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BY E-MAIL (TrialRFC2018Amendments@uspto.gov)

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Acting Deputy Chief Administrative Patent Judge,
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PTAB Request for Comments 2018

RE: NYIPLA Comments in Response to “Request for Comments on Motion to Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board,” Federal Register Notice, October 29, 2018, Vol. 83, No. 209 (Docket No. PTO-P-2018-0062) (hereinafter, also referred to as “the RFC”).

Introduction

The New York Intellectual Property Law Association (“NYIPLA”) is a professional association comprised of over 1,000 lawyers interested in Intellectual Property law who live or work within the jurisdiction of the United States Court of Appeals for the Second Circuit, and members of the judiciary throughout the United States as *ex officio* Honorary Members. The Association’s mission is to promote the development and administration of intellectual property interests and educate the public and members of the bar on Intellectual Property issues. Its members work both in private practice and government, and in law firms as well as corporations, and they appear before the federal courts and the United States Patent and Trademark Office (“PTO”). The NYIPLA provides these comments on behalf of its members professionally and individually and not on behalf of their employers.

The NYIPLA appreciates the PTO for the work it has done and its outreach efforts as it seeks to improve post grant administrative review procedures as part of the America Invents Act (AIA). In the Federal Register of October 29, 2018, the PTO sought public comments on an amendment procedure in AIA trials that involves the Patent Trial and Appeal Board (“PTAB”) issuing a non-binding preliminary decision that addresses the merits of a motion to amend and affords the patent owner with an opportunity to subsequently revise its motion to amend. The PTO also has sought public comments as to whether, in view of recent Federal Circuit case law, the PTO should issue a rule allocating the burden of persuasion when determining the patentability of substitute claims as set forth in Western Digital Corp. v. SPEX Techs, Inc., Case IPR2018-00082 (Paper 13) (PTAB April 25, 2018), which the PTAB designated as the “Western Digital Order”. According to the Western Digital order, “the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable and that the “Board itself may justify any finding of unpatentability by reference to the evidence of

record in the proceeding.” *Id.* at 4.

The NYIPLA welcomes and appreciates efforts by the PTO to improve its PTAB trial proceedings, including specifically soliciting comments from the public. The NYIPLA is pleased to provide these comments in an effort to improve AIA trials conducted by the PTAB.

Background

On September 16, 2011, the America Invents Act was signed into law. (Pub. L. 112-29, 125 Stat. 284 (2011)). In June 2014 the PTO published a Request for Comments requesting public comments on the PTAB’s motion to amend practice. See Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 FR 36474 (June 27, 2014). The RFC issued on October 28, 2018 reports that the received comments focused primarily on which party should bear the burden of proving patentability or unpatentability in a motion to amend, or on the scope of the prior art that must be discussed by a patent owner in making a motion to amend. Later, in August 2015 the PTO sought additional public comments regarding “[w]hat modifications, if any, should be made to the Board’s practice regarding motions to amend.” See Proposed Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board (“Proposed Amendments to the Rules”), 80 FR 50720, 50724-25 (Aug. 20, 2015). The RFC dated October 29, 2018 reports that the comments received in response to the PTO’s August 2015 request focused on which party should bear the burden of proof regarding patentability/unpatentability of substitute claims proposed in a motion to amend. After the comments were received, the PTO decided not to implement any changes at that time to the PTAB’s motion to amend practice. See Proposed Amendments to the Rules, 80 FR at 50724-25; Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 FR 18750, 18755 (Apr. 1, 2016).

The PTO then conducted a study in 2016 in order to better understand the PTAB’s motion to amend practice, to learn in particular: (1) the number of motions to amend that have been filed in AIA trials, (2) the resulting developments of the motions in each such trial, (3) the number of motions to amend requesting to substitute claims that were granted, granted-in-part and denied-in-part, and denied, and (4) the reasons the PTAB provided for denying entry of substitute claims. See Motion to Amend Study (April 30, 2016), <https://go.usa.gov/xXXyT>; Data for 192 Completed Trials with a Motion to Amend, <https://go.usa.gov/xXXyZ> (last visited Oct. 11, 2018). The PTAB, which continues to collect data on motions to amend, has published the study, current through March 31, 2018. See <https://go.usa.gov/xUJgB> (last visited Oct. 11, 2018). The study reveals that patent owners have filed motions to amend in approximately 10% (305) of the 3203 completed AIA trials and in about 8% (56) of the 725 pending AIA trials. The study further reveals that the PTAB ruled on motions to amend requesting to substitute claims in 62% (189) of the 305 completed trials. In the other 38% (116) of the completed trials, the motion to amend (a) requested to cancel claims only, (b) was rendered moot because the original claims were found to be unpatentable, or because a motion to amend proposing the same substitute claims already was decided, or (c) was not decided because the motion was withdrawn or the case terminated prior to a final written decision (61 or 20%), respectively. Among 189 decided-on motions to amend that requested substitution of claims, the PTAB granted the motions in 4% (7) of the applicable AIA trials, granted-in-part and denied-in-part the motion in 6% (11) of the trials, and denied the motion in 90% (171) of the trials. The study additionally found that in 81% (147) of the trials, the PTAB ruled in its final written decision that there was at least one statutory ground of unpatentability that the proposed substitute claims failed to satisfy. In 7% (130) of the

trials, denial of the motion to amend was based on a failure of patent owner to meet statutory requirements under 35 U.S.C. 316(d)(1)(B) and (3) (requiring a “reasonable number of substitute claims) and prohibiting the introduction of new matter and enlargement of claim scope, and, in 12% (22) of the trials the PTAB denied the motions for procedural reasons.

With regard to the RFC addressing the burden of persuasion regarding patentability for substitute claims set forth in a motion to amend, the RFC mentions Aqua Products, Inc. v. Matal, 872 F.3d 1290 (Fed. Cir. 2017) (*en banc*). In that case, the lead opinion held that 1) the PTO has not adopted a rule entitled to deference placing the burden of persuasion regarding patentability of amended claims on the patent owner, and 2) absent deference, the PTO may not place the burden on the patentee. *Id.* at 1327. After that decision was issued, the PTO issued a memorandum (*see* Guidance on Motion to Amend in View of Aqua Products, <https://go.usa.gov/xQGAA>) offering guidance that the PTAB will no longer place the burden of persuasion on a patent owner with regard to patentability of proposed substitute claims presented in a motion to amend, and also stating that a motion to amend must continue to satisfy the requirements of 37 C.F.R. 42.121 or 42.221, and 37 C.F.R. 42.11, and that page limits, timings of briefs, and the like, remain unchanged. *Id.*

In Bosch Automotive Service Solutions, LLC v. Matal, 878 F.3d 1027 (Fed. Cir. 2017) as amended in part on reh’g (Mar. 15, 2018), the Federal Circuit held that the burden of proving that proposed claims are unpatentable by a preponderance of the evidence, is on the petitioner. *Id.* at 1040. In that case, the petitioner and the patent owner settled, and thus the Federal Circuit remanded to the PTAB to determine patentability of the amended claims, and pointed out that the PTAB must justify any finding of unpatentability based on the evidence of record in the trial. *Id.*

The PTAB has since designated Western Digital Corp. v. SPEX Techs., Inc., Case IPR2018-00082 (Paper 13) (PTAB April 25, 2018) (“Western Digital Order”) as informative as providing guidance on the motion to amend practice in AIA trials. The Order states that “the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable” and that the “Board itself may justify any finding of unpatentability by reference to evidence of record in the proceeding.” *Id.* at 4.

In light of the foregoing, the PTAB seeks comments regarding changes to the PTAB’s motion to amend practice and a proposed motion to amend pilot program, to increase effectiveness and fairness of AIA trials. The RFC dated October 29, 2018 requests public comments on 17 questions specifically posed in the RFC, addressing, for example, a proposed PTAB preliminary non-binding decision regarding the merits of a filed motion to amend, and an opportunity for a patent owner to revise the motion, a new trial schedule to accommodate motions to amend, and also addressing whether the PTO should set forth a rule allocating the burden of persuasion when determining the patentability of substitute claims pursuant to the Western Digital Order.

The NYIPLA would like to take this opportunity to provide its views concerning these topics for which it feels it can provide useful input and suggestions for improvement to the USPTO. Specifically, the below comments specifically address the 17 questions set forth in the RFC dated October 29, 2018. For the PTAB’s convenience, each question of the RFC is set forth below above each corresponding NYIPLA comment. As will be seen below, some of the NYIPLA’s comments agree with certain aspects of the RFC, while

other comments raise concerns about other aspects of the RFC.

RFC Questions and NYIPLA Comments

RFC Question 1. Should the Office modify its current practice to implement the proposal summarized above and presented in part in Appendix A1? Why or why not

NYIPLA RESPONSE:

The NYIPLA acknowledges that the current motion to amend (“MTA”) process in AIA trials is flawed and should be modified to make the process useful and fair to the petitioners and patent owners alike. The proposed changes to MTA practice and procedures, however, create the risk of other problems and require more thought before they can be implemented.

The NYIPLA respectfully questions whether there are better ways to implement changes to MTA procedures. Page 3 of the RFC states that “[t]he goal of the proposed amendment practice and pilot program is to provide an improved amendment practice in AIA trials in a manner that is fair and balanced for all parties and stakeholders.” And, indeed, it is widely understood, including by the PTO as the RFC itself evidences, that patentees rarely move to amend because of the futility of obtaining an amended claim in AIA trials. It was always quite clear that a reasonable opportunity to amend was a critical aspect of these trials and since this has been for the most part unavailable, the system is not working properly. However, the cost and complexity of the proposed new MTA procedures is likely to run against the purpose of the AIA of allowing a speedy and inexpensive procedure to challenge invalid patents.

Moreover, page 7 of the RFC recognizes that motions to amend traditionally have been filed in only about 10% of AIA trials. Empirical evidence suggests that there are various reasons only this limited number of motions to amend is filed, including the perceived shortcomings in the current amendment practice, and the timing and strategy of patent owners’ parallel procurement and enforcement proceedings. The NYIPLA respectfully questions whether the proposed new MTA procedures would result in increased use of those procedures, and whether any perceived benefits would be outweighed by the serious additional burdens that would be imposed on the parties to the AIA trial as outlined elsewhere in the present comments.

Additionally, the NYIPLA understands that the proposals set forth in the RFC will not be supported by a rule promulgated by the PTO. If the PTO proceeds with the proposals set forth in the RFC, the NYIPLA believes that the PTO should consider promulgating a supportive rule, in view of *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ___ (2016).

In *Cuozzo*, the Supreme Court upheld a PTO regulation (37 C.F.R. § 42.100(b)) requiring use of the broadest reasonable interpretation (BRI) standard for interpreting claims in *Inter Partes* Review (IPR) proceedings. The Court held that the regulation was a reasonable exercise of rulemaking authority delegated by Congress to the PTO.

In its analysis, the Court considered 35 USC §316(a)(4), the statute which granted the PTO authority to issue “regulations...establishing and governing inter partes review”, and interpreted that grant in view of *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-843, which held that “where a statute is clear, the agency must follow the statute.” The Court found §316(a)(4) to be ambiguous, and held that the PTO may therefore issue rules governing inter partes review, including the BRI regulation as a reasonable exercise of rulemaking authority.

As the NYIPLA understands the RFC, no PTO rule will be promulgated supporting the proposals set forth in the RFC. The NYIPLA is concerned that, without such PTO rulemaking, the authority of the PTO to effectuate the proposal may be called into question in future litigations and any final written decisions issued under the new MTA procedures would be of questionable value on appeal.

RFC Question 2. Please provide comments on any aspect of the proposed amendment process, including, but not limited to, the content of the papers provided by the parties and the Office and the timing of those papers during an AIA trial.

NYIPLA RESPONSE:

While the NYIPLA agrees that changes to the MTA procedure are necessary (*see* response to Q.1), the NYIPLA does not believe the current proposal is realistic. First, the timing and burden on both the petitioner and the patent owner are quite severe. The proposal adds four new papers that the parties will have to submit while simultaneously filing replies and sur-replies in the main proceeding. Both sides would have to file these additional papers within one month of each other, which would severely strain parties’ resources and negatively affect affordability of AIA proceedings, especially for small companies and individual inventors.

Second, the risk of resulting estoppel may raise due process concerns. For example, the petitioners could potentially be estopped from asserting invalidity of the amended claims at trial based on any printed prior art, while only having a short time to search for prior art (and submit an opposition) to the patentee’s latest proposed amended claims. This may prevent the petitioner from searching for and locating the most relevant prior art, especially if located in foreign hard-to-reach jurisdictions. The patent owners, in turn, could potentially be estopped from pursuing similar claims in subsequent patent applications, while similarly under time pressure to propose amendments. This may prevent the patent owner from carefully considering potential amendments and their impact on pending and future patent applications. As such, patent quality may suffer.

The NYIPLA supports rulemaking by the Office to allocate the burden of persuasion regarding the patentability of proposed substitute claims that is consistent with the statutory framework and as set forth in the *Western Digital* order (*see* response to Q.15 *et seq.*).

With regard to content of papers, the NYIPLA respectfully submits that the patent owner, in presenting a proposed claim amendment, should be required to provide:

- Support for all amendments;

- A specific identification of which claim is being substituted for each new claim offered;
- An explanation of why each claim overcomes the grounds offered for the claim being substituted;
- To the extent the Patent Owner is aware of any material prior art not previously made of record that relates to the changes being made in the substitute claim, provide a list of such additional material references; and
- Proposed claim constructions, supported by the record, for any limitations added to the substitute claims.

The new MTA procedures should ensure that the parties are given sufficient length of papers and supporting declarations to present all challenges and responses. For example, Patent Owners should be allowed an opportunity to include a meaningful discussion of the points listed above. Suggested page limits may include, for example, 30 pages for motions to amend and oppositions, and 15 pages for replies and sur-replies. Supporting expert declarations should not count towards the page limits.

RFC Question 3. How does the timeline in Appendix A1 impact the parties' abilities to present their respective cases? If changes to the timeline are warranted, what specific changes are needed and why?

NYIPLA RESPONSE:

As discussed above in the comments to questions 1 and 2, the proposed timeline does not provide adequate time for the parties to present their cases to the Board. The NYIPLA recommends that, if such an elaborate additional amendment procedure is adopted, the deadline for a patent owner to file a motion to amend should be three months from the institution decision, and that the parties be given at least six weeks, or better yet—two months, to file the subsequent submissions relating thereto (e.g., the opposition to the motion to amend, the patent owner reply to the preliminary decision or revised motion to amend, the petitioner sur-reply or opposition (if revised MTA), the patent owner reply (if revised MTA), and the petitioner sur-reply (if revised MTA). At the very least, the NYIPLA believes that a six week or preferably two month deadline should apply for the petitioner's opposition to the motion to amend and the patent owner's reply or revised motion to amend. The NYIPLA also recommends that at least a two week deadline should be used for each of the "MTE Opp." and "MTE reply" type of motions to exclude, versus the one week deadline for each set forth in the RFC. The PTO may wish to consider the possibility of scheduling the Oral Hearing at 10.5 months (versus at 9.5 months) from the institution decision to help alleviate the time pressures on the parties, at least in the case where two papers (e.g., patent owner reply and petitioner sur-reply) are filed after issuance of the preliminary decision, although this will reduce the PTABs time to issue a Final Written Decision.

The NYIPLA recognizes that extending deadlines as proposed above would cause the trial to extend beyond the one-year completion deadline required by the AIA, at least for the case where four papers (i.e., a revised motion to amend, petitioner's opposition thereto, the patent owner's reply, and the petitioner's sur-reply) are filed after issuance of the preliminary decision. Thus, the NYIPLA proposes that the PTAB should automatically

extend trials beyond the one-year timeframe required by the AIA on the basis of “good cause”, in the event that patent owner files a revised motion to amend.

The above enlargements of time would go a long way to ameliorate the fairness and at least some due process concerns raised in response to question 1.

See also the NYIPLA’s responses to questions 11 and 13 below.

RFC Question 4. If the Office implements this proposal, should the Board prepare a preliminary decision in every proceeding where a patent owner files a motion to amend that proposes substitute claims?

NYIPLA RESPONSE:

If this procedure is implemented, NYIPLA supports the Board preparing a preliminary decision on motion to amend in every case where a proposed substitute claim is made.

RFC Question 5. What information should a preliminary decision include to provide the most assistance to the parties in presenting their case? For example, is there certain information that may be particularly useful as the parties consider arguments and evidence to present in their papers, how issues may be narrowed for presentation to the Board, and/or whether to discuss a settlement?

NYIPLA RESPONSE:

The preliminary decision should include at least the following:

- any proposed claim constructions for new terms;
- an analysis as to whether the proposed substitute claims are supported by the disclosure, and where/ how;
- whether there are any Section 112 issues with the claims and what they are (*e.g.*, typos, lack of antecedent basis, etc.);
- whether there are any Section 101 issues (except for IPRs) and what they are; and
- whether there are prior art invalidity issues (Sections 102 and 103), based on the original prior art of record, the grounds advanced in the proceedings, or additional printed publication prior art identified by Patent Owner or Petitioner.

The NYIPLA understands that only printed publications and patent documents may be used as the basis for Section 102 and 103 issues raised in the preliminary decision in IPR proceedings, and respectfully requests that the PTO confirm the foregoing.

RFC Question 6. If the Office implements this proposal, should there be any limits on the substance of the claims that may be proposed in the revised motion to amend? For example, should patent owners be permitted only to add

limitations to, or otherwise narrow the scope of, the claims proposed in the originally-filed motion to amend?

NYIPLA RESPONSE:

The NYIPLA supports a rule limiting the second, revised motion to amend to either correcting errors in the proposed substitute claims or adding further limitations to narrow the scope of the claims to overcome invalidity issues. The revised motion to amend should not propose new substitute claims that are broader than the original patent claims or the proposed substitute claims in the first motion to amend—except if necessary to correct Section 112 issues raised by the Petitioner or in the Preliminary Decision.

The RFC states that a revised motion to amend must provide amendments, arguments, and/or evidence responsive to issues raised in the preliminary decision, and that the revised motion to amend may not include amendments, arguments, and/or evidence unrelated to issues raised in the preliminary decision or the petitioner’s opposition to the motion to amend. The NYIPLA supports the foregoing aspects but respectfully requests that the PTO provide guidance or examples of which issues may be considered “unrelated to” issues raised in a preliminary decision or the petitioner’s opposition.

RFC Question 7. What is the most effective way for parties and the Office to use declaration testimony during the procedure discussed above? For example, how and when should parties rely on declaration testimony? When should cross-examination of declaration witnesses take place, if at all, in the process? At what stage of briefing should a party be able to rely on cross-examination (deposition transcripts) testimony of a witness?

NYIPLA RESPONSE:

NYIPLA supports allowing the Patent Owner and Petitioner to submit one or more declarations with each submission in the same manner as otherwise allowed under the current rules. The initial declarations could address the general field of the patent, the scope and content of the prior art, the understanding of the proposed claims and the prior art by a person of ordinary skill in the art, and such other matters as the parties deem appropriate to support with a declaration. The opposing side should be allowed to depose any declarant in the period after the submission has been made, but prior to such party’s next paper being due. The responsive declarations and subsequent depositions should be limited only to the new limitations/matter added by the revised claims. The parties should be allowed to rely on cross-examination testimony of their own and the opposing party’s declarants in any subsequent submissions to the Board. It is important to allow the PTAB to make its decisions based on a full and complete record of whatever evidence each side wishes to offer, as tested by the other side.

RFC Question 8. If a petitioner ceases to participate in an AIA trial and the Board solicits patent examiner assistance regarding a motion to amend, how should the Board weigh an examiner advisory report relative to arguments and evidence provided by a patent owner? What type of assistance or information should a patent examiner provide? Should prior art searches by examiners be limited to those relevant to new limitations added to proposed substitute claims and reasons to combine related to such limitations?

NYIPLA RESPONSE:

The NYIPLA supports the Board soliciting a trained patent examiner's assistance regarding a motion to amend if a petitioner ceases participation in an AIA trial. The NYIPLA recommends that the Board regard an examiner advisory report as probative evidence of allowability of the proposed substitute claims, and include an analysis of the examiner's report in its preliminary and final decisions on motions to amend. *See also* response to Question 16.

RFC Question 9. Should the Board solicit patent examiner assistance in other circumstances, and if so, what circumstances? For example, should the Board solicit patent examiner assistance when the petitioner remains in the AIA trial but chooses not to oppose the motion to amend?

NYIPLA RESPONSE:

See Response to #8.

RFC Question 10. Should a motion to amend filed under the proposed new process be contingent or non-contingent? For purposes of this question, "contingent" means that the Board will provide a final decision on the patentability of a proposed substitute claim only if it determines that a corresponding original claim is unpatentable (as in the current proposal); and "non-contingent" means that the Board will provide a final decision on the patentability of substitute claims in place of determining the patentability of corresponding original claims.

NYIPLA RESPONSE:

The NYIPLA notes that the preliminary decision of the Board under the current RFC proposal is non-binding on the Board when it renders a Final Written Decision. According to the proposal the Board will generally render a final written decision only as to the latest-filed version of the patent owner's motion to amend and proposed substitute claims. The NYIPLA, however, supports giving the patent owner the option of filing a motion to make the preliminary decision contingent if the patent owner decides to file a revised motion to amend. The motion to make contingent may be filed concurrently with the revised motion to amend. Even though this may favor the patent owner in the proceeding, such a contingency will help to conserve resources and reduce expenses for situations where the Board determines that the original claim is patentable.

RFC Question 11. If the Office implements the proposal in which the Board issues a preliminary decision on a motion to amend, as discussed above, should any additional changes be made to the current default trial schedule to accommodate the new practice?

NYIPA RESPONSE:

See responses to Question 1, 3, and 13.

For the reasons given in response to question 1 above, the NYIPLA recommends changing the trial schedule as described above in the response to question 3.

On a general note, after the USPTO “Requested Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board” in 2014, some practitioners were concerned that the PTAB was “making some rash decisions under the pressure of the one-year time limitation instead of being guided primarily by substantive considerations such as the scope of the prior art.”¹ The proposed schedule set forth in the RFC, particularly for the situation where four papers (i.e., a revised motion to amend, petitioner’s opposition thereto, the patent owner’s reply, and the petitioner’s sur-reply) are filed after issuance of the preliminary decision, is very condensed. Such a condensed schedule is not conducive to ensuring that the PTAB’s decisions are based on the merits. As such, the NYIPLA believes that, in situations where the patent owner files a revised motion to amend, there exists good cause for the PTAB to extend the length of the AIA trial proceeding beyond the one-year trial deadline, allowing the parties additional time to file the various papers. The NYIPLA recommends that the filing of a revised motion to amend should automatically trigger such an extension to accommodate the revised deadlines described above in the response to question 3.

RFC Question 12. What impact would implementing the proposals above have on small or micro entities who participate as parties in AIA trial proceedings?

NYIPLA RESPONSE:

The NYIPLA believes that the impact of implementing the current proposal on small and micro entities will be detrimental since the costs and effort that would be required by the proposal would be quite burdensome, expensive, and rushed for those entities (*see* response to questions 1 and 2 above). The NYIPLA believes the procedures will be difficult and expensive for any party to comply with, especially a poorly funded party. If small and micro entities are petitioners, however, the lower cost of the AIA is likely far less than the cost of ongoing court litigation.

RFC Question 13. Should the Office consider additional options for changing the timing and/or the Board’s procedures for handling motions to amend that are not covered by the proposals above? If so, please provide additional options or proposals for the Office to consider, and discuss the advantages or disadvantages of implementation.

NYIPLA RESPONSE:

For question 13 related to additional options for changing the timing and/or Board’s procedures for handling motions to amend, the NYIPLA refers again to the above responses to questions 1, 3, and 11. The timing changes proposed in those responses will be advantageous to both the parties involved in PTAB trials and the PTAB itself because the parties would not be unduly rushed in presenting their applicable cases

¹ Response to Question 14 of NYIPLA Comments in response to “Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board” (Federal Register notice, June 27, 2014, Vol. 79, No. 124), September 16, 2014.

on the merits and the PTAB would be less rushed in rendering decisions on the merits. Also, an automatic “good cause” extension beyond the one-year trial completion deadline (which may require the PTO to issue a supporting regulation) in the case where the patent owner files a revised motion to amend would likely add only a few additional months or so to the overall process. “[T]he “good cause” standard of the AIA can provide the PTAB with the flexibility to extend the proceeding.² If conditional motions are permitted, filing a revised motion to amend would be good cause to extend, because the amended claims also need to be considered at the final trial, if at all. The disadvantage is that the one-year timeframe would be extended in only those proceedings where the patent owner decides to file a revised motion to amend, which can raise uncertainty for the PTAB and petitioner.

RFC Question 14. Should the Office consider not proceeding with the pilot program in AIA trials where both parties agree to opt-out of the program?

NYIPLA RESPONSE:

Until the new rules have been properly implemented after notice and comment period, NYIPLA believes that, ideally, a pilot program should not be implemented unless both parties to a proceeding agree to participate. The NYIPLA does recognize, however, that petitioners may lack incentive to agree to participate in the program.

Questions Regarding Potential Rulemaking to Allocate Burden of Persuasion as Set Forth in the Western Digital Order

RFC Question 15. Should the Office engage in rulemaking to allocate the burden of persuasion regarding the patentability of proposed substitute claims in a motion to amend as set forth in the Western Digital order? What are the advantages or disadvantages of doing so?

NYIPLA RESPONSE:

NYIPLA supports rulemaking by the Office to allocate the burden of persuasion regarding the patentability of proposed substitute claims that is consistent with the statutory framework and as set forth in the *Western Digital* order. Formal rulemaking by the Office will provide clarity, consistency, transparency, and fairness to all parties and other stakeholders when a patent owner proposes substitute claims in a motion to amend during a trial proceeding instituted by the Board. The Federal Circuit in *Aqua Products, Inc. v. Matal*, also stated that “[b]ecause a majority of the judges participating in this en banc proceeding believe the statute is ambiguous on this point, we conclude in the alternative that there is no interpretation of the statute by the Director of the [PTO] to which this court must defer under *Chevron*.” 872 F.3d 1290, 1296 (Fed. Cir. 2017) (en banc). Therefore, formal rulemaking will clarify a perceived ambiguity in the statute regarding the burden of proof when a patent owner proposes substitute claims, and it will support the application of *Chevron* deference to the Director’s statutory mandate to “prescribe regulations . . . setting forth *standards* and procedures for allowing the patent owner to move to amend

² Response to Question 14 of NYIPLA Comments in response to “Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board” (Federal Register notice, June 27, 2014, Vol. 79, No. 124), September 16, 2014.

the patent.” 35 U.S.C. §§ 316(a)(9), 326(a)(9) (emphasis added). Allocation of the burden of persuasion is a most important “standard” demanding clarity under the PTAB’s motion to amend procedure.

The statute contemplates a burden shifting framework in the context of a patent owner’s motion to amend that proposes “a reasonable number of substitute claims” for “each challenged claim.” 35 U.S.C. §§ 316(d)(1)(B), 326(d)(1)(B). A “challenged claim” is an originally issued claim that petitioner “request[s] to cancel as unpatentable.” 35 U.S.C. §§ 311(b), 321(b). And petitioner bears the burden of persuasion to prove “a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. §§ 316(e), 326(e). Therefore, the Board need not consider proposed substitute claims until petitioner satisfies its burden of persuasion that an originally issued claim is unpatentable. The *Western Digital* order reasonably treats such motions to amend as contingent on the Board’s final decision determining petitioner has satisfied its burden of persuasion that at least one challenged claim is unpatentable. See *Western Digital Order*, IPR2018-00082, Paper No. 13 at 3 (PTAB April 25, 2018) (Precedential June 1, 2018).

Assuming petitioner satisfies its burden of persuasion that a challenged claim is unpatentable, the burden of production shifts to patent owner to support its contingent motion to amend. The patent owner’s contingent motion to amend (i) must propose a reasonable number of (ii) substitute claims and (iii) must not enlarge the scope of the claims or (iv) introduce new matter. 35 U.S.C. §§ 316(d), 326(d). To these four statutory requirements, the Office adds a fifth, namely that a contingent motion to amend may be denied if it “does not respond to a ground of unpatentability involved in the trial.” 37 CFR § 42.121(a)(2)(i); see *Western Digital Order* at 5-6. None of the above provisions is directed to the burden of persuasion for determining the patentability or unpatentability of the proposed substitute claims.

If patent owner does not satisfy the above requirements for a contingent motion to amend, which a petitioner may oppose (37 CFR §§ 42.22-24), the motion will be denied.³ If patent owner satisfies its burden of production, NYIPLA agrees with the Office that “the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable by a preponderance of the evidence.” *Western Digital* at 4. Just as the petitioner bears the burden of persuasion to prove each challenged claim unpatentable, so too petitioner should bear the burden of persuasion to prove proposed substitute claims unpatentable. See *Aqua Products*, 872 F.3d at 1296 (“[T]he most reasonable reading of the AIA is one that places the burden of persuasion with respect to the patentability of amended claims on the petitioner.”); see also *Bosch Automotive Service Solutions, LLC v. Matal*, 878 F.3d 1027, 1040 (Fed. Cir. 2017) (corrected March 28, 2018). This is consistent with the Supreme Court’s admonition in *SAS Institute v. Iancu*, that “the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1357 (2018). If petitioner’s contentions define the scope of the instituted trial proceeding from beginning to end, then petitioner should bear the burden of proving unpatentability from beginning to end.

³ The *Western Digital Order* further states, in dicta, that a contingent motion to amend may contain claim amendments that “address potential 35 U.S.C. § 101 or § 112 issues.” *Western Digital Order* at 6. NYIPLA takes no position on this statement, other than to point out that the scope of such proposed amendments addressing potential Section 101 or 112 issues (beyond confirming no new matter is introduced) are not expressed in the statute.

RFC Question 16. If the Office continues to allocate the burden as set forth in the Western Digital order, under what circumstances should the Board itself be able to justify findings of unpatentability? Only if the petitioner withdraws from the proceeding? Or are there situations where the Board itself should be able to justify findings of unpatentability when the petitioner remains in the proceeding? What are the advantages or disadvantages?

NYIPLA RESPONSE:

There is some uncertainty regarding whether, and to what extent, the Board itself may take on the burden of persuasion to justify a determination of unpatentability of proposed substitute claims.

Beginning with the statute, section 318(a) provides that the Board “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).” The statutory mandate is clear and unequivocal; the Board’s final written decision must address the patentability of any proposed substitute claim “added” by patent owner under section 316(d). There is no exception provided under section 318(a) for the Board to avoid determining the patentability of proposed substitute claims in a final written decision. Judge O’Malley’s plurality opinion in *Aqua Products* noted that, in the context of settlements when a petitioner ceases to participate in a trial proceeding, section 317(a) gives the Board the option of proceeding to a final written decision anyway, and section 318(b) makes clear that no certificate “substituting an amended claim for a challenged one issues *unless and until* the Board chooses to issue a final judgment under § 318(a) in which it assesses the patentability of [such] claims.” *Aqua Products*, 872 F.3d at 1311 (emphasis in original). Judge O’Malley relied on the Supreme Court’s *Cuozzo* decision to urge that, in such circumstances, “*it is the Board* that must justify any finding of unpatentability by reference to the evidence of record.” *Id.* This view supports the Office’s position as stated in the *Western Digital Order*. NYIPLA supports this view when a petitioner ceases to participate in a trial proceeding.

The question of whether the Board itself has the authority to justify a finding of unpatentability of proposed substitute claims when a petitioner remains in the proceeding was raised recently in *Sirona Dental Systems GmbH v. Institut Straumann AG*, 892 F.3d 1349, 1357 (Fed. Cir. 2018). In the *Sirona* case, the Federal Circuit remanded the Board’s pre-*Aqua Products* denial of patent owner’s motion to amend for improperly placing the burden of persuasion on patent owner. Patent owner also objected to the Board’s decision as improperly rejecting the proposed substitute claims based on a combination of references not raised by Petitioners. Citing “recent precedent,” specifically including the Supreme Court’s *SAS Institute* decision and its emphasis on limiting the scope of a trial proceeding to “petitioner’s contentions,” the Federal Circuit directed the Board to consider “whether it may consider combinations of references not argued by the petitioner in opposing the motion to amend claims, and, if so, what procedures consistent with the APA are required to do so.”

One advantage of the Board being able to justify a finding of unpatentability when a petitioner remains in the proceeding is the obvious benefit to the public. The public benefits if unpatentable claims are rejected by the Board based on a review of the complete record, even if a petitioner’s unpatentability contentions do not satisfy petitioner’s burden of persuasion. Otherwise the public would be precluded from the

unauthorized use of claimed subject matter that the Office has determined is unpatentable, for example subject matter that is anticipated or would have been obvious to those of ordinary skill in the art at the time of the claimed invention. Beyond the question of whether the statute permits the Board to exercise such independent authority, a disadvantage is how to ensure procedural due process to the parties. As indicated by Judge Moore in the *Sirona* case, even if the Board does have such authority it must provide patent owners seeking to amend claims with due process and robust procedural safeguards under the Administrative Procedure Act (5 U.S.C. §§ 554, 706). Although the Office's proposed "preliminary decision" gives the parties an early, non-binding read on proposed claim amendments, followed by an opportunity to respond, the time pressure imposed on the parties and the Board is quite severe. As pointed out in NYIPLA's comments to Questions 2 and 3, for example, petitioners and patent owners may suffer unintended estoppel effects due to the unrealistic time frame proposed. NYIPLA, therefore, supports a claim amendment process that extends beyond 12 months and into the 6-month "good cause" period provided in Section 316(a)(11) to ameliorate such concerns. NYIPLA submits that utilizing the "good cause" period would allow the parties much-needed time to provide the Board with a complete, maturely considered presentation of the merits, including a thorough presentation on proposed substitute claims. The additional time would allow counsel to assist the Board most effectively and give the Board valuable time to address proposed substitute claims if one or more challenged claims are determined to be unpatentable.

In short, additional time will help ensure a fair and balanced amendment process.

RFC Question 17. If the Office adopts the current proposal including a preliminary decision by the Board on a motion to amend, do the answers to questions 15 and 16 change?

NYIPLA RESPONSE: No.