125 Stat. 284, 311 (2011). The AIA requires the Office to issue regulations for determining whether a patent is for a technological invention in a transitional post-grant review proceeding for covered business method patents.

2. Statement of the Objectives of, and Legal Basis for, the Final Rule

The final rule is part of a series of rules that implement covered business method patent review as authorized by the AIA. Specifically the final rule provides a definition for determining whether a patent is for a technological invention for use in a transitional post-grant review proceeding for covered business method patents. The AIA requires that the Director prescribe rules for the covered business method patent reviews that result in a final determination not later than one year

after the date on which the Director notices the institution of a proceeding. The one-year period may be extended for not more than six months if good cause is shown. See 35 U.S.C. 326(a)(11). The AIA also requires that the Director, in prescribing rules for covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely. See 35 U.S.C. 326(b). Consistent with the time periods provided in 35 U.S.C. 326(a)(11), those final rules are designed to result in a final determination by the Patent Trial and Appeal Board within one year of the notice of initiation of the review, except where good cause is shown to exist. This one-year review will enhance the economy and improve the integrity of the patent system and the efficient administration of the Office.

3. Statement of Significant Issues Raised by the Public Comments in Response to the IRFA and the Office's Response to Such Issues

The Office published IRFA analyses to consider the economic impact of the proposed rules on small entities, including an IRFA analysis for covered business methods. See Transitional Program for Covered Business Method Patents-Definition of Technological Invention, 77 FR 7095, 7097–7105 (Feb. 10, 2012).

The Office received one written submission of comments from the public concerning the Regulatory Flexibility Act, which was relevant to all three final rulemakings concerning contested cases. Each component of that comment directed to the Regulatory Flexibility Act is addressed below.

Comment 20: One comment argued that non-office costs and burden should include the burden on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment. The comment further argued that prophylactic application steps (e.g., filing of reissue applications) were not considered and that the offsets for *inter partes* reexamination's elimination were not appropriate.

Response: As explained in the notice of proposed rulemaking, the Office notes that *inter partes* reexamination is the appropriate baseline for estimating economic impacts because the use or outcome of the prior reexamination process and the new trial are largely the same. See OMB Circular A4, (e)(3). The

Office estimated that the same number of patents would be subject to *inter partes* review as would have been subject to *inter partes* reexamination. The comment did not argue that this estimate was unreasonable or provide an alternative estimate. Considering the similarities in the grounds of review and the number of patents subject to the proceedings, it is anticipated that the existing *inter partes* reexamination process, if not eliminated for new filings, would have had similar impact on the economy as the new review proceedings and therefore the impacts noted in the comment would simply replace existing analogous impacts and effects in *inter partes* reexamination. The comment argues that no offset for the replaced process should be considered although OMB guidance provides otherwise. See OMB Circular A4. Additionally, although the comment argues that the new proceedings may result in patent owners taking additional prophylactic measures that would have their own burdens for small businesses, any patent owner motivated by the regulations adopted in this final rule to take prophylactic application steps would similarly have been motivated to take those steps under the former *inter partes* reexamination regime. Thus, the burdens on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment that are caused by the final rules would have been similarly caused by the former *inter partes* reexamination proceedings as the same effects and impacts are caused by the two types of proceedings.

Additionally, the Office's estimates of the burden on small entities are likely overstated. As noted in the notice of proposed rulemaking, it is anticipated that the current significant overlap between district court litigation and *inter partes* reexamination may be reduced by improvement in the coordination between the two processes. See *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 FR at 6903. Similarly, it is anticipated that the public burden will be reduced because the longer duration of the *inter partes* reexamination process will be reduced owing to the anticipated shorter duration of the new procedure. *Id.*

Comment 21: A comment indicated that the underlying data for the 98.7 hours of judge time for an *inter partes* review proceeding was not provided.

Response: Based on the Office's experience involving similar

proceedings, the Office estimates that, on average, an *inter partes* review proceeding will require 35 hours of judge time to make a decision on institution, 20 hours of judge time to prepare for and conduct hearings, 60 hours of judge time to prepare and issue a final decision, and 15 hours of judge time to prepare and issue miscellaneous interlocutory decisions. It is also estimated that 2.5% of proceedings will settle before a decision of whether to institute is made and another 2.5% of proceedings will terminate by patent owners filing a default judgment motion after institution. The Office estimates that 10% of proceedings will not be instituted and another 20% of proceedings will settle after institution. In settled cases it is estimated that 50% of the anticipated motions would not be filed. It should be appreciated that cases that terminate prior to the need to render a decision on institution, that do request an oral hearing or do not require a final decision because of an earlier termination, result in an average judge time per proceeding which is less than the time needed to perform all possible steps in a proceeding.

4. Description and Estimate of the Number of Affected Small Entities

A. Size Standard and Description of Entities Affected. The Small Business Administration's (SBA) small business size standards applicable to most analyses conducted to comply with the Regulatory Flexibility Act are set forth in 13 CFR 121.201. These regulations generally define small businesses as those with fewer than a specified maximum number of employees or less than a specified level of annual receipts for the entity's industrial sector or North American Industry Classification System (NAICS) code. As provided by the Regulatory Flexibility Act, and after consultation with the Small Business Administration, the Office formally adopted an alternate size standard as the size standard for the purpose of conducting an analysis or making a certification under the Regulatory Flexibility Act for patent-related regulations. See *Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR 67109 (Nov. 20, 2006), 1313 *Off. Gaz. Pat. Office* 60 (Dec. 12, 2006). This alternate small business size standard is the SBA's previously established size standard that identifies the criteria entities must meet to be entitled to pay reduced patent fees. See 13 CFR 121.802. If patent applicants identify themselves on a patent application as qualifying for reduced patent fees, the

Office captures this data in the Patent Application Location and Monitoring (PALM) database system, which tracks information on each patent application submitted to the Office.

Unlike the SBA's small business size standards set forth in 13 CFR 121.201, the size standard for USPTO is not industry-specific. Specifically, the Office's definition of small business concern for Regulatory Flexibility Act purposes is a business or other concern that: (1) Meets the SBA's definition of a "business concern or concern" set forth in 13 CFR 121.105; and (2) meets the size standards set forth in 13 CFR 121.802 for the purpose of paying reduced patent fees, namely, an entity: (a) Whose number of employees, including affiliates, does not exceed 500 persons; and (b) which has not assigned, granted, conveyed, or licensed (and is under no obligation to do so) any rights in the invention to any person who made it and could not be classified as an independent inventor, or to any concern which would not qualify as a non-profit organization or a small business concern under this definition. See *Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR at 67112, 1313 *Off. Gaz. Pat. Office* at 63 (Dec. 12, 2006).

B. Overview of Estimates of Number of Entities Affected. The rules will apply to any small entity that either files a petition for covered business method patent review or owns a patent subject to such review. As discussed above (which is incorporated here), it is anticipated that 50 petitions for covered business method patent review will be filed annually in fiscal years 2013–2015. The Office has reviewed the percentage of patents owned by small entities for which *inter partes* reexamination was requested from October 1, 2000, to May 18, 2012. A summary of that review is provided in Table 1 above. As demonstrated by Table 1, patents known to be owned by a small entity represent 32.09% of patents for which an *inter partes* reexamination was requested. Based on an estimation that the same percentage of patents owned by small entities will be subject to the new review proceedings, it is estimated that 16 patents owned by small entities would be affected by covered business method patent review annually, and it is also estimated that no more than that number of small entities will file a petition for review.

The USPTO estimates that 2.5% of patent owners will file a request for adverse judgment (e.g., a default judgment) prior to a decision to institute

and that another 2.5% will file a request for adverse judgment or fail to participate after initiation. Specifically, an estimated two patent owners will annually file a request for adverse judgment or fail to participate after institution in covered business method proceedings. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%) from October 1, 2000, to May 18, 2012, it is estimated that one small entity will annually file such request or fail to participate in covered business method patent review.

Under the final rules, prior to determining whether to institute a review, the patent owner may file an optional patent owner preliminary response to the petition. Given the new time period requirements to file a petition for review before the Board relative to patent enforcement proceedings and the desirability of avoiding the cost of a trial and delays to related infringement actions, it is anticipated that 90% of petitions, other than those for which a request for adverse judgment is filed, will annually result in the filing of a patent owner preliminary response. Specifically, the Office estimates that 45 patent owners will file a preliminary response to a covered business method patent petition annually. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that 14 small entities will annually file a preliminary response to a covered business method patent review petition filed in fiscal years 2013–2015.

Under the final rules, the Office will determine whether to institute a trial within three months after the earlier of: (1) The submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. In estimating the number of requests for reconsideration, the Office considered the percentage of *inter partes* reexaminations that were denied relative to those that were ordered (24 divided by 342, or 7%) in fiscal year 2011. See *Reexaminations—FY 2011*, http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf. The Office also considered the impact of: (1) Patent owner preliminary responses newly authorized in 35 U.S.C. 323; (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 324(a),

which would tend to increase the likelihood of dismissing a petition for review; and (3) the more restrictive time period for filing a petition for review in 35 U.S.C. 325(b), which would tend to reduce the likelihood of dismissing a petition. Based on these considerations, it is estimated that approximately 10% of the petitions for review (5 divided by 49) would be dismissed annually.

Thus, the Office estimates that no more than five entities (two small entities) would be subject to a denial of the petition to initiate covered business method patent review annually. This estimate is based upon either the patent failing to meet the definition for technological invention or because the petitioner failed to meet the likelihood of success standard. Of the remaining 90% of petitions that proceed to trial, all entities (large or small) could be subject to the definition for technological invention since jurisdictional issues may be raised at any time.

During fiscal year 2011, the Office issued 21 decisions following a request for reconsideration of a decision on appeal in *inter partes* reexamination. The average time from original decision to decision on reconsideration was 4.4 months. Thus, the decisions on reconsideration were based on original decisions issued from July 2010 until June 2011. During this time period, the Office mailed 63 decisions on appeals in *inter partes* reexamination. See BPAI Statistics—Receipts and Dispositions by Technology Center, <http://www.uspto.gov/ip/boards/bpai/stats/receipts/index.jsp> (monthly data). Based on the assumption that the same rate of reconsideration (21 divided by 63 or 33.333%) will occur, the Office estimates that two requests for reconsideration (5 decisions not to institute multiplied by 33.333%) will be filed annually. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that annually one small entity will file a request for a reconsideration of a decision dismissing the petition for post-grant or covered business method patent review filed in fiscal years 2013–2015. Further, the Office estimates that it will issue 34 final written decisions for post-grant reviews, including cover business method patent reviews annually. Applying the same 33.333% rate, the Office estimates 11 requests for reconsiderations (34 multiplied by 33.333%) will be filed annually based on the final written decisions. Therefore, the Office estimates a total of 13 (2 + 11) requests for reconsiderations annually.

The Office reviewed motions, oppositions, and replies in a number of contested trial proceedings before the trial section of the Board. The review included determining whether the motion, opposition, and reply were directed to patentability grounds and non-priority non-patentability grounds. This series of final rules adopts changes to permit parties to agree to certain changes from the default process between themselves without filing a motion with the Board. Based on the changes in these final rules, the estimate of the number of motions has been revised downwardly so that it is now anticipated that post-grant reviews and covered business method patent reviews will have an average of 8 motions, oppositions, and replies per trial after institution. Settlement is estimated to occur in 20% of instituted trials at various points of the trial. In the trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted but prior to a final written decision, parties to a covered business method patent review may request an oral hearing. It is anticipated that 45 requests for oral hearings will be filed annually based on the number of requests for oral hearings in *inter partes* reexamination, the stated desirability for oral hearings during the legislative process, and the public input received prior to this final rule. Based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that annually 14 small entity patent owners or petitioners will file a request for oral hearing in the covered business method patent reviews instituted in fiscal years 2013–2015.

Parties to a covered business method patent review may file requests to treat a settlement as business confidential and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options (such as arbitration for derivation proceedings) will be infrequently used. The Office estimates that two requests to treat a settlement as business confidential and ten requests for adverse judgment, default adverse judgment, or settlement notices will be filed annually. The Office also estimates that two requests to make a settlement available will be filed annually. Based on the percentage of small entity-owned patents that were the subject of *inter*

partes reexamination (32.09%), it is estimated that one small entity will annually file a request to treat a settlement as business confidential and three small entities will annually file a request for adverse judgment, default adverse judgment notices, or settlement notices in the reviews instituted in fiscal years 2013–2015.

Parties to a covered business method patent review may seek judicial review of the final decision of the Board. Historically, 33% of decisions by examiners in *inter partes* reexamination proceedings have been appealed to the Board. Given the increased coordination with district court litigation, the Office has adjusted its estimate of the appeal rate to be 120% of the historic rate (40% of decisions); seven additional notices of appeal will be filed annually based on the decisions issued in the new covered business method patent review proceedings during fiscal years 2013–2015. Furthermore, based on the percentage of small entity-owned patents that were the subject of *inter partes* reexamination (32.09%), it is estimated that two small entities would seek judicial review of final decisions of the Board annually in the covered business method patent reviews instituted in fiscal years 2013–2015.

5. Description of the Reporting, Recordkeeping, and Other Compliance Requirements of the Final Rule, Including an Estimate of the Classes of Small Entities Which Will Be Subject to the Requirement and the Type of Professional Skills Necessary for Preparation of the Report or Record

The rules will apply to any small entity that petitions for a covered business method patent review or owns a patent subject to such review. The reviews would be limited to business method patents that are not patents for technological inventions. Under the final rules, a person who is not the owner of a patent may file a petition to institute a review of that patent if the person is currently a party to litigation based on the patent or charge with infringement, with a few exceptions. Given this, it is anticipated that a petition for review is likely to be filed by an entity practicing in the business method field for covered business methods.

Preparation of the petition would require analyzing the patent claims, locating evidence, supporting arguments of unpatentability, and preparing the petition seeking review of the patent. This final rule provides the procedural requirements setting forth which patents are eligible for review. Additional requirements are provided in

contemporaneous trial specific rulemaking. The procedures for petitions to institute a covered business method patent review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304.

The skills necessary to prepare a petition for review and to participate in a trial before the Patent Trial and Appeal Board would be similar to those needed to prepare a request for *inter partes* reexamination and to represent a party in an *inter partes* reexamination before the Board. The level of skill typically is possessed by a registered patent practitioner having devoted professional time to the particular practice area, typically under the supervision of a practitioner skilled in the particular practice area. Where authorized by the Board, a non-registered practitioner may be admitted *pro hac vice*, on a case-by-case basis based on the facts and circumstances of the trial and party, as well as the skill of the practitioner.

The cost of preparing a petition for covered business method patent review is estimated to be 33.333% higher than the cost of preparing an *inter partes* review petition because the petition for covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. The American Intellectual Property Law Association's *AIPLA Report of the Economic Survey 2011* reported that the average cost of preparing a request for *inter partes* reexamination was \$46,000. The Office believes, based on its experience, that \$46,000 is an appropriate estimate. Based on the Office's consideration of the work required to prepare and file such a request, the Office estimates that the cost of preparing a petition for covered business method patent review would be \$61,333.

The filing of a petition for review would also require payment by the petitioner of the appropriate petition fee to recover the aggregate cost for providing the review. The appropriate petition fee would be determined by the number of claims for which review is sought and the type of review. The fees for filing a petition for covered business method patent review would be: \$35,800 to request review of 20 or fewer claims and \$800 for each claim in excess of 20 for which review is sought.

In setting fees, the estimated information technology (IT) cost to establish the process and maintain the filing and storage system through FY 2017 is to be recovered by charging each petition an IT fee that has a base

component of \$1,705 for requests to review 20 or fewer claims. The IT component fee would increase \$75 per claim in excess of 20. The remainder of the fee is to recover the cost for judges to determine whether to institute a review and conduct the review, together with a proportionate share of indirect costs, *e.g.*, rent, utilities, additional support, and administrative costs. Based on the direct and indirect costs, the fully burdened cost per hour for judges to decide a petition and conduct a review is estimated to be \$258.32.

For a petition for covered business method patent review with 20 or fewer challenged claims, it is anticipated that about 130 hours of time for review by the judges will be required. An additional amount of time estimated to be slightly less than three hours of judge time would be required for each claim in excess of 20.

The rules permit the patent owner to file a preliminary response to the petition setting forth the reasons why no review should be initiated. The procedures for a patent owner to file a preliminary response as an opposition are set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The patent owner is not required to file a preliminary response. The Office estimates that the preparation and filing of a patent owner preliminary response would require 91.6 hours of professional time and cost \$34,000. The *AIPLA Report of the Economic Survey 2011* reported that the average cost for *inter partes* reexamination including of the request was \$46,000, the first patent owner response and third party comments was \$75,000 (*see* page I-175) and the mean hourly billing rate for professional time for attorneys in private firms was \$371 (*see* page 8). Thus, the cost of the first patent owner reply and the third-party statement is \$29,000, the balance of \$75,000 minus \$46,000. The Office finds these costs to be reasonable estimates. The patent owner reply and third-party statement, however, occur after the examiner has made an initial threshold determination and made only the appropriate rejections. Accordingly, it is anticipated that filing a patent owner preliminary response to a petition for review would cost more than the initial reply in a reexamination, or an estimated \$34,000.

The Office will determine whether to institute a trial within three months after the earlier of: (1) The submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing

a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. It is anticipated that a request for reconsideration will require 80 hours of professional time to prepare and file, at a cost of \$371 per hour, for a total estimated cost of \$29,680. This estimate is based on the complexity of the issues and desire to avoid time bars imposed by 35 U.S.C. 325(b).

Following institution of a trial, the parties may be authorized to file various motions, *e.g.*, motions to amend and motions for additional discovery. Where a motion is authorized, an opposition may be authorized, and where an opposition is authorized, a reply may be authorized. The procedures for filing a motion include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.221, and 42.223. The procedures for filing an opposition include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.207, and 42.220. The procedures for filing a reply include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65. As discussed previously, the Office estimates that the average covered business method patent review will have a total of 8 motions, oppositions, and replies after institution. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted but prior to a final written decision, parties to a covered business method patent review may request an oral hearing. The procedure for filing requests for oral argument is set forth in § 42.70. The *AIPLA Report of the Economic Survey 2011* reported that the third quartile cost of an *ex parte* appeal with an oral argument is \$12,000, while the third quartile cost of an *ex parte* appeal without an oral argument is \$6,000. In view of the reported costs, which the Office finds reasonable, and the increased complexity of an oral hearing with multiple parties, it is estimated that the cost per party for oral hearings would be \$6,800, or 18.3 hours of professional time (\$6,800 divided by \$371), or \$800 more than the reported third quartile cost for an *ex parte* oral hearing.

Parties to a covered business method patent review may file requests to treat a settlement as business confidential, or file requests for adverse judgment. A written request to make a settlement agreement available may also be filed.

The procedures to file requests that a settlement be treated as business confidential are set forth in § 42.74(c). The procedures to file requests for adverse judgment are set forth in § 42.73(b). The procedures to file requests to make a settlement agreement available are set forth in § 42.74(c)(2). It is anticipated that requests to treat a settlement as business confidential will require two hours of professional time for a cost of \$742. It is anticipated that requests for adverse judgment will require one hour of professional time a cost of \$371. It is anticipated that requests to make a settlement agreement available will require one hour of professional time a cost of \$371. The requests to make a settlement agreement available will also require payment of a fee of \$400 specified in § 42.15(d). The fee is the same as that currently set forth in § 41.20(a) for petitions to the Chief Administrative Patent Judge.

Parties to a review proceeding may seek judicial review of the judgment of the Board. The procedures to file notices of judicial review of a Board decision, including notices of appeal and notices of election provided for in 35 U.S.C. 141, 142, 145, and 146, are set forth in §§ 90.1 through 90.3. The submission of a copy of a notice of appeal or a notice of election is anticipated to require six minutes of professional time at a cost of \$37.10.

6. Description of Any Significant Alternatives to the Final Rules Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Rules on Small Entities

This Office considered significant alternatives such as: (1) The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities. *See* 5 U.S.C. 603; *see also* 35 U.S.C. 41(h) (fee reduction for small business concerns not applicable to fees set under 35 U.S.C. 41(d)(2)).

A. Definition of Technological Invention

The definition set forth in this final rule is consistent with the AIA and the legislative history, and assists in implementing the transitional program for covered business method patents as required by section 18(d)(2) of the AIA.

See, e.g., 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“The ‘patents for technological inventions’ exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution and which requires the claims to state the technical features which the inventor desires to protect.”).

With respect to the rules to define patents that are eligible for covered business method patent review of the AIA, the Office considered requiring less than, or exempting small entities from, § 42.304 (which defines the specific content requirement for a petition seeking a review under the transitional program for covered business method patents). The Office considered proposing that a technological invention be defined as any claimed invention in any patent having an original classification in any class other than Class 705 of the United States Patent Classification System. Adoption of the alternative definition, as applied to certain patents, would have been either overly narrow or overly broad. For example, there are patents that are originally classified in Class 705 which solve technical problems with technical solutions and which are patentable over the prior art based on a technological innovation. Similarly there are patents that are originally classified in classes other than Class 705 which fail to solve a technical problem with a technical solution and fail to be patentable over the prior art based on a technological innovation. For those reasons, the other considered definition was not adopted in view of the legislative history.

A covered business method patent review is a unique process subject, by statute, to strict periods for completion. Thus, the establishment of longer timetables would not be feasible and likely would result in increased costs.

B. Other Aspects of Proceedings

Size of petitions and motions: The Office considered whether to apply a page limit in covered business method proceedings in which a patent’s inclusion in or exclusion from the definition is determined, and what a more appropriate page limit would be. The Office does not currently have a page limit on *inter partes* reexamination requests. The *inter partes* reexamination requests from October 1, 2010, to June 30, 2011, averaged 246 pages. Based on the experience of processing *inter partes* reexamination requests, the Office finds that the very large size of the requests

has created a burden on the Office that hinders the efficiency and timeliness of processing the requests, and creates a burden on patent owners. The quarterly reported average processing time from the filing of a request to the publication of a reexamination certificate ranged from 28.9 months to 41.7 months in fiscal year 2009, from 29.5 months to 37.6 months in fiscal year 2010, and from 31.9 to 38.0 months in fiscal year 2011. *See* Reexaminations—FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

By contrast, the Office has a page limit on the motions filed in contested cases, except where parties are specifically authorized to exceed the limitation. The typical contested case proceeding is subject to a standing order that sets a 50-page limit for motions and oppositions on priority, a 15-page limit for miscellaneous motions (§ 41.121(a)(3)) and oppositions (§ 41.122), and a 25-page limit for other motions (§ 41.121(a)(2)) and oppositions to other motions. In typical proceedings, replies are subject to a 15-page limit if directed to priority, five-page limit for miscellaneous issues, and ten-page limit for other motions. The average contested case was terminated in 10.1 months in fiscal year 2009, in 12 months in fiscal year 2010, and in nine months in fiscal year 2011. The percentage of contested cases terminated within two years was 93.7% in fiscal year 2009, 88.0% in fiscal year 2010, and 94.0% in fiscal year 2011. *See* BPAI Statistics—Performance Measures, available at <http://www.uspto.gov/ip/boards/bpai/stats/perform/index.jsp>.

Comparing the average time period for terminating a contested case, 10.0 to 12.0 months, with the average time period, during fiscal years 2009 through 2011, for completing an *inter partes* reexamination, 28.9 to 41.7 months, indicates that the average contested case takes from 24% (10.0/41.7) to 42% (12.0/28.9) of the time of the average *inter partes* reexamination. While several factors contribute to the reduction in time, limiting the size of the requests and motions is considered a significant factor. Section 42.24 thus provides page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 326(b) provides considerations that are to be taken into account when prescribing regulations including the integrity of the patent system, the efficient administration of the Office, and the ability to complete the trials timely. The page limits set forth in this final rule is consistent with these considerations.

Federal courts routinely use page limits in managing motions practice as “[e]ffective writing is concise writing.” *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Many district courts restrict the number of pages that may be filed in a motion including, for example, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern, Central, and Southern Districts of California, and the Eastern District of Virginia.

Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09–CV–446, at 1 (E.D. Tex. Sept. 2, 2010) (“The Local Rules’ page limits ease the burden of motion practice on both the Court and the parties.”); *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.” (Emphasis omitted)).

The Board’s contested cases experience with page limits in motions practice is consistent with that of the Federal courts. The Board’s use of page limits has shown it to be beneficial without being unduly restrictive for the parties. Page limits have encouraged the parties to focus on dispositive issues, and reducing costs for the parties and for the Board.

The Board’s contested cases experience with page limits is informed by its use of different approaches over the years. In the early 1990s, page limits were not routinely used for motions, and the practice suffered from lengthy and unacceptable delays. To reduce the burden on the parties and on the Board and thereby reduce the time to decision, the Board instituted page limits in the late 1990s for every motion. Page limit practice was found to be effective in reducing the burdens on the parties and improving decision times at the Board. In 2006, the Board revised the page limit

practice and allowed unlimited findings of fact and generally limited the number of pages containing argument. Due to abuses of the system, the Board recently reverted back to page limits for the entire motion (both argument and findings of fact).

The Board’s current page limits are consistent with the 25-page limits in the Northern, Central, and Southern Districts of California and the Middle District of Florida and exceed the limits in the District of Delaware (20), the Northern District of Illinois (15), the District of Massachusetts (20), the Eastern District of Michigan (20), the Southern District of Florida (20), and the Southern District of Illinois (20).

In a typical proceeding before the Board, a party may be authorized to file a single motion for unpatentability based on prior art, a single motion for unpatentability based upon failure to comply with 35 U.S.C. 112, lack of written description, and/or enablement, and potentially another motion for lack of compliance with 35 U.S.C. 101, although a 35 U.S.C. 101 motion may be required to be combined with the 35 U.S.C. 112 motion. Each of these motions is currently limited to 25 pages in length, unless good cause is shown that the page limits are unduly restrictive for a particular motion.

A petition requesting the institution of a trial proceeding would be similar to motions currently filed with the Board. Specifically, petitions to institute a trial seek a final written decision that the challenged claims are unpatentable, where derivation is a form of unpatentability. Accordingly, a petition to institute a trial based on prior art would, under current practice, be limited to 25 pages, and by consequence, a petition raising unpatentability based on prior art and unpatentability under 35 U.S.C. 101 and/or 112 would be limited to 50 pages.

Under the final rules, a covered business method patent review petition would be based upon any grounds identified in 35 U.S.C. 321(b), e.g., failure to comply with 35 U.S.C. 101, 102 (based on certain references), 103, and 112 (except best mode). Under current practice, a party would be limited to filing two or three motions, each limited to 25 pages, for a maximum of 75 pages. Where there is more than one motion for unpatentability based upon different statutory grounds, the Board’s experience is that the motions contain similar discussions of technology and claim constructions. Such overlap is unnecessary where a single petition for unpatentability is filed. Thus, the 80-page limit is

considered sufficient in all but exceptional cases.

The rule provides that petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests of justice. A copy of the desired non-page limited petition must accompany the motion. Generally, the Board would decide the motion prior to deciding whether to institute the trial.

Current Board practice provides a limit of 25 pages for other motions and 15 pages for miscellaneous motions. The Board’s experience is that such page limits are sufficient for the parties filing them and do not unduly burden the opposing party or the Board. Petitions to institute a trial would generally replace the current practice of filing motions for unpatentability, as most motions for relief are expected to be similar to the current contested cases miscellaneous motion practice. Accordingly, the 15-page limit is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested.

Section 42.24(b) provides page limits for oppositions filed in response to motions. Current contested cases practice provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in Federal courts. The rule would continue the current practice.

Section 42.24(c) provides page limits for replies. Current contested cases practice provides a 15-page limit for priority motion replies, a five-page limit for miscellaneous (procedural) motion replies, and a ten page limit for all other motions. The rule is consistent with current contested case practice for procedural motions. The rule provides a 15-page limit for reply to petitions requesting a trial, which the Office believes is sufficient based on current practice. Current contested case practice has shown that such page limits do not unduly restrict the parties and, in fact, have provided sufficient flexibility to parties not only to reply to the motion but also help to focus on the issues. Thus, it is anticipated that default page limits would minimize the economic impact on small entities by focusing on the issues in the trials.

The AIA requires that the Director, in prescribing rules for covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office,

and the ability of the Office to complete the instituted proceedings timely. See 35 U.S.C. 326(b). In view of the actual results of the duration of proceedings in *inter partes* reexamination (without page limits) and contested cases (with page limits), adopting procedures with reasonable page limits is consistent with the objectives set forth in the AIA. Based on our experience on the time needed to complete a non-page limited proceeding, the option of non-page limited proceedings was not adopted.

Fee Setting: 35 U.S.C. 321(a) requires the Director to establish fees to be paid by the person requesting the review in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. In contrast to 35 U.S.C. 311(b) and 312(c), effective September 15, 2012, the AIA requires the Director to establish more than one fee for reviews based on the total cost of performing the reviews, and does not provide explicitly for refund of any part of the fee when the Director determines that the review should not be initiated.

35 U.S.C. 322(a)(1) further requires that the fee established by the Director under 35 U.S.C. 321 accompany the petition on filing. Accordingly, under the fee setting authority in 35 U.S.C. 321(a), it is reasonable that the Director set a number of fees for filing a petition based on the anticipated aggregate cost of conducting the review depending on the complexity of the review, and require payment of the fee upon filing of the petition.

Based on experience with contested cases and *inter partes* reexamination proceedings, the following characteristics of requests were considered as potential factors for fee setting as each would likely impact the cost of providing the new services. The Office also considered the relative difficulty in administering each option in selecting the characteristics for which different fees should be paid for requesting review.

I. Adopted Option. Number of claims for which review is requested. The number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials. *Cf. In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1309 (Fed. Cir. 2011) (limiting number of asserted claims is appropriate to manage a patent case efficiently). Moreover, the number of claims for which review is requested can be easily determined and administered, which avoids delays in the Office and the impact on the economy or patent system that would occur if an otherwise meritorious petition is refused due to

improper fee payment. Any subsequent petition could be time barred in view 35 U.S.C. 325.

II. Alternative Option I. Number of grounds for which review is requested. The Office has experience with large numbers of cumulative grounds being presented in *inter partes* reexaminations which often add little value to the proceedings. Allowing for a large number of grounds to be presented on payment of an additional fee(s) is not favored. Determination of the number of grounds in a request may be contentious and difficult and may result in a large amount of high-level petition work. As such, this option would have a negative impact on small entities. Moreover, contested cases instituted in the 1980s and early 1990s suffered from this problem as there was no page limit for motions and the parties had little incentive to focus the issues for decision. The resulting records were often a collection of disparate issues and evidence. This led to lengthy and unwarranted delays in deciding contested cases as well as increased costs for parties and the Office. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

III. Alternative Option II. Pages of argument. The Office has experience with large requests in *inter partes* reexamination in which the merits of the proceedings could have been resolved in a shorter request. Allowing for unnecessarily large requests on payment of an additional fee(s) is not favored. Moreover, determination of what should be counted as “argument” as compared with “evidence” has often proven to be contentious and difficult as administered in the current *inter partes* reexamination appeal process.

In addition, the trial section of the Board recently experimented with motions having a fixed page limit for the argument section and an unlimited number of pages for the statement of facts. Unlimited pages for the statement of facts led to a dramatic increase in the number of alleged facts and pages associated with those facts. For example, one party used approximately ten pages for a single “fact” that merely cut and pasted a portion of a declarant’s cross-examination. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the covered

business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

IV. Alternative Option III. The Office considered an alternative fee setting regime in which fees would be charged at various steps in the review process: A first fee on filing of the petition, a second fee if instituted, a third fee on filing a motion in opposition to amended claims, etc. The alternative fee setting regime would hamper the ability of the Office to complete reviews timely, would result in dismissal of pending proceedings with patentability in doubt due to non-payment of required fees by third parties, and would be inconsistent with 35 U.S.C. 322 that requires the fee established by the Director be paid at the time of filing the petition.

Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

V. Alternative Option IV. The Office considered setting reduced fees for small and micro entities and to provide refunds if a review is not instituted. However, 35 U.S.C. 41(d)(2) provides that the Office shall set the fee to recover the cost of providing the services. Fees set under this authority are not reduced for small entities. See 35 U.S.C. 42(h)(1), as amended. Moreover, the Office does not have authority to refund fees that were not paid by mistake or in excess of that owed. See 35 U.S.C. 42(d).

Discovery: The Office considered a procedure for discovery similar to the one available during district court litigation. Discovery of that scope has been criticized sharply, particularly when attorneys use discovery tools as tactical weapons, which hinder the “just, speedy, and inexpensive determination of every action and proceeding.” See introduction to *An E-Discovery Model Order*, available at http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf. Accordingly, this would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for the covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient

administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. To promote effective discovery, the rule requires a showing of good cause to authorize additional requested discovery. To show good cause, a party must make a particular and specific demonstration of fact. The moving party must also show that it was fully diligent in seeking discovery, and that there is no undue prejudice to the non-moving party. Parties may, however, agree to additional discovery amongst themselves.

The Board will set forth a default scheduling order to provide limited discovery as a matter of right and provide parties with the ability to seek additional discovery on a case-by-case basis. In weighing the need for additional discovery, should a request be made, the Board would consider the economic impact on the opposing party. This would tend to limit additional discovery where a party is a small entity.

Pro Hac Vice: The Office considered whether to allow counsel to appear *pro hac vice*. In certain cases, highly skilled, but non-registered, attorneys have appeared satisfactorily before the Board in contested cases. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause. The Board may impose conditions in recognizing counsel *pro hac vice*, including a requirement that counsel acknowledge that counsel is bound by the Office's Code of Professional Responsibility. Proceedings before the Office can be technically complex. The grant of a motion to appear *pro hac vice* is a discretionary action taking into account the specifics of the proceedings. Similarly, the revocation of *pro hac vice* is a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Code of Professional Responsibility, prior findings of misconduct before the Office in other proceedings, and incivility.

The Board's past practice has required the filing of a motion by a registered patent practitioner seeking *pro hac vice* representation based upon a showing of: (1) How qualified the unregistered practitioner is to represent the party in the proceeding when measured against a registered practitioner, and (2) whether the party has a genuine need to have the particular unregistered practitioner represent it during the proceeding. This practice has proven

effective in the limited number of contested cases where such requests have been granted. The final rule allows for this practice in the new proceedings authorized by the AIA.

The rules provide a limited delegation to the Board under 35 U.S.C. 2(b)(2) and 32 to regulate the conduct of counsel in Board proceedings. The rule delegates to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule also delegates to the Chief Administrative Patent Judge the authority to make final a decision to disqualify counsel in a proceeding before the Board for the purposes of judicial review. This delegation would not derogate from the Director the prerogative to make such decisions, nor would it prevent the Chief Administrative Patent Judge from further delegating authority to an administrative patent judge.

The Office considered broadly permitting practitioners not registered to practice by the Office to represent parties in trial as well as categorically prohibiting such practice. A prohibition on the practice would be inconsistent with the Board's experience, and more importantly, might result in increased costs particularly where a small entity has selected its district court litigation team and subsequently a patent review is filed after litigation efforts have commenced. Alternatively, broadly making the practice available would create burdens on the Office in administering the trials and in completing the trial within the established time frame, particularly if the selected practitioner does not have the requisite skill. In weighing the desirability of admitting a practitioner *pro hac vice*, the economic impact on the party in interest would be considered which would tend to increase the likelihood that a small entity could be represented by a non-registered practitioner. Accordingly, the alternatives to eliminate *pro hac vice* practice or to permit it more broadly would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for the covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

Threshold for Instituting a Review: The Office considered whether the threshold for instituting a review could be set as low as or lower than the threshold for *ex parte* reexamination. This alternative could not be adopted in

view of the statutory requirements in 35 U.S.C. 324.

Default Electronic Filing: The Office considered a paper filing system and a mandatory electronic filing system (without any exceptions) as alternatives to the requirement that all papers are to be electronically filed, unless otherwise authorized.

Based on the Office's experience, a paper-based filing system increases delay in processing papers, delay in public availability, and the chance that a paper may be misplaced or made available to an improper party if confidential. Accordingly, the alternative of a paper-based filing system would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for the covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

An electronic filing system (without any exceptions) that is rigidly applied would result in unnecessary cost and burdens, particularly where a party lacks the ability to file electronically. By contrast, under the adopted option, it is expected that the entity size and sophistication will be considered in determining whether alternative filing methods would be authorized.

7. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict With the Final Rules

The following rules also provide processes involving patent applications and patents:

37 CFR 1.99 provides for the submission of information after publication of a patent application during examination by third parties.

37 CFR 1.171–1.179 provide for applications to reissue a patent to correct errors, including where a claim in a patent is overly broad.

37 CFR 1.291 provides for the protest against the issuance of a patent during examination.

37 CFR 1.321 provides for the disclaimer of a claim by a patentee.

37 CFR 1.501 and 1.502 provide for *ex parte* reexamination of patents. Under these rules, a person may submit to the Office prior art consisting of patents or printed publications that are pertinent to the patentability of any claim of a patent, and request reexamination of any claim in the patent on the basis of the cited prior art patents or printed publications. Consistent with 35 U.S.C. 302–307, *ex parte* reexamination rules

provide a different threshold for initiation, require the proceeding to be conducted by an examiner with a right of appeal to the Patent Trial and Appeal Board, and allow for limited participation by third parties.

37 CFR 1.902–1.997 provide for *inter partes* reexamination of patents. Similar to *ex parte* reexamination, *inter partes* reexamination provides a procedure in which a third party may request reexamination of any claim in a patent on the basis of the cited prior art patents and printed publication. The *inter partes* reexamination practice will be eliminated, except for requests filed before the effective date, September 16, 2012. See section 6(c)(3)(C) of the AIA.

Other countries have their own patent laws, and an entity desiring a patent in a particular country must make an application for patent in that country, in accordance with the applicable law. Although the potential for overlap exists internationally, this cannot be avoided except by treaty (such as the Paris Convention for the Protection of Industrial Property, or the Patent Cooperation Treaty (PCT)). Nevertheless, the Office believes that there are no other duplicative or overlapping foreign rules.

C. Executive Order 12866 (Regulatory Planning and Review)

This rulemaking has been determined to be significant for purposes of Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

Based on the petition and other filing requirements for initiating a review proceeding in which the definitions adopted in this final rule apply, the USPTO estimates the annual aggregate burden of the rules on the public to be \$22,417,241.20 in fiscal years 2013–2015, which represents the sum of the estimated total annual (hour) respondent cost burden (\$20,340,891.20) plus the estimated total annual non-hour respondent cost burden (\$2,076,350) provided in Part O, Section II, of this notice, *infra*.

The USPTO expects several benefits to flow from the AIA and these rules. It is anticipated that the rules will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 326(a) provides that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for *inter partes* reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7

months during fiscal years 2009–2011. See Reexaminations—FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

Likewise, it is anticipated that the rules will minimize duplication of efforts. In particular, the AIA provides more coordination between district court infringement litigation and covered business method patent review to reduce duplication of efforts and costs.

The *AIPLA Report of the Economic Survey 2011* reports that where the damages at risk are less than \$1,000,000 the total cost of patent litigation was, on average, \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 the total cost was, on average, \$2,769,000, and where the damages at risk exceed \$25,000,000 the total cost was, on average, \$6,018,000. The Office believes, based on its experience, that these estimates are reasonable. There may be a significant reduction in overall burden if, as intended, the AIA and the rules reduce the overlap between review at the USPTO of issued patents and validity determination during patent infringement actions. Data from the United States district courts reveals that 2,830 patent cases were filed in 2006, 2,896 in 2007, 2,909 in 2008, 2,792 in 2009, and 3,301 in 2010. See U.S. Courts, Judicial Business of the United States Courts, available at www.uscourts.gov/uscourts/Statistics/Judicial_Business/2010/appendices/C02ASep10.pdf (last visited Nov. 11, 2011) (hosting annual reports for 1997 through 2010). Thus, the Office estimates that no more than 3,300 patent cases (the highest number of yearly filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above (\$22,417,241.20) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new *inter partes* review proceedings.

The Office received one written comment from the public regarding Executive Order 12866. Each component of that comment directed to Executive Order 12866 is addressed below.

Comment 22: One comment suggested that the proposed rules would have been classified more appropriately as significant under section 3(f)(4) of Executive Order 12866 because the proposed rules raise novel legal or policy issues arising out of legal mandates.

Response: As stated in the notice of proposed rulemaking and in this final

rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment does not present what aspect(s) of the rule is believed to present novel legal or policy issues.

Comment 23: One comment suggested that the costs, including any prophylactic application steps resulting from the new proceedings, were not calculated appropriately when the Office offset the new burdens with those removed by elimination of the ability to file new *inter partes* reexamination under Executive Order 12866 and that when appropriately calculated, the cost would exceed the \$100 million threshold for declaring the proposed rules significant under section 3(f)(1).

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The baseline costs that the Office used to determine the increased burden of the proposed rules properly included the burden on the public to comply with *inter partes* reexamination because those burdens existed before the statutory change, and that process was eliminated and replaced by the process adopted by the AIA as implemented in this final rule. See OMB Circular A4, section (e)(3). See also response to Comment 20.

Comment 24: One comment argued that the \$80,000,000 burden estimate is so close to \$100,000,000 threshold, that, particularly in view of the difficulties in estimating burden, the Office should assume that it is likely that the proposed rules would have a \$100,000,000 impact. One comment suggested that the Office should have conducted a Regulatory Impact Analysis.

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment did not indicate what aspect of the estimate was likely to be wrong. Furthermore, \$80,000,000 is twenty percent below the \$100,000,000 threshold. Moreover, the Office's estimate did not take into account the reduction in burden due to decreased litigation. Thus, the Office's estimate is likely an overstatement of the estimated basis.

D. Executive Order 13563 (Improving Regulation and Regulatory Review)

The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and

applicable: (1) Made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided online access to the rule making docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

E. Executive Order 13132 (Federalism)

This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

F. Executive Order 13175 (Tribal Consultation)

This rulemaking will not: (1) Have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

G. Executive Order 13211 (Energy Effects)

This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

H. Executive Order 12988 (Civil Justice Reform)

This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996). This rulemaking carries out a statute designed to lessen litigation. See H.R. Rep. No. 112–98, at 45–48.

I. Executive Order 13045 (Protection of Children)

This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

J. Executive Order 12630 (Taking of Private Property)

This rulemaking will not affect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

K. Congressional Review Act

Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801–808), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the final rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign based enterprises in domestic and export markets. Therefore, this notice is not expected to result in a “major rule” as defined in 5 U.S.C. 804(2).

L. Unfunded Mandates Reform Act of 1995

The changes set forth in this final rule do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 *et seq.*

M. National Environmental Policy Act

This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321–4370h.

N. National Technology Transfer and Advancement Act

The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

O. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3549) requires that the USPTO consider the impact of paperwork and other information collection burdens imposed on the public. This rulemaking involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3549). The collection of information involved in this final rule was submitted to OMB under OMB control number 0651–0069 when the notice of proposed rulemaking was published. The Office published the title, description, and respondent description of the information collection, with an estimate of the annual reporting burdens, in the Notice “Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,” 77 FR 6879 (Feb. 9, 2012) (notice of proposed rulemaking) (RIN 0651–AC70) and the Notice “Changes to Implement Transitional Program for Covered Business Method Patents,” 77 FR 7080 (Feb. 10, 2012) (notice of proposed rulemaking) (RIN 0651–AC73).

The Office received one comment and made minor revisions to the requirements in the rule, as well as the burden estimates, as outlined below. Accordingly, the Office has resubmitted the proposed revision to the information collection requirements under 0651–0069. The proposed revision to the information collection requirements under 0651–0069 is available at OMB’s Information Collection Web site (www.reginfo.gov/public/do/PRAMain).

This rulemaking will add the following to a collection of information:

(1) Petitions to institute a covered business method patent review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304);

(2) Motions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51 through 42.54, 42.63, 42.64, 42.65, 42.221, 42.123, and 42.223);

(3) Oppositions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.207, and 42.220); and

(4) Replies provided for in 35 U.S.C. 321–329 (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65).

The rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 326(a)(10), requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), and requests that a settlement be treated as business confidential (§ 42.74(b)) provided for in 35 U.S.C. 327.

I. *Abstract*: The USPTO is required by 35 U.S.C. 131 and 151 to examine applications and, when appropriate, issue applications as patents.

Chapter 32 of title 35 U.S.C. in effect on September 16, 2012, provides for post-grant review proceedings allowing third parties to petition the USPTO to review the patentability of an issued patent under any ground authorized under 35 U.S.C. 282(b)(2). If a trial is initiated by the USPTO based on the petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

Section 18 of the AIA provides for a transitional program for covered business method patents which will employ the standards and procedures of the post-grant review proceeding with a few exceptions.

In estimating the number of hours necessary for preparing a petition to institute a covered business method patent review, the USPTO considered the estimated cost of preparing a request for *inter partes* reexamination (\$46,000), the mean billing rate (\$371 per hour), and the observation that the cost of *inter partes* reexamination has risen the fastest of all litigation costs since 2009 in the *AIPLA Report of the Economic Survey 2011*. Since additional grounds for instituting a review are provided for in a covered business method patent review compared with *inter partes* reexamination, the Office estimates the cost of preparing a petition to institute a review will be 33.333% more than the estimated cost of preparing a request for *inter partes* reexamination, or \$61,333.

Considering the percentage of motions on patentability issues provides an appropriate estimate of transitional

proceedings for covered business methods because grounds raised in those proceedings would be directed to the same issues. Accordingly, the USPTO reviewed recent contested cases before the trial section of the Board to estimate the average number of motions for any matter including priority, the subset of those motions directed to non-priority issues, the subset of those motions directed to non-priority patentability issues, and the subset of those motions directed to patentability issues based on a patent or printed publication on the basis of 35 U.S.C. 102 or 103. The review of current contested cases before the trial section of the Board indicated that approximately 15% of motions were directed to prior art grounds, 18% of motions were directed to other patentability grounds, 27% were directed to miscellaneous issues, and 40% were directed to priority issues. It was estimated that the cost per motion to a party in current contested cases before the trial section of the Board declines because of overlap in subject matter, expert overlap, and familiarity with the technical subject matter. Given the overlap of subject matter, a proceeding with fewer motions, such as a transitional proceeding for a covered business method patent will have a somewhat less than proportional decrease in costs since the overlapping costs will be spread over fewer motions as compared with a derivation proceeding.

It is estimated that the cost of a covered business method patent review would be 75% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. A covered business method patent review should have many fewer motions since only one party will have a patent that is the subject of the proceeding (compared with each party having at least a patent or an application in current contested cases before the trial section of the Board). Moreover, fewer issues can be raised since covered business method patent reviews will not have the priority-related issues that must be addressed in current contested cases before the trial section of the Board before the priority phase. Again, a 75%

weighting factor should capture the typical costs of a covered business method patent review.

The title, description, and respondent description of the information collection are shown below with an estimate of the annual reporting burdens for the covered business method patent review provisions. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. This final rule implements the changes to Office practice necessitated by sections 6(d) and 18 of the AIA.

The public uses this information collection to request review and derivation proceedings and to ensure that the associated fees and documentation are submitted to the USPTO.

II. Data

Needs and Uses: The information supplied to the USPTO by a petition to institute a review as well as the motions authorized following the institution is used by the USPTO to determine whether to initiate a review under 35 U.S.C. 324 and to prepare a final decision under 35 U.S.C. 328.

OMB Number: 0651–0069.

Title: Patent Review and Derivation Proceedings.

Form Numbers: None.

Type of Review: New Collection.

Likely Respondents/Affected Public: Individuals or households, businesses or other for profit, not-for-profit institutions, farms, Federal Government, and state, local, or tribal governments.

Estimated Number of Respondents/Frequency of Collection: 100 respondents and 486 responses per year.

Estimated Time per Response: The USPTO estimates that it will take the public from 0.1 to 165.3 hours to gather the necessary information, prepare the documents, and submit the information to the USPTO.

Estimated Total Annual Respondent Burden Hours: 54,827.2 hours per year.

The table below summarizes the burden hours under the rules proposed in the notices of proposed rulemaking and the burden hours under this final rule.

Item	Proposed estimated time for response (hours)	Proposed estimated annual responses	Proposed estimated annual burden hours	Final estimated time for response (hours)	Final estimated annual responses	Final estimated annual burden hours
Petition for covered business method patent review	180.4	50	9,020	165.3	50	8,265
Reply to initial covered business method patent review	100	45	4,500	91.6	45	4,122

Item	Proposed estimated time for response (hours)	Proposed estimated annual responses	Proposed estimated annual burden hours	Final estimated time for response (hours)	Final estimated annual responses	Final estimated annual burden hours
Request for Reconsideration	80	14	1,120	80	13	1,040
Motions, replies and oppositions after institution in covered business method patent review	130	342	44,460	130	312	40,560
Request for oral hearing	20	45	900	18.3	45	823.5
Request to treat a settlement as business confidential	2	2	4	2	2	4
Request for adverse judgment, default adverse judgment or settlement	1	10	10	1	10	10
Request to make a settlement agreement available	1	2	2	1	2	2
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	0.1	5	0.5	0.1	7	0.7
Totals .....	.....	515	60,016.50	.....	486	54,827.2

Estimated Total Annual (hour) Respondent Cost Burden: \$20,340,891.20 per year. The USPTO expects that the information in this collection will be prepared by attorneys. Using the professional rate of \$371 per hour for attorneys in private firms, the USPTO estimates that the respondent cost burden for this collection will be approximately \$20,340,891.20 per year (54,827.2 per year multiplied by \$371 per hour).

Estimated Total Annual Non-hour Respondent Cost Burden: \$2,076,350 per year. There are no capital start-up or maintenance costs associated with this

information collection. However, this collection does have annual (non-hour) costs in the form of filing fees. There are filing fees associated with petitions for covered business method patent review and for requests to treat a settlement as business confidential. The total fees for this collection are calculated in the accompanying table. The USPTO estimates that the total fees associated with this collection will be approximately \$2,076,350 per year.

Therefore, the total estimated cost annual burden in fiscal years 2013–2015 is estimated to be \$23,864,141.20 (the sum of the estimated total annual (hour)

respondent cost burden (\$21,787,791.20) plus the estimated total annual non-hour respondent cost burden (\$2,076,350)).

The table below summarizes the (non-hour) respondent cost burden under the rules proposed in the notices of proposed rulemaking and the (non-hour) respondent cost burden under this final rule.

The fees, including the fee structure, referenced in this rulemaking may be revisited and may be proposed to be set or adjusted in a notice of proposed rulemaking under section 10 of the AIA.

Items	Proposed estimated annual responses	Proposed fee amount	Proposed estimated annual fees	Final estimated annual responses	Final fee amount	Final estimated annual fees
Petition for covered business method patent review	50	\$47,100	\$2,355,000	50	* \$41,400	\$2,070,000
Reply to covered business method patent review petition	45	0	0	45	0	0
Request for Reconsideration	14	0	0	13	0	0
Motions, replies and oppositions after initiation in covered business method patent review	342	0	0	303	0	0
Motions in post-grant review or covered business method patent review with excess claims by small entity patent owners	n/a	n/a	n/a	3	370	1,110
Motions in post-grant review or covered business method patent review with excess claims by other than small entity patent owners	n/a	n/a	n/a	6	740	4,440
Request for oral hearing	45	0	0	45	0	0
Request to treat a settlement as business confidential	2	0	0	2	0	0
Request for adverse judgment, default adverse judgment or settlement	10	0	0	10	0	0
Request to make a settlement agreement available	2	400	800	2	400	800
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	5	0	0	7	0	0

Items	Proposed estimated annual responses	Proposed fee amount	Proposed estimated annual fees	Final estimated annual responses	Final fee amount	Final estimated annual fees
Totals	515	.....	2,355,800	486	.....	2,076,350

* Average.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirement of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

The Office received one written submission of comments regarding the Paperwork Reduction Act. Each component of that comment directed the Paperwork Reduction Act is addressed below.

Comment 25: A comment suggested that *inter partes* reexamination is a very poor proxy for these proceedings because there have been very few completed proceedings relative to all filing of *inter partes* reexaminations from 2001 to 2011 and the comment claims that the completed proceeding were only the least complex of proceedings which the comment alleges results in a sampling bias.

Response: While only 305 *inter partes* reexamination proceedings have resulted in a certificate, the comment is not correct that only the least complex of proceedings have been completed. The number of filings of *inter partes* reexamination has increased considerably in the last three full years. See *Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 FR at 6893. For example, in the last three years 824 or 64% of the 1,278 requests filed from 2001 to 2011 were filed. Considering that the average time from filing to certificate for the 305 certificates was 36.2 months and the median pendency was 32.9 months, it would have been more appropriate for the comment to consider the 305 certificates that have issued compared with the filings from 2001 to 2008. During that time period there were 467 requests filed, 14 requests were subsequently denied a filing date, 53 requests were denied on the merits, 246 had concluded with a certificate by September 30, 2011, and 154 were still pending on September 30, 2011. Of the 154 that were still pending, only one was before the examiner after a non-final rejection, only three had an action closing prosecution as the last action, and only three had a right of

appeal notice as the last action. Most of the 154 proceedings were subject to appeal proceedings or were in the publication process. Accordingly, *inter partes* reexamination is an appropriate proxy.

Comment 26: One comment suggested that for matters not concurrently in litigation, the Office's two hour estimate for the public burden of settlement under the Paperwork Reduction Act was unreasonably low by a factor of 30–100 and must include the costs to arrive at the settlement in addition to the cost of submitting the agreement to the Office. The comment asserts that this burden is fully cognizable under the Paperwork Reduction Act.

Response: By statute, any petitioner seeking review of a covered business method must also be in litigation regarding the patent or have been charged with infringement. The comment only argued that for parties not in litigation, the cost of settlement was too low. Therefore, this comment is not pertinent to this rulemaking and is not adopted.

Comment 27: A comment requested that the Office set forth the basis for the number of petitions for review.

Response: As discussed above in item B, the Office considered the actual number of *inter partes* reexamination requests filed during FY 2001–2011 and the anticipated number of requests in FY 2012, the number of such requests of patents classified in Class 705, the number of interferences, and the differences between reexamination and the new review. The Office estimated the number of reviews based on the historical data on the number of filings in the most analogous proceedings. See *Transitional Program for Covered Business Method Patents—Definition of Technological Invention*, 77 FR at 7097.

Comment 28: One comment suggested that a projection for at least three years of growth in future filings is necessary because the PRA clearance is for three years. The comment also seeks disclosure of USPTO's estimation models.

Response: The suggestion has been adopted. The Office estimates no growth for petitions seeking review under the transitional program for covered business method patents during the three year period. Calculations for these

numbers are provided in the supporting statement for this collection. In 2013, the number of eligible patents will include patents for which currently in litigation. In subsequent years, the number of eligible patents is expected to be reduced, because some proceedings will have been settled, while others will have been stayed pending a review. At the same time, as experience in the procedure becomes more widespread, the public would more likely seek a review. Because these two factors offset each other, the Office is anticipated zero growth for petitions for the covered business method patent review.

Comment 29: A comment noted that the distribution of claims for the review was not disclosed during the comment period. The comment asserts that failure to disclose underlying data in the Notice of Proposed Rulemaking violates the Paperwork Reduction Act (and other requirements).

Response: The distribution of claims for which review will be requested was estimated based on the number of claims for which *inter partes* reexamination was requested in the first 60 requests filed during the second quarter of FY 2011 as that data was the most timely when the proposed rule notices were drafted. That data was publically available when the notice of proposed rulemaking was published and remains available today. See <http://portal.uspto.gov/external/portal/pair>. A summary of that publicly available data is provided as follows: 40 of the 60 proceedings requested review of 20 or fewer claims; eight of the 60 requested review of between 21 and 30 claims; three of the 60 requested review of between 31 and 40 claims; six of the 60 requested review of between 41 and 50 claims; one of the 60 requested review of between 51 and 60 claims; one of the 60 requested review of between 61 and 70 claims; and one of the 60 requested review of between 91 and 100 claims. A second group of 20 proceedings filed after September 15, 2011, were reviewed to determine if the change to the statutory threshold resulted in a clear change in the number of claims for which review was requested. A summary of that data is provided as follows: 13 of 20 requested review of 20 or fewer claims; three of 20 requested review of between 21 and 30

claims; three of 20 requested review of between 31 and 40 claims; and one of 20 requested review of 53 claims.

Comment 30: One comment suggested that the estimate of the number of post-grant review proceedings should be doubled based on the analysis of the University of Houston of patent cases from 2005–2009. According to the comment, this analysis shows that for every 15 decisions involving printed prior art grounds, there were 13 decisions involving public use, “on sale,” or 35 U.S.C. 112.

Response: The suggestion is not adopted. While the Office agrees that many decisions involved public use, “on sale,” or 35 U.S.C. 112, the comment and the analysis by the University of Houston did not consider which decisions did not include a prior art grounds, but did include a public use, “on sale,” or 35 U.S.C. 112 ground. Only the subset of decisions including the newly available grounds could be used appropriately in estimating an increased rate of post-grant review filings relative to *inter partes* review. The comment also did not address how the limited filing window relative to the filing of district court litigation for post-grant review would be addressed appropriately if the University of Houston study served as a basis for the estimates.

Comment 31: One comment suggested that the hourly rate for practitioners should be raised from \$340 (the medium hourly rate from the AIPLA economical survey referenced in the notice of proposed rulemaking) to \$500. The comment asserts that using the median hourly rate from the AIPLA Economic Survey of \$340 is analytically wrong and that, at a minimum, the higher mean rate of \$371 from that survey should be used.

Response: The suggestion is adopted in part. The Office has adopted a mean hourly rate of \$371 from the AIPLA Economic Survey, rather than the median hourly rate of \$340 from that survey. The suggestion of a \$500 hourly rate cannot be adopted because the comment did not provide any data to support the validity of hourly rate suggested and the Office believes, based on its experience, that \$371 is a better estimate of the average hourly rate.

Comment 32: One comment suggested that reliance on the AIPLA economic survey was inappropriate as the survey is flawed. The comment asserts that the survey is unreliable for estimating

paperwork burden under the Information Quality Act.

Response: In providing estimates of burden hours, the USPTO sometimes referenced the AIPLA economic survey report, as a benchmark for the estimates. While the costs reported in the survey were considered, the Office, in estimating the cost of the collection, also considered the work required to prepare and file the submissions.

Under the USPTO’s Information Quality Guidelines (ICG), the AIPLA economic survey report is not a “dissemination” of information. The Guidelines state that “dissemination” means an “agency initiated or sponsored distribution of information to the public.” USPTO’s ICG, Section IV, A, 1. Subsection (a) further defines “agency initiated distribution of information to the public” to mean “information that the agency distributes or releases which reflects, represents, or forms any part of the support of the policies of the agency.” *Id.* at Section IV, A, 1, a. The USPTO did not distribute or release the AIPLA economic survey report.

Likewise, the AIPLA economic survey report does not qualify as an “agency sponsored distribution of information” under Subsection (b) of the Guidelines, which “refers to situations where the agency has directed a third party to distribute or release information, or where the agency has the authority to review and approve the information before release.” *Id.* at Section IV, A, 1, b. The USPTO did not commission the report, had no input into the structure of the report and does not rely exclusively upon the results of the report to arrive at estimates. No correction of the documents is required because the Office utilized the AIPLA economic survey report in formulating some burden estimations. No correction is required under the Information Quality Act.

Comment 33: One comment suggested that the regulations imposed a substantial paperwork burden without a valid OMB Control Number.

Response: The suggestion is not adopted. OMB Control number 0651–0069 has been requested appropriately and is pending.

Comment 34: One comment suggested that the USPTO’s estimates systematically ignore burdens and costs associated with the attorney’s client company.

Response: See response to Comment 20.

List of Subjects

37 CFR Part 42

Administrative practice and procedure, Inventions and patents, Lawyers.

Amendments to the Regulatory Text

For the reasons stated in the preamble, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office amends 37 CFR part 42, as added elsewhere in this issue of the **Federal Register**, as follows:

PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

■ 1. The authority citation for 37 CFR part 42 continues to read as follows:

Authority: 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321–326 and AIA, Pub. L. 112–29, §§ 6(c), 6(f), and 18, 125 Stat. 284, 304, 311, and 329 (2011).

■ 2. Add § 42.301 to subpart D to read as follows:

§ 42.301 Definitions.

In addition to the definitions in § 42.2, the following definitions apply to proceedings under this subpart D:

(a) *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.

(b) *Technological invention*. In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

Dated: July 16, 2012.

David J. Kappos,

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

[FR Doc. 2012–17904 Filed 8–13–12; 8:45 am]

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37 CFR Part 42

Office Patent Trial Practice Guide; Rule

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2011-0094]

Office Patent Trial Practice Guide

AGENCY: United States Patent and Trademark Office, Commerce.**ACTION:** Notice of practice guide.

SUMMARY: The Leahy-Smith America Invents Act (AIA) establishes several new trial proceedings to be conducted by the Patent Trial and Appeal Board (Board) including *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. In separate rulemakings, the United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement these provisions of the AIA that provide for the trial proceedings before the Board. The Office publishes in this notice a practice guide for the trial final rules to advise the public on the general framework of the regulations, including the structure and times for taking action in each of the new proceedings.

DATES: *Effective Date:* This practice guide applies to *inter partes* review, post-grant review, and covered business method patent review proceedings commencing on or after September 16, 2012, as well as derivation proceedings commencing on or after March 16, 2013.

FOR FURTHER INFORMATION CONTACT: Michael Tierney, Lead Administrative Patent Judge, Board of Patent Appeals and Interferences (will be renamed as Patent Trial and Appeal Board on September 16, 2012), by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:

Executive Summary: The patent trial regulations lay out a framework for conducting the proceedings aimed at streamlining and converging the issues for decision. In doing so, the Office's goal is to conduct proceedings in a timely, fair, and efficient manner. Further, the Office has designed the proceedings to allow each party to determine the preferred manner of putting forward its case, subject to the guidance of judges who determine the needs of a particular case through procedural and substantive rulings throughout the proceedings.

Background: The Leahy-Smith America Invents Act establishes several new trial proceedings to be conducted by the Board including: (1) *Inter partes* review (IPR); (2) post-grant review

(PGR); (3) a transitional program for covered business method patents (CBM); and (4) derivation proceedings. The AIA requires the Office to promulgate rules for the proceedings, with the PGR, IPR, and CBM rules to be in effect one year after AIA enactment and the derivation rules to be in effect 18 months after AIA enactment.

Consistent with the statute, the Office published a number of notices of proposed rulemaking in February of 2012, and requested written comments on the Office's proposed implementation of the new trial proceedings of the AIA. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules.

Additionally, the Office published a practice guide based on the proposed trial rules in the **Federal Register** to provide the public an opportunity to comment. *Practice Guide for Proposed Trial Rules*, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter "Practice Guide for Proposed Trial Rules" or "Office Patent Trial Practice Guide"). This Office Patent Trial Practice Guide is intended to advise the public on the general framework of the rules, including the structure and times for taking action in each of the new proceedings.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions of written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. In light of the comments, the Office has made modifications to the proposed rules to provide clarity and to balance the interests of the public, patent owners, patent challengers, and other interested parties, in light of the statutory requirements and considerations, such as the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely.

For the implementation of sections 3, 6, 7, and 18 of the AIA that are related to administrative trials and judicial review of Board decisions, the Office is publishing the following final rules in separate notices in the **Federal Register**: (1) *Rules of Practice for Trials before the*

Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions (RIN 0651-AC70); (2) *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents* (RIN 0651-AC71); (3) *Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention* (RIN 0651-AC75); and (4) *Changes to Implement Derivation Proceedings* (RIN 0651-AC74). The Office also provides responses to the public written comments in these final rules in the Response to Comments sections of the notices.

Further, the Office revised the Office Patent Trial Practice Guide based on the final rules. The Office has been working diligently to publish all of the final rules related to the new AIA trial proceedings and the Office Patent Trial Practice Guide in the **Federal Register** concurrently. Due to certain limitations, however, the Office Patent Trial Practice and the specific final rule for derivation proceedings will be published in the **Federal Register** after the other final rules. In particular, the specific rules for derivation, *i.e.*, §§ 42.404 through 42.412, will be published at a later date.

Statutory Requirements: The AIA provides certain minimum requirements for each of the new proceedings. Provided below is a brief overview of these requirements.

Proceedings begin with the filing of a petition to institute a trial. The petition must be filed with the Board consistent with any time period required by statute and be accompanied by the evidence the petitioner seeks to rely upon. *See, e.g.*, 35 U.S.C. 135(a) and 311(c), as amended, and § 42.3 (references to § 42.x or § 1.x refer to title 37 of the Code of Federal Regulations). For IPR, PGR, and CBM, the patent owner is afforded an opportunity to file a preliminary response. 35 U.S.C. 313, as amended, and 35 U.S.C. 323.

The Board acting on behalf of the Director may institute a trial where the petitioner establishes that the standards for instituting the requested trial are met taking into account any preliminary response filed by the patent owner. Conversely, the Board may not authorize a trial where the information presented in the petition, taking into account any patent owner preliminary response, fails to meet the requisite standard for instituting the trial. *See e.g.*, 35 U.S.C. 314, as amended, and 35 U.S.C. 324. Where there are multiple matters in the Office involving the same patent, the Board may determine how

the proceedings will proceed, including providing for a stay, transfer, consolidation, or termination of any such matter. *See, e.g.*, 35 U.S.C. 315, as amended, and 35 U.S.C. 325.

The AIA requires that the Board conduct AIA trials and that the Director prescribe regulations concerning the conduct of those trials. 35 U.S.C. 6, 135, and 316, as amended, and 35 U.S.C. 326. For example, for IPR, PGR, and CBM, the AIA mandates the promulgation of rules including motions to seal, procedures for filing supplemental information, standards and procedures for discovery, sanctions for improper use of the proceeding, entry of protective orders, and oral hearings. *See, e.g.*, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326. Additionally, the AIA mandates the promulgation of rules for IPR, PGR, and CBM concerning the submission of a patent owner response with supporting evidence and allowing the patent owner a motion to amend the patent. *Id.*

A petitioner and a patent owner may terminate the proceeding with respect to the petitioner by filing a written agreement with the Board, unless the Board has already decided the merits of the proceeding before the request for termination is filed. *See, e.g.*, 35 U.S.C. 317, as amended, and 35 U.S.C. 327. If no petitioner remains in the proceeding, the Board may terminate the review or proceed to a final written decision. For derivation proceedings, the parties may arbitrate issues in the proceeding, but nothing precludes the Office from determining the patentability of the claimed inventions involved in the

proceeding. 35 U.S.C. 135, as amended. Where a trial has been instituted and not dismissed, the Board will issue a final written decision with respect to the involved patent and/or applications. 35 U.S.C. 135 and 35 U.S.C. 318, as amended, and 35 U.S.C. 328.

For IPR, PGR, and CBM, the AIA requires that the Office consider the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete the proceedings. 35 U.S.C. 316, as amended, and 35 U.S.C. 326. In developing the general trial rules, as well as the specific rules for the individual proceedings, the Office has taken these considerations into account. Further, the specific rules for the individual proceedings take into account the jurisdictional and timing requirements for the particular proceedings.

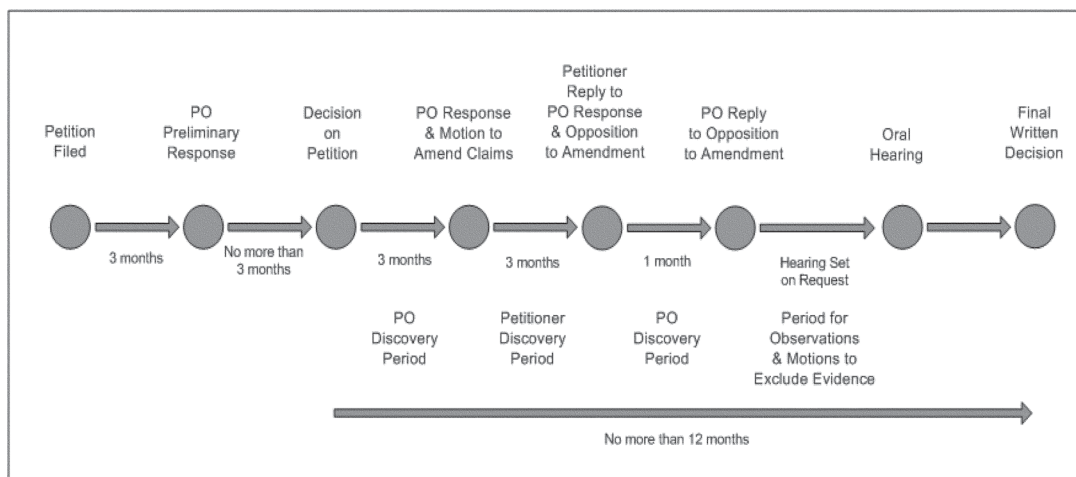
General Overview of Proceedings: Generally, the proceedings begin with the filing of a petition that identifies all of the claims challenged and the grounds and supporting evidence on a claim-by-claim basis. Within three months of notification of a filing date, the patent owner in an IPR, PGR, or CBM proceeding may file a preliminary response to the petition, including a simple statement that the patent owner elects not to respond to the petition. The Board acting on behalf of the Director will determine whether to institute a trial within three months of the date the patent owner's preliminary response was due or was filed, whichever is first.

In instituting a trial, the Board will narrow the issues for final decision by

authorizing the trial to proceed only on the challenged claims for which the threshold standards for the proceeding have been met. Further, the Board will identify, on a claim-by-claim basis, the grounds on which the trial will proceed. Any claim or issue not included in the authorization for review will not be part of the trial. A party dissatisfied with the Board's determination to institute a trial may request rehearing as to points believed to have been overlooked or misapprehended. *See* § 42.71(d) and (c).

The Board will enter a Scheduling Order (Appendix A) concurrent with the decision to institute a trial. The Scheduling Order will set due dates for the trial taking into account the complexity of the proceeding but ensuring that the trial is completed within one year of institution.

For example, a Scheduling Order for an IPR or PGR might, consistent with §§ 42.120 and 42.220, provide a three month deadline for patent owner discovery and for filing a patent owner response and motion to amend. Once the patent owner's response and motion to amend have been filed, the Scheduling Order might provide the petitioner with three months for discovery and for filing a petitioner's reply to the response and the petitioner's opposition to the amendment. The Scheduling Order might then provide the patent owner with one month for discovery and for filing a patent owner reply to petitioner's opposition to a patent owner amendment. A representative timeline is provided below:



Sequence of discovery. Once instituted, absent special circumstances, discovery will proceed in a sequenced fashion. For example, the patent owner

may begin deposing the petitioner's declarants once the proceeding is instituted. After the patent owner has filed a patent owner response and any

motion to amend the claims, the petitioner may depose the patent owner's declarants. Similarly, after the petitioner has filed a reply to the patent

owner's response and an opposition to an amendment, the patent owner may depose the petitioner's declarants and file a reply in support of its claim amendments. Where the patent owner relies upon new declaration evidence in support of its amendments, the petitioner will be authorized to depose the declarants and submit observations on the deposition. Once the time for taking discovery in the trial has ended, the parties will be authorized to file motions to exclude evidence believed to be inadmissible. Admissibility of evidence is generally governed by the Federal Rules of Evidence.

Sequence of filing responses and motions. An initial conference call will be held about one month from the date of institution to discuss the motions that the parties intend to file and to determine if any adjustment needs to be made to the Scheduling Order. The patent owner may file a patent owner's response and/or a motion to amend the claims by the time set in the Scheduling Order. The petitioner will then file a reply to the patent owner's response and any opposition to the patent owner's amendment. Both parties will then be permitted an opportunity to file motions to exclude an opponent's evidence believed to be inadmissible. After all motions have been filed, the parties will be afforded an opportunity to have an oral argument at the Board.

Summary of the Rules: The following is a general summary of the rules for the proceedings.

I. General Procedures

The rules are to be construed so as to ensure the just, speedy, and inexpensive resolution of a proceeding and, where appropriate, the rules may be modified to accomplish these goals. § 42.1(b); § 42.5(a) and (b).

A. Jurisdiction and Management of the Record

1. **Jurisdiction:** 35 U.S.C. 6(b), as amended, provides that the Board is to conduct derivation proceedings, *inter partes* reviews, and post-grant reviews. The Board also conducts the transitional program for covered business method reviews, which are subject to Board review under 35 U.S.C. 6(b), as amended, 35 U.S.C. 326(c), and Public Law 112–29, section 18. The Board therefore will have exclusive jurisdiction within the Office over every application and patent that is involved in a derivation, IPR, PGR, or CBM proceeding. *Ex parte* reexamination proceedings and *inter partes* reexamination proceedings are not “involved” patents (as defined in § 42.2) in derivation, IPR, PGR, and CBM

proceedings and are thus treated separately except as ordered by the Board.

2. **Prohibition on Ex Parte Communications:** All substantive communications with the Board regarding a proceeding must include all parties to the proceeding, except as otherwise authorized. § 42.5(d). The prohibition on *ex parte* communications does not extend to: (1) Ministerial communications with support staff (for instance, to arrange a conference call); (2) conference calls or hearings in which opposing counsel declines to participate; (3) informing the Board in one proceeding of the existence or status of a related Board proceeding; or (4) reference to a pending case in support of a general proposition (for instance, citing a published opinion from a pending case or referring to a pending case to illustrate a systemic problem).

Arranging a conference call with the Board. The Board encourages the use of conference calls to raise and resolve issues in an expedited manner. The Board envisions that most of the procedural issues arising during a proceeding will be handled during a conference call or shortly thereafter, *i.e.*, in a matter of days. When arranging a conference call, parties should be prepared to discuss with a Trial Section paralegal why the call is needed and what materials may be needed during the call, *e.g.*, a particular exhibit.

Refusal to participate. The Board has the discretion to permit a hearing or conference call to take place even if a party refuses to participate. In such cases, the Board may order as a condition for the call additional safeguards, such as the recording of the communication and the entry of the recording into the record.

B. Counsel

Need for lead and back-up counsel. A party represented by counsel must designate both a lead as well as a back-up counsel who can conduct business on behalf of the lead counsel, as instances may arise where lead counsel may be unavailable. § 42.10(a).

Power of attorney. A power of attorney must be filed with the designation of counsel, unless the designated counsel is already counsel of record. § 42.10(b).

Pro hac vice. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, and subject to the requirement that lead counsel is a registered practitioner. § 42.10(c). The Board may impose other considerations as well. *Id.* Proceedings before the Office can be technically complex. For example, it is

expected that amendments to a patent will be sought. The grant of a motion to appear *pro hac vice* is a discretionary action taking into account the specifics of the proceedings. Similarly, the revocation of *pro hac vice* is a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Rules of Professional Conduct, and incivility.

The Office expects that lead counsel will, and back-up counsel may, participate in all hearings and conference calls with the Board and will sign all papers submitted in the proceeding. In addition, the role of back-up counsel is to conduct business with the Office on behalf of lead counsel when lead counsel is not available. Actions not conducted before the Office (*e.g.*, taking of deposition) may be conducted by lead or back-up counsel.

C. Electronic Filing

Electronic filing is the default manner in which documents are to be filed with the Board. § 42.6(b). Electronic filing of legal documents is being implemented across the country in state and federal courts. The use of electronic filing aids in the efficient administration of the proceeding, improves public accessibility, and provides a more effective document management system for the Office and parties. The manner of submission will be established by the Board. The Board will publish electronic submission information on its Web site (www.uspto.gov/PTAB) in August of 2012. Due to system constraints, no single uploaded file may exceed 250 megabytes in size.

Paper filing may be used where appropriate, but must be accompanied by a motion explaining the need for non-electronic filing. § 42.6(b). Based upon experience with contested cases, the Board does not expect to receive many requests to file paper submissions. Circumstances where a paper filing may be warranted include those occasions where the Office's electronic filing system is unable to accept filings. Alternatively, if a problem with electronic filing arises during normal business hours, a party may contact the Board and request a one-day extension of time for due dates that are set by rule or orders of the Board. § 42.5. In the unlikely event that an administrative patent judge is not available to rule on the extension, the Board may grant an extension the day after the paper is due, which includes situations where electronic filing problems are shown to have occurred.

D. Mandatory Notices

The rules require that parties to a proceeding provide certain mandatory notices, including identification of the real parties-in-interest, related matters, lead and back-up counsel, and service information. § 42.8. Where there is a change of information, a party must file a revised notice within 21 days of the change. § 42.8(a)(3).

1. *Real Party-in-Interest or Privy*: The core functions of the “real party-in-interest” and “privies” requirement to assist members of the Board in identifying potential conflicts, and to assure proper application of the statutory estoppel provisions. The latter, in turn, seeks to protect patent owners from harassment via successive petitions by the same or related parties, to prevent parties from having a “second bite at the apple,” and to protect the integrity of both the USPTO and Federal Courts by assuring that all issues are promptly raised and vetted. *Cf.* Fed. R. Civ. P. 17(a) (Advisory Committee Note to 1966 Amendment to Rule 17(a)) (“[T]he modern function of the rule in its negative aspect is simply to protect the defendant against a subsequent action by the party actually entitled to recover, and to insure generally that the judgment will have its proper effect as *res judicata*.”). The USPTO will apply traditional common-law principles with these goals in mind and parties will be well-served to factor in these considerations when determining whom to identify.

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a “real party-in-interest” or “privy” to that proceeding is a highly fact-dependent question. *See generally Taylor v. Sturgell*, 553 U.S. 880 (2008); 18A Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice & Procedure* §§ 4449, 4451 (2d ed. 2011) (hereinafter “Wright & Miller”). Such questions will be handled by the Office on a case-by-case basis taking into consideration how courts have viewed the terms “real party-in-interest” and “privy.” *See, e.g., Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). Courts invoke the terms “real party-in-interest” and “privy” to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion. Accordingly, courts have avoided rigid definitions or recitation of necessary factors. Similarly, multiple Federal Rules invoke the terms without attempting to

define them or what factors trigger their application. *See, e.g., Fed. R. Civ. P. 17; Fed. Cir. R. 47.4.*

The typical common-law expression of the “real party-in-interest” (the party “who, according to the governing substantive law, is entitled to enforce the right”) does not fit directly into the AIA trial context. *See* 6A Charles Alan Wright, Arthur R. Miller, Mary Kay Kane, & Richard L. Marcus, *Federal Practice & Procedure Civil* section 1543 (3d ed. 2011) (discussing Fed. R. Civ. P. 17). That notion reflects standing concepts, but no such requirement exists in the IPR or PGR context, although it exists in the CBM context. In an IPR or PGR proceeding, there is no “right” being enforced since any entity (other than the patent owner) may file an IPR or PGR petition. However, the spirit of that formulation as to IPR and PGR proceedings means that, at a general level, the “real party-in-interest” is the party that desires review of the patent. Thus, the “real party-in-interest” may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed. In this regard, the Office’s prior application of similar principles in the *inter partes* reexamination context offers additional guidance. *See generally In re Guan et al. Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008). Similar considerations apply to CBM proceedings, although the statute governing those proceedings also requires that the party seeking the proceeding, or its real party-in-interest or privy, have been sued for infringing the subject patent, or been charged with infringement under that patent.

The notion of “privy” is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a “real party-in-interest.” The Office intends to evaluate what parties constitute “privies” in a manner consistent with the flexible and equitable considerations established under federal caselaw. Ultimately, that analysis seeks to determine whether the relationship between the purported “privy” and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels. This approach is consistent with the legislative history of the AIA, which indicates that Congress included “privies” within the parties subject to the statutory estoppel provisions in an effort to capture “the doctrine’s practical and equitable nature,” in a manner akin to collateral estoppel. In that regard, the legislative history endorsed the expression of “privy” as follows:

The word “privy” has acquired an expanded meaning. The courts, in the interest of justice and to prevent expensive litigation, are striving to give effect to judgments by extending “privies” beyond the classical description. The emphasis is not on the concept of identity of parties, but on the practical situation. Privy is essentially a shorthand statement that collateral estoppel is to be applied in a given case; there is no universally applicable definition of privy. The concept refers to a relationship between the party to be estopped and the unsuccessful party in the prior litigation which is sufficiently close so as to justify application of the doctrine of collateral estoppel.

154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (citing *Cal. Physicians’ Serv. v. Aoki Diabetes Research Inst.*, 163 Cal.App.4th 1506 (Cal. App. 2008)); *see also* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (incorporating prior 2008 statement). Subsequent legislative history expanded on the prior discussion of “privy” by noting that “privy is an equitable rule that takes into account the ‘practical situation,’ and should extend to parties to transactions and other activities relating to the property in question.” 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

There are multiple factors relevant to the question of whether a non-party may be recognized as a “real party-in-interest” or “privy.” *See, e.g., Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding. *See, e.g., id.* at 895; *see generally Wright & Miller* section 4451. The concept of control generally means that “it should be enough that the nonparty has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” Wright & Miller § 4451. Courts and commentators agree, however, that there is no “bright-line test” for determining the necessary quantity or degree of participation to qualify as a “real party-in-interest” or “privy” based on the control concept. *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994). *See also Wright & Miller* section 4451 (“The measure of control by a nonparty that justifies preclusion cannot be defined rigidly.”). Accordingly, the rules do not enumerate particular factors regarding a “control” theory of “real party-in-interest” or “privy” under the statute.

Additionally, many of the same considerations that apply in the context of “*res judicata*” will likely apply in the

“real party-in-interest” or “privy” contexts. *See Gonzalez*, 27 F.3d at 759; *see generally* Wright & Miller section 4451. Other considerations may also apply in the unique context of statutory estoppel. *See generally, e.g., In re Arviv Reexamination Proceeding*, Control No. 95/001,526, Decision Dismissing section 1.182 and section 1.183 Petitions, at 6 (Apr. 18, 2011); *In re Beierbach Reexamination Proceeding*, Control No. 95/000,407, Decision on section 1.182 and section 1.183 Petitions, at 6 (July 28, 2010); *In re Schlecht Inter Partes Reexamination Proceeding*, Control No. 95/001,206, Decision Dismissing Petition, at 5 (June 22, 2010); *In re Guan Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date, at 8 (Aug. 25, 2008).

The Office has received requests to state whether particular facts will qualify a party as a “real party-in-interest” or “privy.” Some fact-combinations will generally justify applying the “real party-in-interest” or “privy” label. For example, a party that funds and directs and controls an IPR or PGR petition or proceeding constitutes a “real party-in-interest,” even if that party is not a “privy” of the petitioner. But whether something less than complete funding and control suffices to justify similarly treating the party requires consideration of the pertinent facts. *See, e.g., Cal. Physicians*, 163 Cal.App.4th at 1523–25 (discussing the role of control in the “privy” analysis, and observing that “preclusion can apply even in the absence of such control”). The Office will handle such questions on a case-by-case basis taking into consideration how courts have viewed the terms. Similarly, while generally a party does not become a “real party-in-interest” or a “privy” of the petitioner merely through association with another party in an unrelated endeavor, slight alterations in the facts, as well as consideration of other facts, might result in a different conclusion. So, for example, if Trade Association X files an IPR petition, Party A does not become a “real party-in-interest” or a “privy” of the Association simply based on its membership in the Association. Similarly, if Party A is part of a Joint Defense Group with Party B in a patent infringement suit, and Party B files a PGR petition, Party A is not a “real party-in-interest” or a “privy” for the purposes of the PGR petition based solely on its participation in that Group. That is not to say that Party A’s membership in Trade Association X, or the Joint Defense Group, in those

scenarios is irrelevant to the determination; deeper consideration of the facts in the particular case is necessary to determine whether Party A is a “real party-in-interest” or a “privy” of the petitioner. Relevant factors include: Party A’s relationship with the petitioner; Party A’s relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition. In short, because rarely will one fact, standing alone, be determinative of the inquiry, the Office cannot prejudge the impact of a particular fact on whether a party is a “real party-in-interest” or “privy” of the petitioner.

2. *Related Matters*: Parties to a proceeding are to identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding. Judicial matters include actions involving the patent in federal court. Administrative matters include every application and patent claiming, or which may claim, the benefit of the priority of the filing date of the party’s involved patent or application as well as any *ex parte* and *inter partes* reexaminations for an involved patent.

3. *Identification of Service Information*: Parties are required to identify service information to allow for efficient communication between the Board and the parties. § 42.8. Additionally, while the Board is authorized to provide notice by means other than mailing to the correspondence address of record, it is ultimately the responsibility of the applicant or patent owner to maintain a proper correspondence address in the record. *Ray v. Lehman*, 55 F.3d 606, 610 (Fed. Cir. 1995).

Under § 42.6(e), service may be made electronically upon agreement of the parties. For example, the parties could agree that electronic filing with the Board of a document constitutes electronic service.

E. Public Availability and Confidentiality

The rules aim to strike a balance between the public’s interest in maintaining a complete and understandable file history and the parties’ interest in protecting truly sensitive information.

1. *Public Availability*: The record of a proceeding, including documents and things, shall be made available to the public, except as otherwise ordered. § 42.14. Accordingly, a document or thing will be made publicly available, unless a party files a motion to seal that is then granted by the Board.

2. *Confidential information*: The rules identify confidential information in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information. § 42.54.

3. *Motion To Seal*: A party intending a document or thing to be sealed may file a motion to seal concurrent with the filing of the document or thing. § 42.14. The document or thing will be provisionally sealed on receipt of the motion and remain so pending the outcome of the decision on motion.

4. *Protective Orders*: A party may file a motion to seal where the motion contains a proposed protective order, such as the default protective order in Appendix B. § 42.54. Specifically, protective orders may be issued for good cause by the Board to protect a party from disclosing confidential information. § 42.54. Guidelines on proposing a protective order in a motion to seal, including a Standing Protective Order, are provided in Appendix B. The document or thing will be protected on receipt of the motion and remain so, pending the outcome of the decision on motion.

5. *Confidential Information in a Petition*: A petitioner filing confidential information with a petition may, concurrent with the filing of the petition, file a motion to seal with a proposed protective order as to the confidential information. A petitioner filing information under seal with a petition is not required to serve the confidential information. § 42.55.

A petitioner may seek entry of the default protective order in Appendix B or may seek entry of an alternative protective order. Where the petitioner seeks entry of the default protective order, the patent owner will be given access to the confidential information prior to institution of the trial by agreeing to the terms of a default order. § 42.55(a). The Board anticipates that a patent owner may use the Board’s electronic filing system to agree to the default protective order and would, upon confirmation of the agreement by the Board, be given access to the provisionally sealed information.

Where a petitioner files a motion to seal with the petition that seeks entry of a protective order other than the default protective order, a patent owner may only access the sealed confidential information prior to the institution of the trial by:

(1) Agreeing to the terms of the protective order requested by the petitioner;

(2) Agreeing to the terms of a protective order that the parties file jointly; or

(3) Obtaining entry of a protective order (e.g., the default protective order).

For example, the patent owner could arrange a conference call with the Board and opposing party, and provide a suitable basis for entering the default protective order as opposed to the petitioner's proposed protective order. § 42.55(b). The Board anticipates that a patent owner may use the Board's electronic filing system to agree to the protective order requested by the petitioner and would, upon confirmation of the agreement by the Board, be given access to the provisionally sealed information. Similarly, the Board anticipates that a patent owner may use the Board's electronic filing system to file a protective order that the parties jointly agree to and would, upon confirmation of the agreement by the Board, be given access to the provisionally sealed information. Alternatively, the patent owner would be given access on entry of a protective order by the Board.

The rule seeks to streamline the process of seeking protective orders prior to the institution of the review while balancing the need to protect confidential information against an opponent's ability to access information used to challenge the opponent's claims.

6. Expungement of Confidential Information: Confidential information that is subject to a protective order ordinarily would become public 45 days after denial of a petition to institute a trial or 45 days after final judgment in a trial. There is an expectation that information will be made public where the existence of the information is referred to in a decision to grant or deny a request to institute a review or is identified in a final written decision following a trial. A party seeking to maintain the confidentiality of information, however, may file a motion to expunge the information from the record prior to the information becoming public. § 42.56. The rule balances the needs of the parties to submit confidential information with the public interest in maintaining a complete and understandable file history for public notice purposes. The rule encourages parties to redact sensitive information, where possible, rather than seeking to seal entire documents.

7. Derivation: A party in a derivation submitting dates of conception to establish inventorship may wish to file the information under seal. Where the dates of conception are filed under seal, a party may request that an opponent

not be given access to the conception dates until the opponent's conception dates have been provided to the Board.

F. Discovery

Discovery is a tool to develop a fair record and to aid the Board in assessing the credibility of witnesses. To streamline the proceedings, the rules and Scheduling Order provide a sequenced discovery process upon institution of the trial. Specifically, each party will be provided respective discovery periods, beginning with the patent owner. The sequenced discovery allows parties to conduct meaningful discovery before they are required to submit their respective motions and oppositions during the trial. Thus, discovery before the Board is focused on what the parties reasonably need to respond to the grounds raised by an opponent. In this way, the scope of the trial continually narrows.

1. Routine Discovery: Routine discovery includes: (1) Production of any exhibit cited in a paper or testimony; (2) the cross-examination of the other sides declarants; and (3) relevant information that is inconsistent with a position advanced during the proceeding. Routine discovery places the parties on a level playing field and streamlines the proceeding. Board authorization is not required to conduct routine discovery, although the Board will set the times for conducting this discovery in its Scheduling Order.

(a) Inconsistent Statements: The following situations exemplify instances where disclosures of inconsistent statements are to be made. Example 1: where a petitioner relies upon an expert affidavit alleging that a method described in a patent cannot be carried out, the petitioner would be required to provide any non-privileged work undertaken by, or on behalf of, the petitioner that is inconsistent with the contentions in the expert's affidavit. Example 2: where a patent owner relies upon surprising and unexpected results to rebut an allegation of obviousness, the patent owner should provide the petitioner with non-privileged evidence that is inconsistent with the contention of unexpected properties.

(b) Witness Expenses: The burden and expense of producing a witness for redirect or cross-examination should normally fall on the party presenting the witness. Thus, a party presenting a witness's testimony by affidavit should arrange to make the witness available for cross-examination. This applies to witnesses employed by a party as well as experts and non-party witnesses. If there are associated expenses such as expert witness fees or travel, those

should be borne by the party presenting the testimony. Should the witness's testimony be presented by transcript, the same rules apply, and the witness fees and expenses should be borne by the presenting party.

(c) Document Translation: All proceedings before the Board will be conducted in English. Translations therefore must be provided for: (1) Those documents produced in discovery under § 42.51; and (2) all documents relied on, or otherwise used, during the proceedings. Unless accompanied by an English language translation, such documents in a language other than English will not be considered by the Board.

2. Additional Discovery: A request for additional discovery must be in the form of a motion, although the parties may agree to discovery amongst themselves. § 42.51(b)(2). The types of discovery available under the Federal Rules of Civil Procedure can be sought by the parties. The standard for granting such requests varies with the proceeding. An "interests of justice" standard applies in IPR and derivations, whereas the more liberal "good cause" standard applies in PGR and CBM. *Id.* An additional discovery request could be granted under either standard, for example, when a party raises an issue where the evidence on that issue is uniquely in the possession of the party that raised it.

3. Compelled Testimony: A party can request authorization to compel testimony under 35 U.S.C. 24. If a motion to compel testimony is granted, testimony may be (1) *ex parte*, subject to subsequent cross-examination, or (2) *inter partes*. *Therriault v. Garbe*, 53 USPQ2d 1179, 1184 (BPAI 1999). Prior to moving for or opposing compelled testimony, the parties should discuss which procedure is appropriate. See Appendix D for guidance on compelled testimony.

4. Mandatory Initial Disclosures: Section 42.51(a) provides for mandatory initial disclosures, either by agreement (subparagraph (a)(1)) or, where the parties fail to reach an agreement, by motion, if granted (subparagraph (a)(2)). To proceed under § 42.51(a)(1), the parties must submit any agreement reached on initial disclosures no later than the filing of the patent owner's preliminary response, or by the expiration of the time period for filing such a response. See § 42.51(a)(1)(i).

Where the parties agree to mandatory initial disclosures under § 42.51(a)(1), two options are available as follows:

Option 1

This first option is modeled after Rule 26(a)(1)(A) of the Federal Rules of Civil Procedure, and requires disclosure of the following information: (1) the name and, if known, the address and telephone number of each individual likely to have discoverable information—along with the subjects of that information—that the disclosing party may use to support its claims or defenses, unless the use would be solely for impeachment; and (2) a copy—or a description by category and location—of all documents, electronically stored information, and tangible things that the disclosing party has in its possession, custody, or control and may use to support its claims or defenses, unless the use would be solely for impeachment.

Option 2

This second option is more extensive, and includes the following disclosures listed under both items I and II:

I. If the petition seeks cancellation of one or more claims in whole or part on the basis of the existence of an alleged prior non-published public disclosure, the petitioner will provide a statement: (1) Identifying, to the extent known by the petitioner, the names and information sufficient to contact all persons other than those offering affidavits or declarations who are reasonably likely to know of the alleged prior non-published public disclosure; (2) indicating which of such persons are within the control of petitioner, or who have otherwise consented to appear for a testimony in connection with the proceeding; (3) indicating which, if any, of such persons are represented by petitioner's counsel; (4) identifying all documents and things within petitioner's possession, custody, or control referring to or relating to the alleged prior non-published public disclosure; and (5) identifying all things relating to the alleged prior non-published public disclosure, including a complete description, photographs, the chemical analysis (if the chemical composition is in issue), and computer code (for computer-related subject matter), and their locations, and whether petitioner will produce such things for inspection, analysis, testing, and sampling.

II. If the petition seeks cancellation of one or more claims in whole or in part on the basis of the alleged obviousness of one or more of the claims, the petitioner will provide a statement: (1) identifying, to the extent known by the petitioner, the names and information sufficient to contact all persons other

than those offering affidavits or declarations who are reasonably likely to have information regarding the secondary indicia of non-obviousness; (2) indicating which of such persons are within the control of petitioner, or have otherwise consented to appear for a testimony in connection with the proceeding; (3) indicating which, if any, of such persons are represented by petitioner's counsel; (4) identifying all documents and things within petitioner's possession, custody, or control referring to or relating to such secondary indicia of non-obviousness; and (5) identifying all things relating to the secondary indicia of non-obviousness, including a complete description, photographs, the chemical analysis (if the chemical composition is in issue), and computer code (for computer-related subject matter), and their locations, and whether petitioner will produce such things for inspection, analysis, testing, and sampling.

Under § 42.51(a)(1)(ii), upon institution of a trial, the parties may automatically take discovery of the information identified in the initial disclosures. Accordingly, the initial disclosures of a party shall be filed as exhibits as soon as reasonably practicable to permit discovery related to that information. *See* § 42.51(a)(1)(i).

5. *Live Testimony*: Cross-examination may be ordered to take place in the presence of an administrative patent judge, which may occur at the deposition or oral argument. Occasionally, the Board will require live testimony where the Board considers the demeanor of a witness critical to assessing credibility. Examples of where such testimony has been ordered in previous contested cases before the Board include cases where derivation is an issue, where misconduct is alleged to have occurred during the proceeding, or where testimony is given through an interpreter. *See* Appendix D for guidance on testimony.

6. *Times and Locations for Witness Cross-Examination*: Under § 42.53(c)(1), the default time limits for compelled direct examination, cross-examination, and redirect examination are seven hours for direct examination, four hours for cross-examination, and two hours for redirect examination. Similarly, under § 42.53(c)(2), the default time limits for cross-examination, redirect examination, and recross-examination for uncompelled direct testimony are seven hours for cross-examination, four hours for redirect examination, and two hours for recross-examination. *See* Appendix D: Testimony Guidelines, for more information.

The rules do not provide for a specific location for taking testimony other than providing that the testimony may be taken at any reasonable location in the United States. The Board expects that the parties will be able to agree upon a reasonable location but will be available to handle the issue, typically via conference call, where the parties are unable to agree.

7. *E-Discovery*: The cost of e-discovery in patent infringement cases has led a number of courts to adopt special e-discovery rules. Notably, the Federal Circuit Advisory Committee drafted and adopted a Model Order Limiting E-Discovery in Patent Cases that is available on the Federal Circuit's Web site: www.cafc.uscourts.gov. *See also* Federal Rule of Evidence 502. In the interest of promoting economic and procedural efficiency in these proceedings, the Office adopts a default Model Order Regarding E-Discovery (Appendix C) based on the Federal Circuit's Model Order, modified to reflect the differences in statutory requirements. *See also* Rule 502 of the Federal Rules of Evidence. Except for routine discovery under the provisions of § 42.51(b)(1), it is expected that the default Model Order will be entered in a proceeding whenever discovery of Electronically Stored Information (ESI) is sought by the parties, whether under the other discovery provisions of § 42.51, or the compelled discovery provisions of § 42.52. Should a party desire to obtain production of ESI as part of additional discovery under § 42.51, § 42.52, or any other provision of the rules, the matter should be raised with the Board in a timely fashion before the discovery is scheduled to take place.

II. Petitions and Motions Practice

A. General Motions Practice Information

1. *Motions practice*: The proceedings begin with the filing of a petition that lays out the petitioner's grounds and supporting evidence for the requested proceeding. Additional relief in a proceeding must be requested in the form of a motion. § 42.20(a).

2. *Prior authorization*: Generally, a motion will not be entered without prior Board authorization. § 42.20(b). Exceptions include motions where it is impractical for a party to seek prior Board authorization, and motions for which authorization is automatically granted. Motions where it is not practical to seek prior Board authorization include motions to seal and motions filed with a petition, such as motions to waive page limits. Motions where authorization is

automatically granted, without a conference with the Board, include requests for rehearing, observations on cross-examination, and motions to exclude evidence. The Board expects that the Scheduling Order will pre-authorize and set times for the filing of observations on cross-examination and motions to exclude evidence based on inadmissibility. *See* Appendix A, Scheduling Order.

Typically, authorization for a motion is obtained during an initial conference call, which generally occurs within one month of the institution of IPR, PGR, CBM, and derivation proceedings. Additionally, where more immediate relief is required or the request arises after the initial conference call, a party should institute a conference call to obtain such authorization. Typically, the Board will decide procedural issues raised in a conference call during the call itself or shortly thereafter, thereby avoiding the need for additional briefing. The Board has found that this practice simplifies a proceeding by focusing the issues early, reducing costs and efforts associated with motions that are beyond the scope of the proceeding. By taking an active role in the proceeding, the Board can eliminate delay in the proceeding and ensure that attorneys are prepared to resolve the relevant disputed issues.

3. *Page Limits*: Petitions, motions, patent owner preliminary responses, patent owner responses, oppositions, and replies filed in proceedings are subject to page limits in order to streamline the proceedings. § 42.24. The rules set a limit of 60 pages for petitions requesting *inter partes* reviews and derivation proceedings, 80 pages for petitions requesting post-grant review and covered business method patent reviews, and 15 pages for motions. § 42.24(a). Patent owner preliminary responses to a petition and patent owner responses to a petition are limited to an equal number of pages as the corresponding petition, and oppositions are limited to an equal number of pages as the corresponding motion. § 42.24(b). Replies to patent owner responses to petitions are limited to 15 pages and replies to oppositions are limited to five pages. § 42.24(c).

Federal courts routinely use page limits to manage motions practice as “[e]ffective writing is concise writing.” *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. *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.”).

Although parties are given wide latitude in how they present their cases, the Board’s experience is that the presentation of an overwhelming number of issues tends to detract from the argument being presented, and can cause otherwise meritorious issues to be overlooked or misapprehended. Thus, parties should avoid submitting a repository of all the information that a judge could possibly consider, and instead focus on concise, well-organized, easy-to-follow arguments supported by readily identifiable evidence of record. Another factor to keep in mind is that the judges of the Board are familiar with the general legal principles involved in issues which come before the Board. Accordingly, extended discussions of general patent law principles are not necessary.

The Office provides the following practical guidance regarding compliance with the page limits. A party is not required to submit a statement of material fact in its briefing. § 42.22. Further, double spacing is not required for claim charts. § 42.6(a)(2)(iii).

4. *Testimony Must Disclose Underlying Facts or Data*: The Board expects that most petitions and motions will rely upon affidavits of experts. Affidavits expressing an opinion of an expert must disclose the underlying facts or data upon which the opinion is based. *See* Fed. R. Evid. 705; and § 42.65. Opinions expressed without disclosing the underlying facts or data may be given little or no weight. *Rohm & Haas Co. v. Brotech Corp.*, 127 F.3d 1089, 1092 (Fed. Cir. 1997) (nothing in the Federal Rules of Evidence or Federal Circuit jurisprudence requires the fact finder to credit unsupported assertions of an expert witness).

5. *Tests and Data*: Parties often rely on scientific tests and data to support their positions. Examples include infrared spectroscopy graphs, high-performance liquid-chromatography data, etc. In addition to providing the explanation required in § 42.65, a party relying on a test or data should provide any other information the party believes would assist the Board in understanding the significance of the test or the data.

6. *Objective Indicia of Nonobviousness*: The Board expects that most petitions will raise issues of

obviousness. In determining whether the subject matter of a claim would have been obvious over the prior art, the Board will review any objective evidence of nonobviousness proffered by the patent owner where appropriate.

B. Petition

Proceedings begin with the filing of a petition. The petition lays out the petitioner’s grounds for review and supporting evidence, on a claim-by-claim basis, for instituting the requested proceeding.

1. *Filing date—Minimum Procedural Compliance*: To obtain a filing date, the petition must meet certain minimum standards. *See, e.g.*, § 42.106. Generally, the standards required for a petition are those set by statute for the proceeding requested. *See, e.g.*, 35 U.S.C. 312(a). For example, an IPR requires that a complete petition be filed with the required fee, and include a certificate of service for the petition, fee, and evidence relied upon. § 42.106. A complete petition for IPR requires that the petitioner certify that the patent is eligible for IPR and that the petitioner is not barred or estopped from requesting the review, and that the petitioner identify the claims being challenged and the specific basis for the challenge. § 42.104. Similar petition requirements apply to PGR (§ 42.204) and derivations (§ 42.404). CBM proceedings also require a petition demonstrate that the patent for which review is sought is a covered business method patent. § 42.304.

2. *Burden of Proof for Statutory Institution Thresholds*: The burden of proof in a proceeding before the Board is a preponderance of the evidence standard. § 42.1(d).

3. *Specific Requirements for Petition*: A petitioner must certify that the patent or application is available for review and that the petitioner is not barred or estopped from seeking the proceeding. §§ 42.104, 42.204, 42.304, and 42.405. Additionally, a petitioner must identify each claim that is challenged and the specific statutory grounds on which each challenge to the claim is based, provide a claim construction for the challenged claims, and state the relevance of the evidence to the issues raised. *Id.* For IPR, PGR, and CBM proceedings, a petitioner must also identify how the construed claim is unpatentable over the relevant evidence. §§ 42.104(b), 42.204(b), and 42.304(b).

4. *Covered Business Method/ Technological Invention*: A petitioner in a CBM proceeding must demonstrate that the patent for which review is sought is a covered business method patent. § 42.304(a). Covered business

method patents by definition do not include patents for technological inventions.

The following claim drafting techniques would not typically render a patent a technological invention:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

The following are examples of covered business method patents that are subject to a CBM review proceeding:

(a) A patent that claims a method for hedging risk in the field of commodities trading.

(b) A patent that claims a method for verifying validity of a credit card transaction.

The following are examples of patents that claim a technological invention that would not be subject to a CBM review proceeding:

(a) A patent that claims a novel and non-obvious hedging machine for hedging risk in the field of commodities trading.

(b) A patent that claims a novel and non-obvious credit card reader for verifying the validity of a credit card transaction.

5. *Claim Charts*: While not required, a petitioner may file a claim chart to explain clearly and succinctly what the petitioner believes a claim means in comparison to something else, such as another claim, a reference, or a specification. Where appropriate, claim charts can streamline the process of identifying key features of a claim and comparing those features with specific evidence. Claim charts submitted as part of a petition, motion, patent owner preliminary response, patent owner response, opposition, or reply count towards applicable page limits, but are not required to be double-spaced, e.g., to reduce the number of pages in a petition, claim charts in the petition may be single-spaced. A claim chart from another proceeding that is submitted as an exhibit, however, will not count towards page limits.

6. *Claim Construction*: Regarding the need for a claim construction, where appropriate, it may be sufficient for a party to provide a simple statement that the claim terms are to be given their

broadest reasonable interpretation, as understood by one of ordinary skill in the art and consistent with the disclosure. Alternatively, where a party believes that a specific term has meaning other than its plain meaning, the party should provide a statement identifying a proposed construction of the particular term and where the disclosure supports that meaning.

The Office has for decades employed the broadest reasonable interpretation standard to construe claims before the Office, and it will continue to do so in IPR, PGR, and CBM proceedings for construing challenged claims as well as any amended or new claims. §§ 42.100(b), 42.200(b), and 42.300(b). This approach ensures that the public can clearly understand the outer limits applicants and patentees will attribute to their claims. On the other hand, inconsistent results would become a major issue if the Office adopted a standard of claim construction other than the broadest reasonable interpretation for IPR, PGR, and CBM proceedings. As the AIA contemplates, there may be multiple proceedings involving related patents or patent applications in the Office at a particular time. For example, there may be an IPR of a patent that is also subject to an *ex parte* reexamination, where the patent is part of a family of co-pending applications all employing the same claim terminology. The Office applies the broadest reasonable interpretation standard in those proceedings, and major difficulties would arise where the Office is handling multiple proceedings with different applicable claim construction standards.

An essential purpose of the broadest reasonable claim interpretation standard in the amendment process is to encourage a patent owner to fashion clear, unambiguous claims. Only through the use of the broadest reasonable claim interpretation standard can the Office ensure that uncertainties of claim scope are removed or clarified. Since patent owners have the opportunity to amend their claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve ambiguities and overbreadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system. Patent owners in IPR, PGR, and CBM proceedings will be permitted to file a first motion to amend the patent, after conferring with the Board. §§ 42.121(a) and 42.221(a). Moreover, although there is no need to permit multiple opportunities to amend to justify the application of the broadest reasonable interpretation standard in an

Office proceeding, patent owners in IPR, PGR, and CBM proceedings may file an additional motion to amend when there is a good cause showing, or a joint request of the petitioner and the patent owner to materially advance a settlement. §§ 42.121(c) and 42.221(c). Thus, the Board will apply the broadest reasonable interpretation standard during IPR, PGR, and CBM proceedings, consistent with the Office's practice in other proceedings.

C. Patent Owner Preliminary Response

For IPR, PGR, and CBM proceedings, a patent owner may file a preliminary response no later than three months after the grant of a filing date. §§ 42.107(b) and 42.207(b). The preliminary response may present evidence other than new testimonial evidence to demonstrate that no review should be instituted. §§ 42.107(c) and 42.207(c). New testimonial evidence may be permitted where a party demonstrates that such evidence is in the interests of justice. For example, the Board may permit new testimonial evidence where it addresses issues relating to the petitioner's standing, or where the Board determines that consideration of the identified evidence is necessary in the interests of justice as the evidence demonstrates that the trial may not be instituted.

Potential patent owner preliminary responses include:

(1) The petitioner is statutorily barred from pursuing a review.

(2) The references asserted to establish that the claims are unpatentable are not in fact prior art.

(3) The prior art lacks a material limitation in all of the independent claims.

(4) The prior art teaches or suggests away from a combination that the petitioner is advocating.

(5) The petitioner's claim interpretation for the challenged claims is unreasonable.

(6) If a petition for post-grant review raises 35 U.S.C. 101 grounds, a brief explanation as to how the challenged claims are directed to a patent-eligible invention.

Where a patent owner seeks to expedite the proceeding, the patent owner may file an election to waive the patent owner preliminary response. §§ 42.107(b) and 42.207(b). No adverse inference will be taken by such an election. Moreover, a patent owner may file a statutory disclaimer of one or more challenged claims to streamline the proceedings. Where no challenged claims remain, the Board would terminate the proceeding. Where one or more challenged claims remain, the

Board's decision on institution would be based solely on the remaining claims. See *Sony Computer Entm't Am. Inc. v. Dudas*, 2006 WL 1472462 (E.D.Va. 2006).

D. Institution of Review

1. Statutory Threshold Standards:

Generally, the Director may institute a proceeding where a petitioner meets the threshold standards. There is a different statutory threshold standard for institution of each type of proceeding. Each of the statutory threshold standards is summarized below.

(a) *Inter Partes Review*: 35 U.S.C. 314(a), as amended, provides that the Director may not authorize institution of an *inter partes* review, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 311, as amended, and any response filed under 35 U.S.C. 313, as amended, shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition. The "reasonable likelihood" standard is a somewhat flexible standard that allows the Board room to exercise judgment.

(b) *Post-Grant Review*: 35 U.S.C. 324(a) provides that the Director may not authorize institution of a post-grant review, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The "more likely than not" standard requires greater than 50% chance of prevailing. In addition, 35 U.S.C. 324(b) provides that the determination required under 35 U.S.C. 324(a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

(c) *Covered Business Method Patent Review*: Section 18(a)(1) of the AIA provides that the transitional proceeding for covered business method patents will be regarded as, and will employ the standards and procedures of, a post-grant review under chapter 32 of title 35 United States Code, subject to certain exceptions. Section 18(a)(1)(B) of the AIA specifies that a person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or person's real party-in-interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent. A 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.

(d) *Derivation*: 35 U.S.C. 135(a), as amended, provides that an applicant for a patent may file a petition to institute a derivation proceeding. 35 U.S.C. 135(a), as amended, provides that the petition must state with particularity the basis for finding that a named inventor in the earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, filed the earlier application. The petition must be filed within one year of the first publication by the earlier applicant of a claim to the same or substantially the same invention, must be made under oath, and must be supported by substantial evidence. 35 U.S.C. 135(a), as amended, also provides that the Director may institute a derivation proceeding, if the Director determines that the petition demonstrates that the standards for instituting a derivation proceeding are met.

2. Considerations in Instituting a Review: The Board institutes the trial on behalf of the Director. § 42.4(a). In instituting the trial, the Board will consider whether or not a party has satisfied the relevant statutory institution standard. As part of its consideration, the Board may take into account whether the same or substantially the same prior art or arguments were previously presented to the Office under 35 U.S.C. 325(d).

The Board, in determining whether to institute, may take into account whether the review could be completed timely. For example, the Board may decline to institute a proceeding where the Board determines that it could not complete the proceeding timely. Specifically, the Board could exercise its discretion to decline to institute a petition that seeks review of several hundred claims based upon a thousand references and the patent owner demonstrates that a determination of patentability would require testimony of dozens of non-party controlled witnesses in foreign countries for which the testimony would need to be compelled.

3. Content of Decision on Whether To Institute: In instituting a trial, the Board will streamline the issues for final decision by authorizing the trial to proceed only on the challenged claims for which the threshold standards for the proceeding have been met. Further, the Board will identify, on a claim-by-

claim basis, the grounds on which the trial will proceed. Any claim or issue not included in the authorization for review is not part of the trial.

Where no trial is instituted, a decision to that effect will be provided. The Board expects that the decision will contain a short statement as to why the standards were not met, although this may not be necessary in all cases. A party dissatisfied with a decision whether or not to institute may file a request for rehearing before the Board, but the Board's determination on whether to institute a trial is final and nonappealable. 35 U.S.C. 135(a) and 314(d), as amended; 35 U.S.C. 324(e); and § 42.71(c).

4. Scheduling Order: The Board expects that a Scheduling Order (Appendix A) will be provided concurrent with the decision to institute the proceeding. The Scheduling Order will set due dates for taking action accounting for the complexity of the proceeding but ensuring that the trial is completed within one year of institution. Furthermore, the parties may request changes to the due dates at the initial conference call, and stipulate different dates for Due Dates 1 through 5 (earlier or later, but no later than Due Date 6). See Appendix A.

E. Initial Conference Call (One Month After Instituting Trial)

The Board expects to initiate a conference call within about one month from the date of institution of the trial to discuss the Scheduling Order and any motions that the parties anticipate filing during the trial. Generally, the Board would require a list of proposed motions to be filed no later than two business days prior to the conference call. An accurate motions list is necessary to provide the Board and the opposing parties adequate notice to prepare for the conference call and to plan for the proceeding. The Board's contested cases experience demonstrates that discussing the proposed motions before the motions are authorized to be filed aids the administration of justice by: (1) Helping the Board and counsel adjust the schedule for taking action; (2) permitting the Board to determine whether the listed motions are both necessary and sufficient to resolve the issues raised; and (3) revealing the possibility that there may be a dispositive issue that may aid the settlement of the trial. Submission of a list would not preclude the filing of additional motions not contained in the list. However, the Board may require prior authorization to file an additional motion and the set times are not likely

to change as a consequence of the new motion.

F. Patent Owner Response

For IPR, PGR, and CBM, the patent owner will be provided an opportunity to respond to the petition once a trial has been instituted. 35 U.S.C. 316(a)(8), as amended, and 35 U.S.C. 326(a)(8). For a derivation proceeding, the applicant or patent owner alleged to have derived the invention will be provided an opportunity to respond to the petition once the trial has been instituted. 35 U.S.C. 135(b), as amended.

The patent owner response is filed as an opposition to the petition and is subject to the page limits provided in § 42.24. §§ 42.120 and 42.220. The response should identify all the involved claims that are believed to be patentable and state the basis for that belief. Additionally, the response should include any affidavits or additional factual evidence sought to be relied upon and explain the relevance of such evidence. As with the petition, the response may contain a claim chart identifying key features of a claim and comparing those features with specific evidence. Where the patent owner elects not to file a response, the patent owner will arrange for a conference call with the Board to discuss whether or not the patent owner will file a request for adverse judgement. § 42.73(b).

G. Motions To Amend

1. *IPR, PGR, and CBM Amendments:* Patent owners in IPR, PGR, and CBM may file motions to amend the claims subject to certain conditions. §§ 42.121 and 42.221.

First Motion to Amend: Although patent owners may file a first motion to amend and need not obtain prior Board authorization, the patent owner is still required to confer with the Board before filing the motion. § 42.121(a) or 42.221(a). During this conference call, it is envisioned that the judge would provide guidance to the patent owner and petitioner regarding the motion including how the filing of the motion will impact the schedule. For example, if a patent holder files a motion to amend the claims, adjustment to the schedule and authorization to conduct additional discovery may be appropriate.

Additional Motion to Amend. Patent owners seeking to file any additional motion to amend claims in the patent under § 42.121(c) or 42.221(c) must seek authorization from the Board to file the motion to amend. The filing of the additional motion typically would be authorized if a joint request by the

petitioner and patent owner is made to materially advance a settlement. Alternatively, filing of the additional motion may be authorized on a showing of good cause. In determining whether to authorize such an additional motion to amend, the Board will consider, among other factors, whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in § 42.121(a)(1) or 42.221(a)(1). For example, in the event that the petitioner is authorized to submit additional information that was not available to the petitioner before the petition was filed regarding the patentability of an original claim, the entry of the additional evidence will increase the likelihood that an additional motion to amend will be authorized. Other factors, such as the time remaining for the trial, the degree to which the additional evidence impacts the patentability of the claims being sought to be amended, and whether the additional evidence was known to the patent owner before the time period set in §§ 42.121(a) or 42.221(a) expired, may also be considered in deciding whether the motion should be authorized.

Due Date. A motion to amend must be filed no later than the time period for filing a patent owner response, unless a different due date is provided in a Board order. § 42.121(a) or 42.221(a). The Office envisions that most motions to amend will be due three months after a trial is instituted.

Contents of Motion To Amend. Any motion to amend must also comply the content requirements of §§ 42.121(b) or 42.221(b). Sections 42.121(b) and 42.221(b) require that any motion to amend include a claim listing, show the changes being sought clearly, and describe how the original disclosure of the patent and any relied upon prior application supports each claim that is added or amended. A patent owner may not enlarge the scope of the claims of the patent or add new matter, 35 U.S.C. 316(d)(3) and 326(d)(3), and it is envisioned that the amendment that will be sought by most patent owners is a replacement of a set of broader claims with a set of narrower claims. Where a motion seeks to replace an original patent claim with a new claim, the new claim should be identified as a proposed substitute claim and all changes relative to the original claim clearly discussed. Any motion to amend must also set forth the support in the original disclosure of the patent as well as any application for which benefit of the filing date of the earlier filed disclosure is sought.

Claim Construction. The Board will interpret claims using the broadest reasonable construction, which is consistent with the statute and legislative history of the AIA. *See, e.g.*, 35 U.S.C. 316(a)(2) and (a)(9), as amended, and § 42.100(b). In certain circumstances, claim construction under the broadest reasonable interpretation will differ from that of district court. A patent owner, however, will have opportunities to amend its claims during an administrative trial before the Board. *See, e.g.*, § 42.121. When filing a motion to amend, a patent owner may demonstrate that the scope of the amended claim is substantially identical to that of the original patent claim, as the original patent claim would have been interpreted by a district court. In such cases, a patent owner may request that the Board determine that the amended claim and original patent claim are substantially identical within the meaning of 35 U.S.C. 252.

2. *Amendments in Derivation Proceedings:* The filing of a motion to amend claims by a petitioner or respondent in a derivation proceeding will be authorized upon a showing of good cause. § 42.20. An example of good cause is where the amendment materially advances settlement between the parties or seeks to cancel claims. The Board expects, however, that a request to cancel all of a party's disputed claims will be treated as a request for adverse judgment. § 42.73(b).

3. *General Practice Tips on Amendments:* Motions to amend claims are expected to be filed by the due dates set for filing a patent owner response. For authorization to file a motion to amend sought later in the proceeding, a demonstration of good cause will be required. Motions to amend filed late in the proceeding may impair a petitioner's ability to mount a full response in time to meet the statutory deadline for the proceeding. To reduce the number of issues in dispute, however, motions to cancel claims will generally be permitted even late in the proceeding, as will motions to amend to correct simple and obvious typographical errors.

A motion to amend must be accompanied by the proposed amendment. *See, e.g.*, § 42.121(b). Claims filed by amendments should be filed as substitute claims. The amendment should clearly state whether each claim is "original," "cancelled," "replaced by proposed substitute," "proposed substitute for original claim X," or "proposed new claim."

Amendments should clearly state where the specification and any drawings support all the limitations in the proposed substitute claims. If the Board is unable to determine how the specification and drawings support the proposed substitute claims, the motion to amend may be denied.

Motions to amend should clearly state the patentably distinct features for proposed substitute claims. This will aid the Board in determining whether the amendment narrows the claims and if the amendment is responsive to the grounds of unpatentability involved in the trial. Moreover, a motion to amend may be denied, without prejudice, if it is determined that patent owner's original claims are patentable.

The number of substitute claims must be "reasonable." There is a general presumption that only one substitute claim would be needed to replace each challenged claim. §§ 42.121(a) and 42.221(a). This presumption may be rebutted by a demonstration of need. The presumption balances the one-year timeline for final decision against the patent owner's need to appropriately define the invention.

The following is an example of what may be included in a motion to amend. The example sets forth a proposed substitute claim that replaces original patent claims 1–3, a proposed substitute claim that replaces original patent claim 4, and a proposed new claim reciting newly claimed subject matter.

Original patent claims:

Claim 1: A bucket comprising:

A shell; and
an attached handle.

Claim 2: The bucket of claim 1 wherein the shell is made of wood.

Claim 3: The bucket of claim 1 wherein the handle is made of metal.

Claim 4: The bucket of claim 1 wherein the bucket has a volume of 2–5 gallons.

Claim listing in a motion to amend:
Claims 1–4 (cancelled).

Claim 5 (substitute for original claims 1–3): A bucket comprising:

A shell made of wood; and
an attached handle made of metal.

Claim 6 (substitute for original claim 4): The bucket of claim 5 wherein the bucket has a volume of 2–5 gallons.

Claim 7 (new claim) The bucket of claim 5 wherein the metal handle is at least partially made of alloy X.

Discussion of proposed changes:

Proposed claim 5 combines the features originally claimed in claims 1–3 into a single claim. Proposed claim 6 further defines proposed claim 5 by reciting the limitation originally recited in claim 4.

Proposed claim 7 further defines the invention of proposed claim 5 by

requiring the metal handle to be at least partially made of alloy X.

Support for claimed subject matter.

Paragraph 14 of the original disclosure of the application which issued as the patent under review describes an embodiment where the shell of the bucket is made of wood and the handle of the bucket is made of metal. Paragraph 15 of the same specification describes a volume of 2–5 gallons as a useful volume for the bucket described in the specification. Paragraph 32 of the same specification describes the use of alloy X in making the metal handle.

Parent application X similarly describes an embodiment where the shell of the bucket is made of wood and the handle is made of metal at paragraph 14. Parent application X does not describe a bucket having a volume of 2–5 gallons or alloy X.

H. Petitioner Opposition to Amendment

A petitioner will be afforded an opportunity to fully respond to a patent owner's motion to amend. The time for filing an opposition generally will be set in a Scheduling Order. No authorization is needed to file an opposition to a motion to amend. Petitioners may respond to new issues arising from proposed substitute claims including evidence responsive to the amendment. 35 U.S.C. 316(a) and 326(a). This includes the submission of new expert declarations that are directed to the proposed substitute claims.

I. Petitioner Reply to Patent Owner Response and Patent Owner Reply to Opposition To Amend

A reply may only respond to arguments raised in the corresponding opposition. § 42.23. While replies can help crystalize issues for decision, a reply that raises a new issue or belatedly presents evidence will not be considered and may be returned. The Board will not attempt to sort proper from improper portions of the reply. Examples of indications that a new issue has been raised in a reply include new evidence necessary to make out a *prima facie* case for the patentability or unpatentability of an original or proposed substitute claim, and new evidence that could have been presented in a prior filing.

J. Other Motions

There are many types of motions that may be filed in a proceeding in addition to motions to amend. Examples of additional motions include motions to exclude evidence, motions to seal, motions for joinder, motions to file supplemental information, motions for

judgment based on supplemental information, motions for observations on cross-examination, etc.

Where a party believes it has a basis to request relief on a ground not identified in the rules, the party should contact the Board and arrange for a conference call with the Board and opposing party to discuss the requested relief with the judge handling the proceeding.

When filing the motion, the party must comply with the appropriate requirements. For example, a motion to submit supplemental information must meet the requirements of § 42.123 or § 42.223: (1) A request for the authorization to file a motion to submit supplemental information is made within one month of the date the trial is instituted; and (2) the supplemental information must be relevant to a claim for which the trial has been instituted. Further, a party seeking to submit supplemental information more than one month after the date the trial is instituted, must request authorization to file a motion to submit the information. Such a motion to submit supplemental information must show why the supplemental information reasonably could not have been obtained earlier, and that consideration of the supplemental information would be in the interests-of-justice. § 42.123(b) or § 42.223(b).

K. Challenging Admissibility

A party wishing to challenge the admissibility of evidence must object timely to the evidence at the point it is offered and then preserve the objection by filing a motion to exclude the evidence. § 42.64(a), (b)(1), and (c). The time for filing a motion to exclude evidence will be set in the Scheduling Order. A motion to exclude evidence must:

(a) Identify where in the record the objection originally was made;

(b) Identify where in the record the evidence sought to be excluded was relied upon by an opponent;

(c) Address objections to exhibits in numerical order; and

(d) Explain each objection.

A motion to exclude must explain why the evidence is not admissible (*e.g.*, relevance or hearsay) but may not be used to challenge the sufficiency of the evidence to prove a particular fact.

L. Observations on Cross-Examination

In the event that cross-examination occurs after a party has filed its last substantive paper on an issue, such cross-examination may result in testimony that should be called to the Board's attention, but the party does not

believe a motion to exclude the testimony is warranted. The Board may authorize the filing of observations to identify such testimony and responses to observations, as defined below.

The party taking the cross-examination files the observations. The opposing party may file a response to an observation. The opposing party may not file observations without express prior authorization.

An observation should be a concise statement of the relevance of identified testimony to an identified argument or portion of an exhibit (including another part of the same testimony). Any response should be equally concise. An observation (or response) is not an opportunity to raise new issues, re-argue issues, or pursue objections. Each observation should be in the following form:

In exhibit __, on page __, lines __, the witness testified __. This testimony is relevant to the __ on page __ of __. The testimony is relevant because __.

The entire observation should not exceed one short paragraph. The Board may refuse entry of excessively long or argumentative observations (or responses).

M. Oral Argument

Each party to a proceeding will be afforded an opportunity to present their case before at least three members of the Board. The time for requesting an oral argument is normally set in the Scheduling Order but may be modified on a case-by-case basis.

Generally, a petitioner to a hearing will go first followed by the patent owner or respondent after which a rebuttal may be given by the petitioner. The order may be reversed, *e.g.*, where the only dispute is whether the patent owner's proposed substitute claims overcome the grounds for unpatentability set forth in the petition.

Special equipment or needs. A party should advise the Board as soon as possible before an oral argument of any special needs. Examples of such needs include additional space for a wheel chair, an easel for posters, or an overhead projector. Parties should not make assumptions about the equipment the Board may have on hand. Such requests should be directed in the first instance to a Board Trial Division paralegal at 571-272-9797.

Demonstrative exhibits. The Board has found that elaborate demonstrative exhibits are more likely to impede than help an oral argument. The most effective demonstrative exhibits tend to be a handout or binder containing the demonstrative exhibits. The pages of

each exhibit should be numbered to facilitate identification of the exhibits during the oral argument, particularly if the argument is recorded.

Live testimony. The Board does not envision that live testimony is necessary at oral argument. However, parties may file a motion for live testimony in appropriate situations.

No new evidence and arguments. A party may rely upon evidence that has been previously submitted in the proceeding and may only present arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument.

N. Settlement

There are strong public policy reasons to favor settlement between the parties to a proceeding. The Board will be available to facilitate settlement discussions, and where appropriate, may require a settlement discussion as part of the proceeding. The Board expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding. 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327.

O. Final Decision

For IPR, PGR, and CBM, the Board will enter a final written decision not more than one year from the date a trial is instituted, except that the time may be extended up to six months for good cause. The Board expects that a final written decision will address the issues necessary for resolving the proceeding.

In the case of derivation proceedings, although not required by statute, the Board expects to provide a final decision not more than one year from the institution of the proceeding. The Board will provide a final decision as to whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner's application and filed the earlier application claiming such invention without authorization.

P. Rehearing Requests

A party dissatisfied with a decision of the Board may file a request for rehearing. § 42.71. The burden of showing that a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and where each matter was previously addressed in a motion, an opposition, or a reply. Evidence not already of record at the time of the decision will not be admitted absent a

showing of good cause. The opposing party should not file a response to a request for rehearing absent a request from the Board. The Board envisions that, absent a need for additional briefing by an opponent, requests for rehearing will be decided approximately one month after receipt of the request.

APPENDIX A-1: Scheduling Order for *Inter Partes* Review, Post-Grant Review, and Covered Business Method Patents Review (based on the trial rules).

A. DUE DATES

This order sets due dates for the parties to take action after institution of the proceeding. The parties may stipulate different dates for DUE DATES 1 through 5 (earlier or later, but no later than DUE DATE 6). A notice of the stipulation, specifically identifying the changed due dates, must be promptly filed. The parties may not stipulate an extension of DUE DATES 6-7.

In stipulating different times, the parties should consider the effect of the stipulation on times to object to evidence (§ 42.64(b)(1)), to supplement evidence (§ 42.64(b)(2)), to conduct cross-examination, and to draft papers depending on the evidence and cross-examination testimony (*see* section B, below).

1. DUE DATE 1

The patent owner is not required to file anything in response to the petition. The patent owner may file—

- a. A patent owner's response to the petition, and
 - b. A motion to amend the patent.
- Any response or amendment must be filed by DUE DATE 1. If the patent owner elects not to file anything, the patent owner must arrange a conference call with the parties and the Board.

2. DUE DATE 2

Any reply to the patent owner's response, and opposition to the motion to amend, filed by petitioner under § 42.23 must be filed by DUE DATE 2.

3. DUE DATE 3

The patent owner must file any reply to the petitioner's opposition to patent owner's motion to amend by DUE DATE 3.

4. DUE DATE 4

a. The petitioner must file any motion for an observation on the cross-examination testimony of a reply witness (*see* section C, below) by DUE DATE 4. § 42.20.

b. Each party must file any motion to exclude evidence (§ 42.64(c)) and any request for oral argument (§ 42.70(a)) by DUE DATE 4.

5. DUE DATE 5

a. The patent owner must file any reply to a petitioner observation on cross-examination testimony by DUE DATE 5.

b. Each party must file any opposition to a motion to exclude evidence by DUE DATE 5.

6. DUE DATE 6

Each party must file any reply for a motion to exclude evidence by DUE DATE 6.

B. CROSS-EXAMINATION

Except as the parties might otherwise agree, for each due date—

1. Cross-examination begins after any supplemental evidence is due. §§ 42.64(b) and 42.53(d)(2).

2. Cross-examination ends no later than a week before the filing date for any paper in which the cross-examination testimony is expected to be used. *Id.*

C. MOTION FOR OBSERVATION ON CROSS-EXAMINATION

A motion for observation on cross-examination provides the petitioner with a mechanism to draw the Board's attention to relevant cross-examination testimony of a reply witness, since no further substantive paper is permitted after the reply. The observation must be a concise statement of the relevance of the precisely identified testimony to a precisely identified argument or portion of an exhibit. Each observation should not exceed a single, short paragraph. The patent owner may respond to the observation. Any response must be equally concise and specific.

DUE DATE APPENDIX

DUE DATE 1: Patent owner's response to the petition. Patent owner's motion to amend the patent.	3 months.
DUE DATE 2: Petitioner's reply to patent owner response to petition. Petitioner's opposition to motion to amend.	3 months.
DUE DATE 3: Patent owner's reply to petitioner opposition.	1 month.
DUE DATE 4: Petitioner's motion for observation regarding cross-examination of reply witness. Motion to exclude evidence. Request for oral argument.	3 weeks.
DUE DATE 5: Patent owner's response to observation. Opposition to motion to exclude.	2 weeks.
DUE DATE 6: Reply to opposition to motion to exclude.	1 week.
DUE DATE 7: Oral argument	Set on request.

APPENDIX A-2: Scheduling Order for Derivation Proceedings.**A. DUE DATES**

This order sets due dates for the parties to take action in this proceeding. The parties may stipulate different dates for DUE DATES 1 through 5 (earlier or later, but not later than DUE DATE 6). A notice of the stipulation, specifically identifying the changed due dates, must be promptly filed. The parties may not stipulate an extension of DUE DATES 6-7.

In stipulating different times, the parties should consider the effect of the stipulation on times to object to evidence (§ 42.64(b)(1)), to supplement evidence (§ 42.64(b)(2)), to conduct cross-examination, and to draft papers depending on the evidence and cross-examination testimony (*see* section B, below).

1. DUE DATE 1

The respondent is not required to file anything in response to the petition. The respondent may file—

- a. A response to the petition, and
- b. A motion to amend, if authorized.

Any such response or motion to amend must be filed by DUE DATE 1. If the respondent elects not to file anything, the respondent must arrange a conference call with the parties and the Board.

2. DUE DATE 2

The petitioner must file any reply to the respondent's response and opposition to motion to amend by DUE DATE 2.

3. DUE DATE 3

The respondent must file any reply to the petitioner's opposition by DUE DATE 3.

4. DUE DATE 4

- a. The petitioner must file any observation on the cross-examination testimony of a reply witness (*see* section C, below) by DUE DATE 4.
- b. Each party must file any motion to exclude evidence (§ 42.64(c)) and any request for oral argument (§ 42.70(a)) by DUE DATE 4.

5. DUE DATE 5

- a. The respondent must file any response to a petitioner observation on cross-examination testimony by DUE DATE 5.
- b. Each party must file any opposition to a motion to exclude evidence by DUE DATE 5.

6. DUE DATE 6

Each party must file any reply for a motion to exclude evidence by DUE DATE 6.

B. CROSS-EXAMINATION

Except as the parties might otherwise agree, for each due date—

1. Cross-examination begins after any supplemental evidence is due. §§ 42.64(b) and 42.53(d)(2).

2. Cross-examination ends no later than a week before the filing date for any paper in which the cross-examination testimony is expected to be used. *Id.*

C. MOTION FOR OBSERVATION ON CROSS-EXAMINATION

A motion for observation on cross-examination provides the petitioner with a mechanism to draw the Board's attention to relevant cross-examination testimony of a reply witness, since no further substantive paper is permitted after the reply. The observation must be a concise statement of the relevance of the precisely identified testimony to a precisely identified argument or portion of an exhibit. Each observation should not exceed a single, short paragraph. The patent owner may respond to the observation. Any response must be equally concise and specific.

DUE DATE APPENDIX

DUE DATE 1: Respondent response to the petition. Respondent motion to amend.	3 months.
DUE DATE 2: Petitioner reply to Respondent response to petition. Petitioner opposition to Respondent's motion to amend.	3 months.
DUE DATE 3: Respondent reply to petitioner opposition.	1 month.
DUE DATE 4: Petitioner motion for observation regarding cross-examination of reply witness. Motion to exclude. Request for oral argument.	3 weeks.
DUE DATE 5: Respondent response to observation. Opposition to motion to exclude.	2 weeks.
DUE DATE 6: Reply to opposition to motion to exclude.	1 week.
DUE DATE 7: Oral argument	Set on request.

APPENDIX B: Protective Order Guidelines (based on the trial rules).

(a) *Purpose.* This document provides guidance on the procedures for filing of motions to seal and the entry of protective orders in proceedings before the Board. The protective order governs the protection of confidential information contained in documents, discovery, or testimony adduced, exchanged, or filed with the Board. The parties are encouraged to agree on the entry of a stipulated protective order. Absent such agreement, the default standing protective order will be automatically entered.

(b) *Timing; lifting or modification of the Protective Order.* The terms of a protective order take effect upon the filing of a Motion to Seal by a party, and remain in place until lifted or modified by the Board either on the motion of a party for good cause shown or *sua sponte* by the Board.

(c) *Protective Order to Govern Treatment of Confidential Information.* The terms of a protective order govern the treatment of the confidential portions of documents, testimony, and other information designated as confidential, as well as the filing of confidential documents or discussion of confidential information in any papers filed with the Board. The Board shall have the authority to enforce the terms of the Protective Order, to provide remedies for its breach, and to impose sanctions on a party and a party's representatives for any violations of its terms.

(d) *Contents.* The Protective Order shall include the following terms:

(1) *Designation of Confidential Information.* The producing party shall have the obligation to clearly mark as "PROTECTIVE ORDER MATERIAL" any documents or information considered to be confidential under the Protective Order.

(2) *Persons Entitled to Access to Confidential Information.* A party receiving confidential information shall strictly restrict access to that information to the following individuals who first have signed and filed an Acknowledgement as provided herein:

(A) *Parties.* Persons who are owners of a patent involved in the proceeding and other persons who are named parties to the proceeding.

(B) *Party Representatives.* Representatives of record for a party in the proceeding.

(C) *Experts.* Retained experts of a party in the proceeding who further certify in the Acknowledgement that they are not a competitor to any party, or a consultant for, or employed by, such a competitor with respect to the subject matter of the proceeding.

(D) *In-house counsel.* In-house counsel of a party.

(E) *Other Employees of a Party.* Employees, consultants, or other persons performing work for a party, other than in-house counsel and in-house counsel's support staff, who sign the Acknowledgement, shall be extended access to confidential information only upon agreement of the parties or by order of the Board upon a motion brought by the party seeking to disclose confidential information to that person. The party opposing disclosure to that person shall have the burden of proving that such person should be restricted from access to confidential information.

(F) *The Office.* Employees and representatives of the U.S. Patent and Trademark Office who have a need for access to the confidential information shall have such access without the requirement to sign an Acknowledgement. Such employees and representatives shall include the Director, members of the Board and staff, other Office support personnel, court reporters, and other persons acting on behalf of the Office.

(G) *Support Personnel.* Administrative assistants, clerical staff, court reporters, and

other support personnel of the foregoing persons who are reasonably necessary to assist those persons in the proceeding. Such support personnel shall not be required to sign an Acknowledgement, but shall be informed of the terms and requirements of the Protective Order by the person they are supporting who receives confidential information.

(3) *Protection of Confidential Information.* Persons receiving confidential information shall take reasonable care to maintain the confidentiality of that information, including:

(A) Maintaining such information in a secure location to which persons not authorized to receive the information shall not have access;

(B) Otherwise using reasonable efforts to maintain the confidentiality of the information, which efforts shall be no less rigorous than those the recipient uses to maintain the confidentiality of information not received from the disclosing party;

(C) Ensuring that support personnel of the recipient who have access to the confidential information understand and abide by the obligation to maintain the confidentiality of information received that is designated as confidential; and

(D) Limiting the copying of confidential information to a reasonable number of copies needed to conduct the proceeding and maintaining a record of the locations of such copies, which similarly must be kept secure.

(4) *Treatment of Confidential Information.* Persons receiving confidential information shall use the following procedures to maintain confidentiality of documents and other information—

(A) *Documents and Information Filed With the Board.*

(i) A party may file documents or information with the Board under seal, together with a non-confidential description of the nature of the confidential information that is under seal and the reasons why the information is confidential and should not be made available to the public. The submission shall be treated as confidential and remain under seal, unless upon motion of a party and after a hearing on the issue, or *sua sponte*, the Board determines that the documents or information do not qualify for confidential treatment.

(ii) Where confidentiality is alleged as to some but not all of the information submitted to the Board, the submitting party shall file confidential and non-confidential versions of its submission, together with a Motion to Seal the confidential version setting forth the reasons why the information redacted from the non-confidential version is confidential and should not be made publicly available. The non-confidential version of the submission shall clearly indicate the locations of information that has been redacted. The confidential version of the submission shall be filed under seal. The redacted information shall remain under seal, unless upon motion of a party and after a hearing on the issue, or *sua sponte*, the Board determines that some or all of the redacted information does not qualify for confidential treatment.

(B) *Documents and Information Exchanged Among the Parties.* Information designated as

confidential that is disclosed to another party during discovery or other proceedings before the Board shall be clearly marked as "PROTECTIVE ORDER MATERIAL" and shall be produced in a manner that maintains its confidentiality.

(5) *Confidential Testimony.* Any person providing testimony in a proceeding may, on the record during the testimony, preliminarily designate the entirety of the person's testimony and all transcriptions thereof as confidential, pending further review. Within ten days of the receipt of the transcript of the testimony, that person, or that person's representative, shall advise the opposing party of those portions of the testimony to which a claim of confidentiality is to be maintained, and the reasons in support of that claim. Such portions shall be treated as confidential and maintained under seal in any filings to the Board unless, upon motion of a party and after a hearing on the issue, or *sua sponte*, the Board determines that some or all of the redacted information does not qualify for confidential treatment.

(6) *Other Restrictions Imposed By the Board.* In addition to the foregoing, the Board may, in its discretion, include other terms and conditions in a Protective Order it enters in any proceeding.

(7) *Requirement of Acknowledgement.* Any person receiving confidential information during a proceeding before the Board shall, prior to receipt of any confidential information, first sign an Acknowledgement, under penalty of perjury, stating the following:

(A) The person has read the Protective Order and understands its terms;

(B) The person agrees to be bound by the Protective Order and will abide by its terms;

(C) The person will use the confidential information only in connection with that proceeding and for no other purpose;

(D) The person shall only extend access to the confidential information to support personnel, such as administrative assistants, clerical staff, paralegals, and the like, who are reasonably necessary to assist him or her in the proceeding. The person shall inform such support personnel of the terms and requirements of the Protective Order prior to disclosure of any confidential information to such support personnel and shall be personally responsible for their compliance with the terms of the Protective Order; and

(E) The person agrees to submit to the jurisdiction of the Office for purposes of enforcing the terms of the Protective Order and providing remedies for its breach.

(e) *Filing of Executed Protective Order.* The party filing a Motion to Seal shall include with its supporting papers a copy of a proposed Protective Order, signed by the party or its representative of record, certifying that the party accepts and agrees to the terms of the Protective Order. Prior to the receipt of confidential information, any other party to the proceeding also shall file a copy of the proposed Protective Order, signed by the party or its representative of record, certifying that the party accepts and agrees to the terms of the proposed Protective Order. The proposed Protective Order shall remain in effect until superseded by a Protective Order entered by the Board.

(f) *Duty To Retain Acknowledgements.* Each party to the proceeding shall maintain a signed Acknowledgement from each person acting on its behalf who obtains access to confidential information after signing an Acknowledgement, as set forth herein, and shall produce such Acknowledgements to the Office upon request.

(g) *Motion to Seal.* A party may file an opposition to the motion that may include a request that the terms of the proposed Protective Order be modified including limiting the persons who are entitled to access under the Order. Any such opposition shall state with particularity the grounds for modifying the proposed Protective Order. The party seeking the modification shall have the burden of proving that such modifications are necessary. While the motion is pending, no disclosure of confidential information shall be made to the persons for whom disclosure is opposed, but the filing of the motion shall not preclude disclosure of the confidential information to persons for whom disclosure is not opposed and shall not toll the time for taking any action in the proceeding.

(h) *Other Proceedings.* Counsel for a party who receives confidential information in a proceeding will not be restricted by the Board from representing that party in any other proceeding or matter before the Office. Confidential information received in a proceeding, however, may not be used in any other Office proceeding in which the providing party is not also a party.

(i) *Disposal of Confidential Information.* Within one month after final termination of a proceeding, including any appeals, or within one month after the time for appeal has expired, each party shall assemble all copies of all confidential information it has received, including confidential information provided to its representatives and experts, and shall destroy the confidential information and provide a certification of destruction to the party who produced the confidential information.

DEFAULT PROTECTIVE ORDER

The following Standing Protective Order will be automatically entered into the proceeding upon the filing of a petition for review or institution of a derivation:

Standing Protective Order

This standing protective order governs the treatment and filing of confidential information, including documents and testimony.

1. Confidential information shall be clearly marked "PROTECTIVE ORDER MATERIAL."

2. Access to confidential information is limited to the following individuals who have executed the acknowledgment appended to this order:

(A) *Parties.* Persons who are owners of a patent involved in the proceeding and other persons who are named parties to the proceeding.

(B) *Party Representatives.* Representatives of record for a party in the proceeding.

(C) *Experts.* Retained experts of a party in the proceeding who further certify in the Acknowledgement that they are not a competitor to any party, or a consultant for,

or employed by, such a competitor with respect to the subject matter of the proceeding.

(D) *In-house counsel.* In-house counsel of a party.

(E) *Other Employees of a Party.* Employees, consultants or other persons performing work for a party, other than in-house counsel and in-house counsel's support staff, who sign the Acknowledgement shall be extended access to confidential information only upon agreement of the parties or by order of the Board upon a motion brought by the party seeking to disclose confidential information to that person. The party opposing disclosure to that person shall have the burden of proving that such person should be restricted from access to confidential information.

(F) *The Office.* Employees and representatives of the Office who have a need for access to the confidential information shall have such access without the requirement to sign an Acknowledgement. Such employees and representatives shall include the Director, members of the Board and their clerical staff, other support personnel, court reporters, and other persons acting on behalf of the Office.

(G) *Support Personnel.* Administrative assistants, clerical staff, court reporters and other support personnel of the foregoing persons who are reasonably necessary to assist those persons in the proceeding shall not be required to sign an Acknowledgement, but shall be informed of the terms and requirements of the Protective Order by the person they are supporting who receives confidential information.

3. Persons receiving confidential information shall use reasonable efforts to maintain the confidentiality of the information, including:

(A) Maintaining such information in a secure location to which persons not authorized to receive the information shall not have access;

(B) Otherwise using reasonable efforts to maintain the confidentiality of the information, which efforts shall be no less rigorous than those the recipient uses to maintain the confidentiality of information not received from the disclosing party;

(C) Ensuring that support personnel of the recipient who have access to the confidential information understand and abide by the obligation to maintain the confidentiality of information received that is designated as confidential; and

(D) Limiting the copying of confidential information to a reasonable number of copies needed for conduct of the proceeding and maintaining a record of the locations of such copies.

4. Persons receiving confidential information shall use the following procedures to maintain the confidentiality of the information:

(A) *Documents and Information Filed With the Board.*

(i) A party may file documents or information with the Board under seal, together with a non-confidential description of the nature of the confidential information that is under seal and the reasons why the information is confidential and should not be made available to the public. The submission

shall be treated as confidential and remain under seal, unless, upon motion of a party and after a hearing on the issue, or *sua sponte*, the Board determines that the documents or information do not to qualify for confidential treatment.

(ii) Where confidentiality is alleged as to some but not all of the information submitted to the Board, the submitting party shall file confidential and non-confidential versions of its submission, together with a Motion to Seal the confidential version setting forth the reasons why the information redacted from the non-confidential version is confidential and should not be made available to the public. The nonconfidential version of the submission shall clearly indicate the locations of information that has been redacted. The confidential version of the submission shall be filed under seal. The redacted information shall remain under seal unless, upon motion of a party and after a hearing on the issue, or *sua sponte*, the Board determines that some or all of the redacted information does not qualify for confidential treatment.

(B) *Documents and Information Exchanged Among the Parties.* Information designated as confidential that is disclosed to another party during discovery or other proceedings before the Board shall be clearly marked as "PROTECTIVE ORDER MATERIAL" and shall be produced in a manner that maintains its confidentiality.

(j) *Standard Acknowledgement of Protective Order.* The following form may be used to acknowledge a protective order and gain access to information covered by the protective order:

[CAPTION]

Standard Acknowledgment for Access to Protective Order Material

I ____, affirm that I have read the Protective Order; that I will abide by its terms; that I will use the confidential information only in connection with this proceeding and for no other purpose; that I will only allow access to support staff who are reasonably necessary to assist me in this proceeding; that prior to any disclosure to such support staff I informed or will inform them of the requirements of the Protective Order; that I am personally responsible for the requirements of the terms of the Protective Order and I agree to submit to the jurisdiction of the Office and the United States District Court for the Eastern District of Virginia for purposes of enforcing the terms of the Protective Order and providing remedies for its breach.

[Signature]

APPENDIX C: Model Order Regarding E-Discovery in Trials Before the Patent Trial and Appeal Board

The Board pursuant to § 42.5 orders as follows:

1. This Order supplements all other discovery rules and orders. It streamlines Electronically Stored Information (ESI) production to promote "the just, speedy, and inexpensive resolution" of this proceeding in a manner consistent with § 42.1.

2. This Order may be modified for good cause. The parties shall jointly submit any

proposed modifications within one month after the initiation date of the proceeding or by the date of the initial conference call, whichever is earlier. If the parties cannot resolve their disagreements regarding these modifications, the parties shall submit their competing proposals and a summary of their dispute within the specified time period.

3. Costs will be shifted for disproportionate ESI production requests. Likewise, a party's nonresponsive or dilatory discovery tactics will be cost-shifting considerations. *See* 35 U.S.C. 316(a)(6), as amended, and 326(a)(6).

4. A party's meaningful compliance with this Order and efforts to promote efficiency and reduce costs will be considered in cost-shifting determinations.

5. Unless otherwise authorized by the Board or agreed to by the parties, any production of ESI pursuant to §§ 42.51 or 42.52 shall not include metadata. However, fields showing the date and time that the document was sent and received, as well as the complete distribution list, shall generally be included in the production if such fields exist.

6. General ESI production under §§ 42.51 and 42.52 (with the exception of routine discovery under § 42.51(b)(1)) shall not include email or other forms of electronic correspondence (collectively "email"). To obtain additional production of email, absent an agreement between the parties to produce, the parties must propound specific email production requests, which requests require prior Board authorization.

7. Email production requests, where authorized by the Board or permitted by agreement of the parties, shall be propounded for specific issues only, rather than general discovery of a party's products or business.

8. Email production requests, where authorized by the Board or permitted by agreement of the parties, shall be phased to occur after a party's initial production under § 42.51(b)(1).

9. Where email production requests are authorized by the Board or permitted by agreement of the parties, such requests shall identify the custodian, search terms, and time frame. The parties shall cooperate to identify proper custodians, proper search terms, and proper time frame.

10. Each requesting party shall limit its email production requests to a total of five custodians per producing party for all such requests. The parties may jointly agree to modify this limit without the Board's leave. The Board shall consider contested requests for up to five additional custodians per producing party, upon showing a need based on the size, complexity, and issues of this specific proceeding.

11. Each party shall limit its email production requests to a total of five search terms per custodian per party. The parties may jointly agree to modify this limit without the Board's leave. The Board shall consider contested requests for up to five additional search terms per custodian, upon showing a need based upon the size, complexity, and issues of this specific proceeding. The search terms shall be narrowly tailored to particular issues. Indiscriminate terms, such as producing company's name or its product

name, are inappropriate unless combined with narrowing search criteria that sufficiently reduce the risk of overproduction. A conjunctive combination of multiple words or phrases (e.g., "computer" and "system") narrows the search and shall count as a single search term. A disjunctive combination of multiple words or phrases (e.g., "computer" or "system") broadens the search, and thus each word or phrase shall count as a separate search term unless they are variants of the same word. Use of narrowing search criteria (e.g., "and," "but not," "w/x") is encouraged to limit the production, and shall be considered when determining whether to shift costs for disproportionate discovery.

12. The receiving party shall not use ESI that the producing party asserts is attorney-client privileged or work product protected to challenge the privilege or protection.

13. Pursuant to Federal Rule of Evidence 502(b), the inadvertent production of an attorney-client privileged or work product protected ESI is not a waiver of such protection providing the holder of the privilege or protection took reasonable steps to prevent disclosure and the discloser promptly took reasonable steps to rectify the error.

14. Similar to Federal Rule of Evidence 502(d), the mere production of ESI in the proceeding as part of a mass production shall not itself constitute a waiver of privilege for any purpose before the Office.

APPENDIX D: Testimony Guidelines

Introduction

In trials before the Board, uncompelled direct testimony is almost always presented by affidavit or declaration. § 42.53(a). All other testimony (including cross-examination, redirect examination, and compelled direct testimony) occurs by oral examination.

Consistent with the policy expressed in Rule 1 of the Federal Rules of Civil Procedure, and corresponding § 42.1(b), unnecessary objections, "speaking" objections, and coaching of witnesses in proceedings before the Board are strictly prohibited. Cross-examination testimony should be a question and answer conversation between the examining lawyer and the witness. The defending lawyer must not act as an intermediary, interpreting questions, deciding which questions the witness should answer, and helping the witness formulate answers while testifying.

The testimony guidelines that follow are based on those set forth in the Federal Rules of Civil Procedure, supplemented by the practices followed in several federal district courts.

Examination and Cross-examination Outside the Presence of the Board

1. The examination and cross-examination of a witness proceed as they would in a trial under the Federal Rules of Evidence, except that Rule 103 (Rulings on Evidence) does not apply. After putting the witness under oath or affirmation, the officer must record the testimony by audio, audiovisual, or stenographic means. Testimony must be recorded by the officer personally, or by a

person acting in the presence and under direction of the officer.

2. An objection at the time of the examination—whether to evidence, to a party's conduct, to the officer's qualifications, to the manner of taking the testimony, or any aspect of the testimony—must be noted on the record, but the examination still proceeds; testimony is taken subject to any such objection.

3. An objection must be stated concisely in a non-argumentative and non-suggestive manner. Counsel must not make objections or statements that suggest an answer to a witness. Objections should be limited to a single word or term. Examples of objections that would be properly stated are:

"Objection, form"; "Objection, hearsay"; "Objection, relevance"; and "Objection, foundation." Examples of objections that would not be proper are: "Objection, I don't understand the question"; "Objection, vague"; "Objection, take your time answering the question"; and "Objection, look at the document before you answer." An objecting party must give a clear and concise explanation of an objection if requested by the party taking the testimony or the objection is waived.

4. Counsel may instruct a witness not to answer only when necessary to preserve a privilege, to enforce a limitation ordered by the Board, or to present a motion to terminate or limit the testimony.

5. Unless otherwise agreed by the parties or ordered by the Board, the testimony is limited in duration to the times set forth in § 42.53(c). The Board may allow additional time if needed to examine the witness fairly or if the witness, another person, or any other circumstance impedes or delays the examination.

6. Once the cross-examination of a witness has commenced, and until cross-examination of the witness has concluded, counsel offering the witness on direct examination shall not: (a) Consult or confer with the witness regarding the substance of the witness' testimony already given, or anticipated to be given, except for the purpose of conferring on whether to assert a privilege against testifying or on how to comply with a Board order; or (b) suggest to the witness the manner in which any questions should be answered.

7. An attorney for a witness shall not initiate a private conference with the witness or call for a break in the proceedings while a question is pending, except for the purpose of determining whether a privilege should be asserted.

8. The Board may impose an appropriate sanction—including the reasonable expenses and attorneys' fees incurred by any party—on a person who impedes, delays, or frustrates the fair examination of the witness.

9. At any time during the testimony, the witness or a party may move to terminate or limit the testimony on the ground that it is being conducted in bad faith or in a manner that unreasonably annoys, embarrasses, or oppresses the witness or party. The witness or party must promptly initiate a conference call with the Board to discuss the proposed motion. § 42.20(b). If the objecting witness or party so demands, the testimony must be

suspended for the time necessary to obtain a ruling from the Board, except as the Board may otherwise order.

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