

(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 does 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 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.

(k) *Standard Acknowledgement of Protective Order.* The following form may be used to acknowledge the protective orders and gain access to information covered by a 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 Standing Protective Order; that I am personally responsible for the requirements of the terms of the Standing 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]

Dated: January 31, 2012.

**David J. Kappos,**

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

[FR Doc. 2012-2523 Filed 2-8-12; 8:45 am]

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## DEPARTMENT OF COMMERCE

### Patent and Trademark Office

#### 37 CFR Parts 42 and 90

[Docket No. PTO-P-2011-0082]

RIN 0651-AC70

#### Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions

**AGENCY:** United States Patent and Trademark Office, Commerce.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The United States Patent and Trademark Office (Office or USPTO) proposes new rules of practice to implement the provisions of the Leahy-Smith America Invents Act that provide for trials before the Patent Trial and Appeal Board (Board). The proposed rules would provide a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. The proposed rules would also provide a consolidated set of rules to implement the provisions of the Leahy-Smith America Invents Act related to seeking judicial review of Board decisions.

**DATES:** The Office solicits comments from the public on this proposed rulemaking. Written comments must be received on or before April 9, 2012 to ensure consideration.

**ADDRESSES:** Comments should be sent by electronic mail message over the Internet addressed to: [patent\\_trial\\_rules@uspto.gov](mailto:patent_trial_rules@uspto.gov). Comments may also be submitted by postal mail addressed to: Mail Stop Patent Board, Director of the United States Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450, marked to the attention of "Lead Judge Michael Tierney, Patent Trial Proposed Rules."

Comments may also be sent by electronic mail message over the

Internet via the Federal eRulemaking Portal. See the Federal eRulemaking Portal Web site (<http://www.regulations.gov>) for additional instructions on providing comments via the Federal eRulemaking Portal.

Although comments may be submitted by postal mail, the Office prefers to receive comments by electronic mail message over the Internet because sharing comments with the public is more easily accomplished. Electronic comments are preferred to be submitted in plain text, but also may be submitted in ADOBE® portable document format or MICROSOFT WORD® format. Comments not submitted electronically should be submitted on paper in a format that facilitates convenient digital scanning into ADOBE® portable document format.

The comments will be available for public inspection at the Board of Patent Appeals and Interferences, currently located in Madison East, Ninth Floor, 600 Dulany Street, Alexandria, Virginia. Comments also will be available for viewing via the Office's Internet Web site (<http://www.uspto.gov>). Because comments will be made available for public inspection, information that the submitter does not desire to make public, such as an address or phone number, should not be included in the comments.

**FOR FURTHER INFORMATION CONTACT:** Michael Tierney, Lead Administrative Patent Judge, Scott Boalick, Lead Administrative Patent Judge, Robert Clarke, Administrative Patent Judge, and Joni Chang, Administrative Patent Judge, Board of Patent Appeals and Interferences, by telephone at (571) 272-9797.

**SUPPLEMENTARY INFORMATION:** On September 16, 2011, the Leahy-Smith America Invents Act was enacted into law (Pub. L. 112-29, 125 Stat. 284 (2011)). The purpose of the Leahy-Smith America Invents Act and these proposed regulations 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 procedures by which the Board will conduct trial proceedings. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, the rulemaking process is designed to ensure the integrity of the trial procedures. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). The proposed rules would provide a consolidated set of rules relating to

Board trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b).

This notice proposes rules to implement the provisions of the Leahy-Smith America Invents Act that provide for trials to be conducted by the Board. In particular, the proposed rules would 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 by adding a new part 42 including a new subpart A to title 37 of the Code of Federal Regulations. The proposed rules would also provide a consolidated set of rules to implement the provisions of the Leahy-Smith America Invents Act related to seeking judicial review of Board decisions by adding a new part 90 to title 37 of the Code of Federal Regulations.

Additionally, the Office in separate rulemakings proposes to add a new subpart B to 37 CFR part 42 (RIN 0651-AC71) to provide rules specific to *inter partes* review, a new subpart C to 37 CFR part 42 (RIN 0651-AC72) to provide rules specific to post-grant review, a new subpart D to 37 CFR part 42 (RIN 0651-AC73; RIN 0651-AC75) to provide rules specific to the transitional program for covered business method patents, and a new subpart E to 37 CFR part 42 (RIN 0651-AC74) to provide rules specific to derivation proceedings. For the proposed rules, the Office also developed a Trial Practice Guide (which will be revised accordingly when the Office implements the final rules). The notices of proposed rulemaking and the Trial Practice Guide are published in this issue and the next issue (February 10, 2012) of the **Federal Register**.

The instant notice refers to the proposed rules in subparts B through E of part 42 set forth in the other notices. Moreover, rather than repeating the statutory provisions set forth in the Leahy-Smith America Invents Act for the implementation of *inter partes* review, post-grant review, transitional program covered business method patents, and derivation that are provided in the other notices of proposed rulemaking, the instant notice only summarizes the provisions related to the Board and judicial review of Board decisions that are not provided in the other notices.

#### Patent Trial and Appeal Board

Section 7 of the Leahy-Smith America Invents Act amends 35 U.S.C. 6 and

provides for the constitution and duties of the Patent Trial and Appeal Board. 35 U.S.C. 6(a), as amended, provides that the Patent Trial and Appeal Board members will include the Director, Deputy Director, Commissioner for Patents, Commissioner for Trademarks, and administrative patent judges. 35 U.S.C. 6(a), as amended, further provides that “administrative patent judges shall be persons of competent legal knowledge and scientific ability and are appointed by the Secretary, in consultation with the Director.” 35 U.S.C. 6(b), as amended, specifies that the duties of the Patent Trial and Appeal Board are to: (1) Review adverse decisions of examiners upon an application for patent; (2) review appeals of reexaminations pursuant to section 134(b); (3) conduct derivation proceedings pursuant to 35 U.S.C. 135; and (4) conduct *inter partes* reviews and post-grant reviews pursuant to chapters 31 and 32 of title 35, United States Code. Further, § 7 of the Leahy-Smith America Invents Act amends 35 U.S.C. 6 by adding paragraphs (c) and (d). New paragraph (c) of 35 U.S.C. 6 provides that each appeal, derivation proceeding, post-grant review including covered business method patent review, and *inter partes* review shall be heard by at least 3 members of the Board, who shall be designated by the Director.

#### Judicial Review of Patent Trial and Appeal Board Decisions

The Leahy-Smith America Invents Act amends title 35, United States Code, to provide for certain changes to the provisions for judicial review of Board decisions, such as amending 35 U.S.C. 134, 141, 145, 146, and 306 to change the Board’s name to “Patent Trial and Appeal Board” and to provide for judicial review of the final decisions of the Board in *inter partes* reviews, post-grant reviews, covered business method patent reviews, and derivation proceedings. The Leahy-Smith America Invents Act also revises the provisions related to filing an appeal or commencing a civil action in interferences under 35 U.S.C. 141 or 146, respectively.

In particular, § 3(j) of the Leahy-Smith America Invents Act eliminates references to interferences. Section 3(j)(1) of the Leahy-Smith America Invents Act amends each of 35 U.S.C. 145 and 146 by striking the phrase “Board of Patent Appeals and Interferences” each place it appears and inserting “Patent Trial and Appeal Board.” Section (3)(j)(2)(A) of the Leahy-Smith America Invents Act amends 35 U.S.C. 146 by: (i) Striking “an interference” and inserting “a

derivation proceeding;” and (ii) striking “the interference” and inserting “the derivation proceeding.” Section (3)(j)(3) of the Leahy-Smith America Invents Act amends the section heading for 35 U.S.C. 134 to read as follows: “§ 134. Appeal to the Patent Trial and Appeal Board.” Section (3)(j)(4) of the Leahy-Smith America Invents Act amends the section heading for 35 U.S.C. 146 to read as follows: “§ 146. Civil action in case of derivation proceeding.” Section (3)(j)(6) of the Leahy-Smith America Invents Act amends the item relating to 35 U.S.C. 146 in the table of sections for chapter 13 of title 35, United States Code, to read as follows: “146. Civil action in case of derivation proceeding.”

Section 6(f)(3)(C) of the Leahy-Smith America Invents Act provides that the authorization to appeal or have remedy from derivation proceedings in 35 U.S.C. 141(d) and 35 U.S.C. 146, as amended, and the jurisdiction to entertain appeals from derivation proceedings under 28 U.S.C. 1295(a)(4)(A), as amended, shall be deemed to extend to any final decision in an interference that is commenced before the effective date (the date that is one year after the enactment date) and that is not dismissed pursuant to § 6(f)(3)(A) of the Leahy-Smith America Invents Act.

Section 6(h)(2)(A) of the Leahy-Smith America Invents Act amends 35 U.S.C. 306 by striking “145” and inserting “144.”

Section 7(c)(1) of the Leahy-Smith America Invents Act amends 35 U.S.C. 141, entitled “Appeal to Court of Appeals for the Federal Circuit.” 35 U.S.C. 141(a), as amended, will provide that an applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under 35 U.S.C. 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141(a), as amended, will further provide that, by filing an appeal to the United States Court of Appeals for the Federal Circuit, the applicant waives his or her right to proceed under 35 U.S.C. 145.

Section 7(c)(1) of the Leahy-Smith America Invents Act amends 35 U.S.C. 141(b) to make clear that a patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under 35 U.S.C. 134(b) may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.

Section 7(c)(1) of the Leahy-Smith America Invents Act amends 35 U.S.C. 141(c) to provide that a party to an *inter partes* review or a post-grant review

who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 318(a) or 328(a) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

Section 7(c)(1) of the Leahy-Smith America Invents Act amends 35 U.S.C. 141(d) to provide that a party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with 35 U.S.C. 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in 35 U.S.C. 146, as amended. 35 U.S.C. 141(d), as amended, will also provide that if the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under 35 U.S.C. 146, the Board's decision shall govern the further proceedings in the case.

Section 7(c)(2) of the Leahy-Smith America Invents Act amends 28 U.S.C. 1295(a)(4)(A) to read as follows:

“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or *inter partes* review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;”

Section 7(c)(3) of the Leahy-Smith America Invents Act amends 35 U.S.C. 143 by striking the third sentence and inserting the following:

In an *ex parte* case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an *inter partes* or post-grant review under chapter 31 or 32

Section 7(c)(3) of the Leahy-Smith America Invents Act further amends 35 U.S.C. 143 by striking the last sentence.

Section 7(e) of the Leahy-Smith America Invents Act provides that the amendments made by § 7 of the Leahy-

Smith America Invents Act shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of the Leahy-Smith America Invents Act and shall apply to proceedings commenced on or after that effective date, with the following exceptions. First, that the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by § 7(c)(2) shall be deemed to take effect on the date of the enactment of the Leahy-Smith America Invents Act and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act. Second, that the provisions of 35 U.S.C. 6, 134, and 141, in effect on the day before the effective date of the amendments made by § 7 of the Leahy-Smith America Invents Act shall continue to apply to *inter partes* reexaminations requested under 35 U.S.C. 311 before such effective date. Third, that the Patent Trial and Appeal Board may be deemed to be the Board of Patent Appeals and Interferences for purposes of appeals of *inter partes* reexaminations requested under 35 U.S.C. 311 before the effective date of the amendments made by § 7 of the Leahy-Smith America Invents Act. And finally, that the Director's right under the fourth sentence of 35 U.S.C. 143, as amended by § 7(c)(3) of the Leahy-Smith America Invents Act, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to *inter partes* reexaminations requested under 35 U.S.C. 311 before the effective date of the amendments made by § 7 of the Leahy-Smith America Invents Act.

Section 9(a) of the Leahy-Smith America Invents Act amends 35 U.S.C. 32, 145, 146, 154(b)(4)(A), and 293 by striking “United States District Court for the District of Columbia” each place that term appears and inserting “United States District Court for the Eastern District of Virginia.” Section 9(b) of the Leahy-Smith America Invents Act provides that amendments made by § 9 of the Leahy-Smith America Invents Act shall take effect on the date of the enactment of this Act and shall apply to any civil action commenced on or after that date.

#### Discussion of Specific Rules

The proposed rules would 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 by adding a new part 42 including a new subpart A to title 37 of the Code of Federal Regulations. Interference proceedings would not be covered by a new part 42 and the rules in part 41 governing contested cases and interferences would continue to remain in effect so as to not disrupt ongoing interference proceedings. Additionally, the proposed rules would also provide a consolidated set of rules to implement the provisions of the Leahy-Smith America Invents Act relating to filing appeals from Board decisions by adding a new part 90 to title 37 of Code of Federal Regulations.

Title 37 of the Code of Federal Regulations, Parts 42 and 90, are proposed to be added as follows:

#### Part 42—Trial Practice Before the Patent Trial and Appeal Board

##### General

*Section 42.1:* Proposed § 42.1 would set forth general policy considerations for part 42.

Proposed § 42.1(a) would define the scope of the rules.

Proposed § 42.1(b) would provide a rule of construction for all the rules in proposed part 42. The proposed rule would mandate that all the Board's rules be construed to achieve the just, speedy, and inexpensive resolution of Board proceedings. This proposed rule reflects considerations identified in 35 U.S.C. 316(b) and 326(b), which state that the Office is to take into account the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the proceedings in promulgating regulations.

Proposed § 42.1(c) would require that decorum be exercised in Board proceedings, including dealings with opposing parties. Board officials would be similarly expected to treat parties with courtesy and decorum.

Proposed § 42.1(d) would provide that the default evidentiary standard for each issue in a Board proceeding is a preponderance of the evidence. This proposed rule implements the statute, which directs that unpatentability issues must be proven by a preponderance of the evidence. 35 U.S.C. 316(e), as amended, and 35 U.S.C. 326(e). The proposed rule is also consistent with 35 U.S.C. 135(b), which provides that the Director shall establish regulations requiring sufficient evidence to prove and rebut a claim of derivation. *See Price v. Symsek*, 988 F.2d 1187, 1193 (Fed. Cir. 1993).

*Section 42.2:* Proposed § 42.2 would set forth definitions for Board proceedings under proposed part 42.

The proposed definition of affidavit would provide that *affidavit* means affidavits or declarations under § 1.68. The proposed definition also provides that a transcript of an *ex parte* deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.

The proposed definition of Board would rename “the Board of Patent Appeals and Interferences” to “the Patent Trial and Appeal Board.” The proposed definition would also provide that *Board* means a panel of the Board or a member or employee acting with the authority of the Board, consistent with 35 U.S.C. 6(b), as amended.

The proposed definition of business day would provide that *business day* means a day other than a Saturday, Sunday, or Federal holiday within the District of Columbia.

The proposed definition of confidential information would provide that *confidential information* means trade secret or other confidential research, development or commercial information. The proposed definition would be 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.

The proposed definition of final would provide that *final* means final for purposes of judicial review. The proposed definition would also provide that a decision is final only if it disposes of all necessary issues with regard to the party seeking judicial review, and does not indicate that further action is required.

The proposed definition of hearing would make it clear that a *hearing* is a consideration of the issues involved in the trial.

The proposed definition of involved would provide that *involved* means an application, patent, or claim that is the subject of the proceeding.

The proposed definition of judgment would provide that *judgment* means a final written decision by the Board. The proposed definition is consistent with the requirement under 35 U.S.C. 318(a) and 328(a), as amended, that the Board issue final written decisions for reviews that are instituted and not dismissed. The proposed definition is also consistent with 35 U.S.C. 135(d), as amended, which provides for final decisions of the Board in derivation proceedings.

The proposed definition of motion would clarify that *motions* are requests for remedies but that the term motion

does not include petitions seeking to institute a trial.

The proposed definition of Office would provide that *Office* means the United States Patent and Trademark Office.

The proposed definition of panel would provide that a *panel* is at least three members of the Board. The proposed definition is consistent with 35 U.S.C. 6(c), as amended, that each derivation proceeding, *inter partes* review, post-grant review, covered business method patent review proceeding shall be heard by at least three members of the Board.

The proposed definition of *party* would include at least the petitioner and the patent owner, as well as any applicant in a derivation proceeding.

The proposed definition of petition would provide that a *petition* is a request that a trial be instituted and is consistent with the requirements of 35 U.S.C. 135(a) and 311, as amended, 35 U.S.C. 321.

The proposed definition of petitioner would provide that a *petitioner* is a party requesting a trial be instituted. This proposed definition is consistent with the requirements of 35 U.S.C. 135(a) and 311(a), as amended, and 35 U.S.C. 321(a), which provide that persons seeking the institution of a trial may do so by filing a petition.

The proposed definition of preliminary proceeding would provide that a *preliminary proceeding* begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.

The proposed definition of proceeding would provide that a *proceeding* means a trial or preliminary proceeding. This proposed definition would encompass both the portion of the proceeding that occurs prior to institution of a trial and the trial itself.

The proposed definition of rehearing would provide that *rehearing* means reconsideration.

The proposed definition of trial would provide that a *trial* is a contested case instituted by the Board based upon a petition. This proposed definition would encompass all contested cases before the Board, except for interferences. The proposed definition would exclude interferences so that interferences would continue, without disruption, to use the rules provided in part 41. The existence of a contested case would be a predicate for authorizing a subpoena under 35 U.S.C. 24. As with part 41, *inter partes* reexaminations under 35 U.S.C. 134(c) are not considered contested cases for the purposes of proposed part 42.

Similarly, written requests to make a settlement agreement available would not be considered contested cases.

*Section 42.3:* Proposed § 42.3 would set forth the jurisdiction of the Board in a Board proceeding.

Proposed § 42.3(a) would provide the Board with jurisdiction over applications and patents involved in a Board proceeding. This is consistent with 35 U.S.C. 6(b), as amended, which provides that the Board is to conduct derivation proceedings, *inter partes* reviews, and post-grant reviews. Additionally, the proposed rule is consistent with the Board’s role in conducting the transitional program for covered business method patent reviews pursuant to § 18 of the Leahy-Smith America Invents Act, as covered business method patent reviews are subject to 35 U.S.C. 326(c), which provides that the Board conduct the review.

Proposed § 42.3(b) would provide that a petition to institute a trial must be filed with the Board in a timely manner.

*Section 42.4:* Proposed § 42.4 would provide for notice of trial.

Proposed § 42.4(a) would specifically delegate the determination to institute a trial to an administrative patent judge.

Proposed § 42.4(b) would provide that the Board will send a notice of a trial to every party to the proceeding.

Proposed § 42.4(c) would provide that the Board may authorize additional modes of notice. Note that the failure to maintain a current correspondence address may result in adverse consequences. *Ray v. Lehman*, 55 F.3d 606, 610 (Fed. Cir. 1995) (finding notice of maintenance fee provided by the Office to an obsolete, but not updated, address of record to have been adequate).

*Section 42.5:* Proposed § 42.5 would set forth the conduct of the trial.

Proposed §§ 42.5(a) and (b) would permit administrative patent judges wide latitude in administering the proceedings to balance the ideal of precise rules against the need for flexibility to achieve reasonably fast, inexpensive, and fair proceedings. The decision to waive a procedural requirement, for example default times for taking action, would be committed to the discretion of the administrative patent judge. By permitting the judges to authorize relief under parts 1, 41, and 42, the proposed rule avoids delay and permits related issues to be resolved in the same proceeding in a uniform and efficient manner.

Proposed § 42.5(c) would provide that the Board may set times by order. The proposed rule also provides that good cause must be shown for extensions of

time and to excuse late actions. Late action will also be excused by the Board if it concludes that doing so is in the interests of justice. This proposed requirement to show good cause to extend times and to file belated papers is consistent with the requirements of 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), which provide that the Board issue a final decision not less than 1 year after institution of the review, extendable for good cause shown. The proposed rule is also consistent with 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.

Proposed § 42.5(d) would prohibit *ex parte* communications about a proceeding with a Board member or Board employee actually conducting the proceeding. Under the proposed rule, the initiation of an *ex parte* communication could result in sanctions against the initiating party. The prohibition would include communicating with any member of a panel acting in the proceeding or seeking supervisory review in a proceeding without including the opposing party in the communication. In general, under these proposed rules, it would be wisest to avoid substantive discussions of a pending trial with a Board member or Board employee. The prohibition on *ex parte* communications would not extend to: (1) Ministerial communications with support staff (for instance, to arrange a conference call); (2) 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).

**Section 42.6:** Proposed § 42.6 would set forth the procedure for filing documents, including exhibits, and service.

Proposed § 42.6(a) would provide guidance for the filing of papers. Under proposed § 42.6(a), papers to be filed would be required to meet standards similar to those required in patent prosecution, § 1.52(a), and in the filings at the Federal Circuit under Fed. R. App. P. 32. The proposed prohibition against incorporation by reference would minimize the chance that an argument would be overlooked and would eliminate abuses that arise from incorporation and combination. In *DeSilva v. DiLeonardi*, 181 F.3d 865, 866–67 (7th Cir. 1999), the court

rejected “adoption by reference” as a self-help increase in the length of the brief and noted that incorporation is a pointless imposition on the court’s time as it requires the judges to play archeologist with the record. The same rationale applies to Board proceedings. *Cf. Globespanvirata, Inc. v. Tex. Instruments, Inc.*, 2005 WL 3077915, \*1 (D. N.J. 2005) (Defendants provided cursory statements in motion and sought to make their case through incorporation of expert declaration and a claim chart. Incorporation by reference of argument not in motion was held to be a violation of local rules governing page limitations and was not permitted by the court); *S. Indus., Inc. v. JL Audio, Inc.*, 29 F. Supp. 2d 878, 881–82 (N.D. Ill. 1998) (Parties should not use line spacing, font size, or margins to evade page limits).

Proposed § 42.6(b) would set electronic filing as the default manner in which documents in a proceeding are filed with the Board. The procedures for electronic filings in the proposed rule would be consistent with the procedures for submission of electronic filings set forth in § 2.126(b). Section 2.126(b) is a rule of the Trademark Trial and Appeal Board (TTAB) which provides that submissions may be made to the TTAB electronically according to parameters established by the Board and published on the Web site of the Office.

The use of electronic filing, such as that used with the Board’s Interference Web Portal, facilitates public accessibility and is consistent with the requirements of 35 U.S.C. 316(a)(1), as amended, and 35 U.S.C. 326(a)(1), which state that the files of a proceeding are to be made available to the public, except for those documents filed with the intent that they be sealed. Where needed, a party may file by means other than electronic filing but a motion explaining such a need must accompany the non-electronic filing. In determining whether alternative filing methods would be authorized, the Office would consider the entity size and the ability of the party to file electronically.

Proposed § 42.6(c) would require that exhibits be filed with the first document in which the exhibit is cited so as to allow for uniformity in citing to the record.

Proposed § 42.6(d) would prohibit the filing of duplicate documents absent Board authorization.

Proposed § 42.6(e) would require service simultaneous with the filing of the document, as well as require certificates of service. Additional procedures to be followed when filing documents may be provided via a

standing order of the Board. *See In re Sullivan*, 362 F.3d 1324 (Fed. Cir. 2004).

**Section 42.7:** Proposed § 42.7 would provide that the Board may vacate or hold in abeyance unauthorized papers and would limit the filing of duplicate papers. This proposed rule would provide a tool for preventing abuses that can occur in filing documents and would ensure that the parties and the Board are consistent in their citation to the underlying record.

**Section 42.8:** Proposed § 42.8 would provide for certain mandatory notices to be provided by the parties, including identification of the real parties in interest, related matters, lead and back-up counsel, and service information. The proposed rule would require the identification of lead and back-up counsel and service information. The mandatory notices concerning real parties in interest and related matters are consistent with the requirements of 35 U.S.C. 315, as amended, and 35 U.S.C. 325. These statutes describe the relationship between the trial and other related matters and authorize, among other things, suspension of other proceedings before the Office on the same patent and lack of standing for real parties in interest that have previously filed civil actions against a patent for which a trial is requested. Mandatory notices are also needed to judge any subject matter estoppel triggered by a prior Board, district court, or U.S. International Trade Commission proceeding.

Examples of related administrative matters that would be affected by a decision in the proceeding 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.

The need for identification of the real party in interest helps identify potential conflicts of interests for the Office. In the case of the Board, a conflict would typically arise when an official has an investment in a company with a direct interest in a Board proceeding. Such conflicts can only be avoided if the parties promptly provide information necessary to identify potential conflicts. The identity of a real party-in-interest might also affect the credibility of evidence presented in a proceeding. The Board would consider, on a case-by case basis, relevant case law to resolve a real party in interest or privity dispute that may arise during a proceeding. Further, in *inter partes* and post-grant review proceedings before the Office, the petitioner (including any real party-in-interest or privity of the petitioner) is

estopped from relitigating any ground that was or reasonably could have been raised. See 35 U.S.C. 315(e)(1), as amended, and 35 U.S.C. 325(e)(1). What constitutes a real party-in-interest or privity is a highly fact-dependent question. See generally 18A Wright & Miller Fed. Prac. & Proc. §§ 4449, 4451; Taylor v. Sturgell, 553 U.S. 880 (2008). While many factors can lead to a determination that a petitioner was a real party-in-interest or privity in a previous proceeding, actual control or the opportunity to control the previous proceeding is an important clue that such a relationship existed. See, e.g., Taylor, 553 U.S. at 895; see generally 18A Wright & Miller § 4451. Factors for determining actual control or the opportunity to control include existence of a controlling interest in the petitioner.

**Section 42.9:** Proposed § 42.9 would permit action by an assignee to the exclusion of an inventor. Orders permitting an assignee of a partial interest to act to the exclusion of an inventor or co-assignee would rarely be granted, and such orders would typically issue only when the partial assignee was in a proceeding against its co-assignee. *Ex parte Hinkson*, 1904 Comm'r. Dec. 342.

**Section 42.10:** Proposed § 42.10(a) would provide that the Board may require a party to designate a lead counsel. The proposed rule would remind parties to designate back-up counsel who can conduct business on behalf of the lead counsel as instances arise where lead counsel may be unavailable.

Proposed § 42.10(b) would provide that a power of attorney must be filed for counsel not of record in the party's involved patent or application.

Proposed § 42.10(c) would allow for *pro hac vice* representation before the Board subject to such conditions as the Board may impose. The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause. Proceedings before the Office can be technically complex. For example, it is expected that amendments to a patent will be sought. Consequently, 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 proposed rule, if adopted, would allow for this practice in the new proceedings authorized by the Leahy-Smith America Invents Act.

Proposed § 42.10(d) would 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 proposed rule would delegate to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule would delegate 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.

Proposed § 42.10(e) provides that counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal.

**Section 42.11:** Proposed § 42.11 would remind parties, and individuals associated with the parties, of their duty of candor and good faith to the Office as honesty before the Office is essential to the integrity of the proceeding.

**Section 42.12:** Proposed § 42.12 would provide rules for sanctions in trial proceedings before the Board. 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6) require that the Director prescribe sanctions for abuse of discovery, abuse of process, and any other improper use of the proceeding in *inter partes* review, post-grant review, and covered business method patent review proceedings. The proposed rule is also consistent with 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting standards for the conduct of derivation proceedings.

Proposed § 42.12(a) would identify types of misconduct for which the Board may impose sanctions. The proposed rule would explicitly provide that misconduct includes failure to comply with an applicable rule, abuse of discovery, abuse of process, improper use of the proceeding and misrepresentation of a fact. An example of a failure to comply with an applicable rule includes failure to disclose a prior relevant inconsistent statement.

Proposed § 42.12(b) would recite the list of sanctions that may be imposed by the Board.

**Section 42.13:** Proposed § 42.13 would provide a uniform system of citation to authority. The proposed rule would codify existing Board practice and extends it to trial proceedings. Under the proposed rule, a citation to a single source, in the priority order set

out in the rule, would be sufficient, thus minimizing the citation burden on the public.

**Section 42.14:** Proposed § 42.14 would provide that the record of a proceeding be made available to the public, except as otherwise ordered. An exception to public availability would be those documents or things accompanied by a motion to seal the document or thing. The proposed rule reflects the provisions of 35 U.S.C. 316(a)(1), as amended, and 35 U.S.C. 326(a)(1), which require that *inter partes* review and post-grant review files be made available to the public, except that any petition or document filed with the intent that it be sealed, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion to seal.

#### Fees

Sections 10(d) and (e) of the Leahy-Smith America Invents Act set out a process that must be followed when the Office is using its authority under section 10(a) to set or adjust patent fees. See Public Law 112-29, 125 Stat. at 317-18. This process does not feasibly permit the fees described herein to be in place by September 16, 2012 (the effective date of many of the Board procedures required by the Leahy-Smith America Invents Act and described herein). Therefore, the Office is setting these fees pursuant to its authority under 35 U.S.C. 41(d)(2) in this rule making, which provides that fees for all processing, services, or materials relating to patents not specified in 35 U.S.C. 41 are to be set at amounts to recover the estimated average cost to the Office of such processing, services, or materials. See 35 U.S.C. 41(d)(2).

The Office is also in the process of developing a proposal to adjust patent fees under section 10 of the Leahy-Smith America Invents Act. The fees proposed in this notice will be revisited in furtherance of the Director's fee setting efforts in this area.

**Section 42.15:** Proposed § 42.15 would set fees for the new trial proceedings.

Proposed § 42.15(a) would set the fee for a petition to institute an *inter partes* review of a patent based upon the number of challenged claims, and reflects the requirements of 35 U.S.C. 311 and 312(a), as amended, that the Director set fees for the petition and that the petition be accompanied by payment of the fee established. Basing the fees on the number of claims challenged allows for ease of calculation and reduces the chance of insufficient payment. Further, the proposed fees are generally reflective of the complexity of

the case because the number of claims often impacts the complexity of the petition and increases the demands placed on the patent owner as well as 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 efficiently manage a case).

To understand the scope of a dependent claim, the claims from which the dependent claim depends must be construed along with the dependent claim. Accordingly, for fee calculation purposes, each claim challenged will be counted as well as any claim from which a claim depends, unless the parent claim is also separately challenged. The following examples are illustrative.

*Example 1:* Claims 1–30 are challenged where each of claims 2–30 are dependent claims and depend only upon claim 1. There are 30 claims challenged for purposes of fee calculation.

*Example 2:* Claims 20–40 are challenged where each of claims 20–40 are dependent claims and depend only upon claim 1. As claims 20–40 depend from claim 1, claim 1 counts toward the total number of claims challenged. Thus, there are 21 claims challenged for fee calculation purposes.

*Example 3:* Claims 1, 11–20, and 31–40 are challenged. Each of claims 1 and 31–40 are independent claims. Each of claims 11–20 are dependent claims and depend upon claim 9, which in turn depends upon claim 8, which in turn depends upon claim 1. As claims 11–20 depend upon parent claims 8 and 9, claims 8 and 9 would count as challenged claims towards the total number of claims challenged. As claim 1 is separately challenged, it would not count twice towards the total number of claims challenged. Thus, there are 23 claims challenged for fee calculation purposes.

*Example 4:* Claims 1, 11–20, and 31–40 are challenged. Each of claims 1 and 31–40 are independent claims. Claim 11 depends upon claim 1 and claims 12–20 depend upon claim 11. As each of the challenged claims is based on a separately challenged independent claim, we need not include any further claims for fee calculations purposes. Thus, there are 21 challenged claims.

Proposed § 42.15(b) would set the fee for a petition to institute a post-grant review or a covered business method patent review of a patent based upon the number of challenged claims, and would reflect the requirements of 35 U.S.C. 321, as amended, and 35 U.S.C. 322(a) that the Director set fees for the petition and that the petition be accompanied by payment of the fee established. The analysis of the number of claims challenged for fee calculation purposes would be the same as for proposed § 42.15(a).

Item (C) of the Rulemaking Considerations section of this notice,

*infra*, provides the Office's analysis of the cost to provide the services requested for each of the proceedings.

Proposed § 42.15(c) would set the fee for a petition to institute a derivation proceeding in the amount of \$400. Derivation proceedings concern allegations that an inventor named in an earlier application, without authorization, derived the claimed invention from an inventor named in the petition. The fee is set to recover the treatment of the petition as a request to transfer jurisdiction from the examining corps to the Board and not the costs of instituting and performing the derivation trial which is necessary to complete the examination process for the applicant seeking the derivation.

Proposed § 42.15(d) would set the fee for filing written requests to make a settlement agreement available in the amount of \$400.

#### Petition and Motion Practice

*Section 42.20:* Proposed § 42.20(a) would provide that relief, other than a petition to institute a trial, must be in the form of a motion. The proposed rule is consistent with the requirements of 35 U.S.C. 316(a)(1) and 316(d), as amended, and 35 U.S.C. 326(a)(1) and 326(d) which provide that requests to seal a document and requests to amend the patent be filed in the form of a motion.

Proposed § 42.20(b) would provide that motions will not be entered absent Board authorization, and authorization may be provided in an order of general applicability or during the proceeding. Generally, the Board expects that authorization would follow the current Board practice where a conference call would be required before an opposed motion is filed as quite often the relief requested in such motions can be granted (or denied) in a conference call. This practice has significantly increased the speed and reduced the costs in contested cases.

Proposed § 42.20(c) would place the burden of proof on the moving party. A motion that fails to justify the relief on its face could be dismissed or denied without regard to subsequent briefing.

Proposed § 42.20(d) would provide that the Board may order briefing on any issue appropriate for a final written determination on patentability. Specifically, 35 U.S.C. 318(a), as amended, and 328(a) require that where a review is instituted and not dismissed 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. The proposed rule would provide for Board ordered

briefing where appropriate in order to efficiently and effectively render its final decision on patentability.

*Section 42.21:* Proposed § 42.21(a) would provide that the Board may require a party to file a notice stating the relief it requests and the basis for that relief in Board proceedings. The proposed rule would make clear that a notice must contain sufficient detail to serve its notice function. The proposed rule would provide an effective mechanism for administering cases efficiently and placing opponents on notice.

Proposed § 42.21(b) would state the effect of a notice. The proposed rule would make it clear that failure to state a sufficient basis for relief would warrant a denial of the request.

Proposed § 42.21(c) would permit correction of a notice after the time set for filing the notice, but would set a high threshold for entry of the correction, *i.e.*, if the entry was in the interests of justice. The proposed rule is consistent with 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), which require good cause be shown to extend the time for entering a final decision. In determining whether good cause is shown, the Board would be permitted to consider the ability of the Board to complete timely the proceeding should the request be granted. Hence, requests made at the outset of a proceeding would be more likely to demonstrate good cause than requests made later in the proceeding.

*Section 42.22:* Proposed § 42.22 concerns the general content of motions.

Proposed § 42.22(a) would require that each petition or motion be filed as a separate paper to reduce the chance that an argument would be overlooked and reduce the complexity of any given paper. Proposed § 42.22(a)(1)–(3) would provide for a statement of precise relief requested, a statement of material facts, and statement of the reasons for relief. Vague arguments and generic citations to the record are fundamentally unfair to an opponent and do not provide sufficient notice to an opponent and creates inefficiencies for the Board.

Proposed § 42.22(b) would require the movant to make showings ordinarily required for the requested relief in other parts of the Office. Many actions, particularly corrective actions like changes in inventorship, filing reissue applications, and seeking a retroactive foreign filing license, are governed by other rules of the Office. By requiring the same showings the proposed rule would keep practice uniform throughout the Office.

Proposed § 42.22(c) would provide that a petition or motion shall contain

a statement of facts with specific citations to the portions of the record that support a particular fact. Providing specific citations to the record gives notice to an opponent of the basis for the fact and provides the Board the information necessary for effective and efficient administration of the proceeding.

Proposed § 42.22(d) would allow the Board to order additional showings or explanations as a condition for authorizing a motion. Experience has shown that placing conditions on motions helps provide guidance to the parties as to what issues and facts are of particular importance and ensures that the parties are aware of controlling precedent that should be addressed in a particular motion.

*Section 42.23:* Proposed § 42.23 would provide that oppositions and replies must comply with the content requirements for a motion and that a reply may only respond to arguments raised in the corresponding opposition. Oppositions and replies may rely upon appropriate evidence to support the positions asserted. Reply evidence, however, must be responsive and not merely new evidence that could have been presented earlier to support the movant's motion.

*Section 42.24:* Proposed § 42.24 would provide page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) provide 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 timely complete the trials. The page limits proposed in this rule are 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 farther 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 experience with page limits in interference motions practice is consistent with that of the federal courts. The Board's use of page limits has shown it to be beneficial without it being unduly restrictive for the parties. Page limits have encouraged the parties to focus on dispositive issues, easing the burden of motions practice on the parties and on the Board.

The Board's experience with page limits in interference practice 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).

Proposed § 42.24(a) would provide specific page limits for petitions and motions. The proposed rule would set a limit of 50 pages for petitions requesting *inter partes* reviews and derivation proceedings, 70 pages for petitions requesting post-grant review and covered business method patent reviews, and 15 pages for motions.

The Board's current practice in interferences is to limit motions for judgment on priority of invention to 50 pages, miscellaneous motions to 15 pages and other motions to 25 pages. Hence, non-priority motions for

judgment of unpatentability are currently limited to 25 pages. 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 proposed rules, an *inter partes* review petition would be based upon any grounds identified in 35 U.S.C. 311(b), as amended, *i.e.*, only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing single prior art motions, limited to 25 pages in length. The proposed rule would provide up to 50 pages in length for a motion requesting *inter partes* review. Thus, as the proposed page limit doubles the default page limit currently set for a motion before the Board, a 50 page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

Under the proposed rules, a post-grant 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, 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 70 proposed page limit is considered sufficient in all but exceptional cases.

Covered business method patent review is similar in scope to that of post-grant review as there is substantial overlap in the statutory grounds permitted for review. Thus, the proposed page limit for proposed covered business method patent reviews of 70 pages is the same as that proposed for post-grant review.

Petitions to institute derivation proceedings raise a subset of the issues that are currently raised in interferences in a motion for judgment on priority of invention. Currently, motions for judgment on priority of invention, including issues such as conception, corroboration, and diligence, are generally limited to 50 pages in length. Thus, the 50 proposed page limit is considered sufficient in all but exceptional cases.

The proposed rule would provide 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 filing parties and do not unduly burden the opposing party and the Board. Petitions for instituting a trial would generally replace the current practice of filing motions for unpatentability. Most motions for relief are expected to be similar to the current interference miscellaneous motion practice. Accordingly, the proposed rule would provide a 15 page limit for motions as this is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested. A party may contact the Board and arrange for a conference call to discuss the need for additional pages for a particular

motion. Except for a motion to waive the page limit accompanying a petition seeking review, any motion to waive a page limit must be granted in advance of filing a motion, opposition or reply for which the waiver is necessary.

Proposed § 42.24(b) would provide page limits for oppositions. Current interference 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 proposed rule would continue the current practice.

Proposed § 42.24(c) would provide page limits for replies. Current interference practice provides a 15-page limit for priority motion replies, a 5 page limit for miscellaneous (procedural) motion replies, and a 10 page limit for all other motions. The proposed rule is consistent with current interference practice for procedural motions. The proposed rule would provide a 15 page limit for reply to petitions requesting a trial, which the Office believes is sufficient based on current practice. Current interference practice has shown that such page limits do not unduly restrict the parties and, in fact, provide sufficient flexibility to parties to not only reply to the motion but also help to focus on the issues.

*Section 42.25:* Proposed § 42.25 would provide default times for filing oppositions and replies. The expectation, however, is that the Board would tailor times appropriate to each case as opposed to relying upon the default times set by rule.

### Testimony and Production

The proposed rules would provide limitations for discovery and testimony. Unlike in proceedings under the Federal Rules of Civil Procedure, the burden of justifying discovery in Board proceedings would lie with the party seeking discovery.

Proceedings before the Board differ from most civil litigation in that the proponent of an argument before the Board generally has access to relevant evidence that is comparable to its opponent's access. Consequently, the expense and complications associated with much of discovery can be avoided. For instance, since rejections are commonly based on the contents of the specification or on publicly available references, there is no reason to presume that the patent owner has better access to evidence of unpatentability on these grounds than the petitioner. Exceptions occur particularly when the ground of unpatentability arises out of conduct, particularly conduct of a purported inventor. In such cases, discovery may

be necessary to prove such conduct, in which case the proponent of the evidence may move for additional discovery. The Board may impose conditions on such discovery to prevent abuse.

*Section 42.51:* Proposed § 42.51(a) would provide for limited discovery in the trial consistent with the goal of providing trials that are timely, inexpensive, and fair. The proposed rule is consistent with 35 U.S.C. 316(a)(5), as amended, and 326(a)(5), which provide for discovery of relevant evidence but limit the scope of the discovery, and 35 U.S.C. 135(b), as amended, which provides that the Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.

Proposed § 42.51(b)(1) and (b)(2) would provide for routine discovery of exhibits cited in a paper or testimony and provide for cross examination of affidavit testimony without the need to request authorization from the Board. The proposed rule would eliminate many routine discovery requests and disputes. The rule would not require a party to create materials or to provide materials not cited.

Proposed § 42.51(b)(3) would ensure the timeliness of the proceedings by requiring that parties, and individuals associated with the parties, provide information that is inconsistent with a position advanced by the patent owner or petitioner during the course of the proceeding. The Office recognizes that this requirement may differ from the proposed changes to § 1.56. But, Board experience has shown that the information covered by proposed 42.51(b)(3) is typically sought through additional discovery and that such information leads to the production of relevant evidence. However, this practice of authorizing additional discovery for such information risks significant delay to the proceeding and increased burdens on both the parties and the Office. To avoid these issues, and to reduce costs and insure the integrity and timeliness of the proceeding, the proposed rule makes the production of such information routine. Similarly, while the Office recognizes that some parties may be hesitant to use the new proceedings because of this requirement, the benefit of the requirement outweighs any impact on participation. Lastly this requirement does not override legally-recognized privileges such as attorney-client or attorney work product.

The proposed rule would require that the information be provided as a petition, motion, opposition, reply, preliminary patent owner response, or

patent owner response to petition. The proposed rule would also require that the party submitting the information specify the relevance of the document, where the relevant information appears in the document and, where applicable, how the information is pertinent to the claims. This information aids the Board in rendering decisions in trial proceedings within statutory timeframes. See 35 U.S.C. 316(a)(11) and 318(a), as amended, and 35 U.S.C. 326(a)(11) and 328(a). The identification of portions of the document relied upon and the pertinence of the information aids the Board's efficient and effective administration of the proceeding by making the information accessible to the Board as opposed to having the Board play archeologist with the record. See *DeSilva v. DiLeonardi*, 181 F.3d at 866–67.

Proposed § 42.51(c) would provide for additional discovery. Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. To promote effective discovery, the proposed rule would require a showing that the additional discovery sought in a proceeding other than a post-grant review is in the interests of justice, which would place an affirmative burden upon a party seeking the discovery to show how the proposed discovery would be productive. A separate rule (§ 42.224) governs additional discovery in post-grant proceedings. The Board's interference experience, however, is that such showings are often lacking and authorization for additional discovery is expected to be rare.

The proposed interests-of-justice standard for additional discovery is consistent with considerations identified in 35 U.S.C. 316(b), as amended, including the efficient administration of the Board and the Board's ability to complete timely trials. Further, the proposed interests-of-justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests of justice.

While the Board will employ an interests-of-justice standard in granting additional discovery in *inter partes* reviews and derivation proceedings, new subpart C will provide that a good cause standard will be employed in post-grant reviews, and by consequence, in covered business method patent reviews. Good cause and interests of justice are closely related standards, but the interests-of-justice standard is

slightly higher than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under the interests-of-justice standard, the moving party would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the non-moving party. In contrast, the interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

Proposed § 42.52 would provide procedures for compelling testimony. Under 35 U.S.C. 23, the Director may establish rules for affidavit and deposition testimony. Under 35 U.S.C. 24, a party in a contested case may apply for a subpoena to compel testimony in the United States, but only for testimony to be used in the contested case. Proposed § 42.52(a) would require the party seeking a subpoena to first obtain authorization from the Board; otherwise, the compelled evidence would not be admitted in the proceeding. Proposed § 42.52(b) would impose additional requirements on a party seeking testimony or production outside the United States because the use of foreign testimony generally increases the cost and complexity of the proceeding for both the parties and the Board. The Board would give weight to foreign deposition testimony to the extent warranted in view of all the circumstances, including the laws of the foreign country governing the testimony.

*Section 42.53:* Proposed § 42.53 would provide for the taking of testimony. To minimize costs, direct testimony would generally be taken in the form of an affidavit. Cross-examination testimony and redirect testimony would generally come in the form of a deposition transcript. If the nature of the testimony makes direct observation of witness demeanor necessary or desirable, the Board might authorize or even require that the testimony be presented live or be video-recorded in addition to filing of the required transcript. Cf. *Applied Research Sys. ARS Holdings N.V. v. Cell Genesys Inc.*, 68 USPQ2d 1863 (B.P.A.I. 2003) (non-precedential). The proponent of the witness would be responsible for the cost of producing the witness for the deposition. The parties

would have latitude in choosing the time and place for the deposition, provided the location is in the United States and the time falls within a prescribed testimony period.

Proposed § 42.53(c)(2) would provide for the time period for cross-examination and would set a norm for the conference proposed in § 42.53(c)(1). A party seeking to move the deposition outside this period would need to show good cause.

Proposed § 42.53(d) would require that the party calling the witness initiate a conference with the Board at least five business days before a deposition with an interpreter is taken. Board experience suggests that the complexity of foreign language depositions can be so great that in many cases the resulting testimony is not useful to the fact-finder. To avoid a waste of resources in the production of an unhelpful record, the proposed rules would require that the Board approve of the deposition format in advance. Occasionally the Board will require live testimony where the Board considers the demeanor of a witness critical to assessing credibility.

Proposed § 42.53(e) would provide for the manner of taking testimony.

Proposed § 42.53(e)(1) would require that each witness before giving deposition testimony be duly sworn according to law by the officer before whom the deposition is to be taken. Proposed § 42.53(e)(1) would also require that the officer be authorized to take testimony under 35 U.S.C. 23.

Proposed § 42.53(e)(2) would require that testimony be taken in answer to interrogatories with any questions and answers recorded in their regular order by the officer, or by some other disinterested person in the presence of the officer, unless the presence of the officer is waived on the record by agreement of all parties.

Proposed § 42.53(e)(3) would require that any exhibits used during the deposition be numbered as required by § 42.63(b), and must, if not previously served, be served at the deposition. Proposed § 42.53(e)(3) would also provide that exhibits objected to be accepted pending a decision on the objection.

Proposed § 42.53(e)(4) would require that all objections be made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and that any other objection to the deposition be noted on the record by the officer.

Proposed § 42.53(e)(5) would require the witness to read and sign (in the form of an affidavit) a transcript of the

deposition after the testimony has been transcribed, unless the parties otherwise agree in writing, the parties waive reading and signature by the witness on the record at the deposition, or the witness refuses to read or sign the transcript of the deposition.

The certification of proposed § 42.53(e)(6)(vi) would provide a standard for disqualifying an officer from administering a deposition. The use of financial interest as a disqualification, however, would be broader than the employment interest currently barred. Payment for ordinary services rendered in the ordinary course of administering the deposition and preparing the transcript would not be a disqualifying financial interest. An interest acknowledged by the parties on the record without objection would not be a disqualifying interest.

Proposed § 42.53(e)(7) would require the proponent of the testimony to file the transcript of the testimony. If the original proponent of the testimony declined to file the transcript (for instance, because that party no longer intended to rely on the testimony), but another party wished to rely on the testimony, the party that wishes to file the testimony would become the proponent and would be permitted to file the transcript as its own exhibit.

*Section 42.54:* Proposed § 42.54 would provide for protective orders. 35 U.S.C. 316(a)(7), as amended, and 35 U.S.C. 326(a)(7) require that the Director prescribe rules that provide for protective orders governing the exchange and submission of confidential information. Proposed § 42.54 would provide such protective orders and follows the procedure set forth in the Federal Rule of Civil Procedure 26(c)(1).

*Section 42.55:* Proposed § 42.55 would allow a petitioner filing confidential information to file, concurrently with the filing of the petition, a motion to seal as to the confidential information. The petitioner must serve the patent owner the confidential information and may do so under seal. The patent owner may access the confidential information prior to institution of a trial by agreeing to the terms of the proposed protective order contained in the motion to seal. The institution of the trial would constitute a grant of the motion to seal unless otherwise ordered by the Board. The proposed 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 need to access information used to challenge the opponent's claims.

*Section 42.56:* 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. Proposed § 42.56 would allow a party to file a motion to expunge from the record confidential information prior to the information becoming public. Proposed § 42.56 reflects the considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), which state that the Office is to take into account the integrity of the patent system in promulgating regulations. The proposed 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. Specifically, there is an expectation that information 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 identified in a final written decision. As such, the proposed rule would encourage parties to redact sensitive information, where possible, rather than seeking to seal entire documents.

*Section 42.61:* Proposed § 42.61 would provide for the admissibility of evidence. Proposed § 42.61(a) would make the failure to comply with the rules a basis for challenging admissibility of evidence. Proposed § 42.61(b) would not require certification as a condition for admissibility when the evidence is a record of the Office that is accessible to all parties. This proposed rule would avoid disputes on what otherwise would be technical noncompliance with the rules. Proposed § 42.61(c) would provide that the specification and drawings are admissible only to prove what the specification and drawings describe. This proposed rule would address a recurring problem in which a party mistakenly relies on a specification to prove a fact other than what the specification says. This proposed rule would make clear that a specification of an application or patent involved in a proceeding is admissible as evidence only to prove what the specification or patent describes. If there is data in the specification upon which a party intends to rely to prove the truth of the data, an affidavit by an individual having first-hand knowledge of how the data was generated (*i.e.*, the individual who performed an experiment reported as an example in the specification) must be filed. *Wojciak v. Nishiyama*, 61 USPQ2d 1576, 1581 (B.P.A.I. 2001).

*Section 42.62:* Proposed § 42.62 would adopt a modified version of the Federal Rules of Evidence. The proposed rule would adopt the more formal evidentiary rules used in district courts in view of the adversarial nature of the proceedings before the Board. The Federal Rules of Evidence embrace a well-developed body of case law and are familiar to the courts charged with reviewing Board decisions in contested cases.

*Section 42.63:* Proposed § 42.63 would provide that all evidence is to be submitted as an exhibit. For instance, the proposed rule would provide that an exhibit filed with the petition must include the petition's name and a unique exhibit number, for example: POE EXHIBIT 1001. For exhibits not filed with the petition, the proposed rule would require the exhibit label to include the party's name followed by a unique exhibit number, the names of the parties, and the trial number, in the format of the following example: OWENS EXHIBIT 2001, *Poe v. Owens* and Trial IPR2011OCT-00001.

*Section 42.64:* Proposed § 42.64 would provide procedures for challenging the admissibility of evidence. In a district court trial, an opponent may object to evidence, and the proponent may have an opportunity to cure the basis of the objection. The proposed rule offers a similar, albeit limited, process for objecting and curing in a trial at the Board.

Proposed § 42.64(a) would provide that objections to the admissibility of deposition evidence must be made during the deposition. Proposed § 42.64(b) would provide guidance as to objections and supplemental evidence for evidence other than deposition testimony. The default time for serving an objection to evidence other than testimony would be ten business days after service of the evidence for evidence in the petition and five business days for subsequent objections, and the party relying on evidence to which an objection was timely served would have ten business days after service of the objection to cure any defect in the evidence. The Board would not ordinarily address an objection unless the objecting party filed a motion to exclude under proposed § 42.64(c) because the objection might have been cured or might prove unimportant in light of subsequent developments. Proposed § 42.64(d) would permit a party to file a motion in limine to obtain a ruling on admissibility.

*Section 42.65:* Proposed § 42.65 would provide rules for expert testimony, tests, and data.

Proposed § 42.65(a) would remind parties that unsupported expert testimony may be given little or no weight. *Rohm & Haas Co. v. Brotech Corp.*, 127 F.3d 1089, 1092 (Fed. Cir. 1997). United States patent law is not an appropriate topic for expert testimony before the Board, and expert testimony pertaining thereto would not be admitted under the proposed rule.

Proposed § 42.65(b) would provide guidance on how to present tests and data. A party should not presume that the technical competence of the trier-of-fact extends to a detailed knowledge of the test at issue.

### Oral Argument, Decision and Settlement

*Section 42.70:* Proposed § 42.70 would provide guidance on oral arguments.

Proposed § 42.70(a) would provide that a party may request oral argument on an issue raised in a paper. The time for requesting oral argument would be set by the Board.

Proposed § 42.70(b) would provide that a party serve demonstrative exhibits at least five business days before the oral argument. Experience has shown that parties are more effective in communicating their respective positions at oral argument when demonstrative exhibits have been exchanged prior to the hearing. Cumbersome exhibits, however, tend to detract from the user's argument and would be discouraged. The use of a compilation with each demonstrative exhibit separately tabbed would be encouraged, particularly when a court reporter is transcribing the oral argument because the tabs provide a convenient way to record which exhibit is being discussed. It is helpful to provide a copy of the compilation to each member of the panel hearing the argument so that the judges may better follow the line of argument presented.

*Section 42.71:* Proposed § 42.71 would provide for decisions on petitions and motions.

Proposed § 42.71(a) would provide that a petition or motion may be taken up in any order so that issues may be addressed in a fair and efficient manner. This rule is consistent with 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), which state that, among other things, that the Director shall consider the efficient administration of the Office in prescribing regulations. Further, such a practice was noted with approval in *Berman v. Housey*, 291 F.3d 1345, 1352 (Fed. Cir. 2002).

Proposed § 42.71(b) would provide for interlocutory decisions. The proposed rule would make clear that a decision

short of judgment is not final, but a decision by a panel would govern the trial. Experience has shown that the practice of having panel decisions bind further proceedings has eliminated much of the uncertainty and added cost that result from deferring any final decision until the end of the proceeding. In such instances, a party dissatisfied with an interlocutory decision on motions should promptly seek rehearing rather than waiting for a final judgment. A panel could, when the interests of justice require it, reconsider its decision at any time in the proceeding prior to final judgment. A belated request for rehearing would rarely be granted, however, because its untimeliness would detract from the efficiencies that result from making interlocutory decisions binding.

Proposed § 42.71(c) would provide for rehearings and would set times for requesting rehearing. Since 35 U.S.C. 6(b), as amended, requires a panel decision for finality, a party should request rehearing by a panel to preserve an issue for judicial review. The panel would then apply the deferential abuse-of-discretion standard to decisions on rehearing.

*Section 42.72:* Proposed § 42.72 would provide for termination of a trial pursuant to 35 U.S.C. 317(a), as amended, and 35 U.S.C. 327(a), which provide for termination of a trial with respect to a petitioner upon joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.

*Section 42.73:* Proposed § 42.73 would provide for judgment.

Proposed § 42.73(a) would provide that a judgment disposes of all issues that were, or by motion could have been, properly raised and decided.

Proposed § 42.73(b) would provide guidance as to the conditions under which the Board would infer a request for adverse judgment.

Proposed § 42.73(c) would provide for recommendations for further action by an examiner or the Director.

Proposed § 42.73(d) would provide for estoppel.

Proposed § 42.73(d)(1) would apply to non-derivation proceeding trials and is consistent with 35 U.S.C. 315(e)(1), as amended, and 35 U.S.C. 325(e)(1), which provide for estoppel in proceedings before the Office where a final written decision was entered under 35 U.S.C. 318(a), as amended, or 35 U.S.C. 328(a).

Proposed § 42.73(d)(2) would provide estoppel provisions in derivation proceedings. The proposed rule would also be consistent with 35 U.S.C. 135(d),

as amended, which provides for the effect of a final decision in a derivation proceeding. Proposed § 42.73(d)(2) differs from proposed § 42.73(d)(1) to take into account the differences in statutory language between 35 U.S.C. 135(d) and 315(e)(1), as amended, and 35 U.S.C. 325(e)(2).

Proposed § 42.73(d)(3) would apply estoppel against a party whose claim was cancelled or who requested an amendment to the specification or drawings that was denied.

*Section 42.74:* Proposed § 42.74 would provide guidance on settling proceedings before the Board. 35 U.S.C. 135(e) and 317, as amended, and 35 U.S.C. 327 will govern settlement of Board trial proceedings but do not expressly govern pre-institution settlement.

Proposed § 42.74(a) would reflect that the Board is not a party to a settlement agreement and may take any necessary action, including determination of patentability notwithstanding a settlement. This proposed rule is consistent with 35 U.S.C. 135(e), as amended, where the Board is not required to follow the settlement agreement if it is inconsistent with the evidence. The proposed rule is also consistent with 35 U.S.C. 317, as amended, and 35 U.S.C. 327, which provide that the Board may proceed to a final written decision even if no petitioner remains in the proceeding.

Proposed § 42.74(b) would provide that settlement agreements must be in writing and filed with the Board prior to termination of the proceeding. This proposed rule is consistent with 35 U.S.C. 317(b), as amended, and 327(b), which require the agreement to be in writing and filed before termination of the proceeding. The proposed rule is also consistent with 35 U.S.C. 135(e), as amended, which provides that parties may seek to terminate the derivation proceeding by filing a written statement.

Proposed § 42.74(c) would provide that a party to a settlement may request that the settlement be kept separate from an involved patent or application. The proposed rule is consistent with the requirements of 35 U.S.C. 135(e) and 317(b), as amended, and 35 U.S.C. 327(b).

### Certificate

*Section 42.80:* Proposed § 42.80 provides for issuance and publication of a certificate after the Board issues a final decision and the time for appeal has expired or an appeal has terminated. The proposed rule would be consistent with 35 U.S.C. 318, as amended, and 35 U.S.C. 328.

## Part 90—Judicial Review of Patent Trial and Appeal Board Decisions

The Leahy-Smith America Invents Act amends chapter 13 of title 35, United States Code, to provide for certain changes to the provisions for judicial review of Board decisions. A new part 90 of title 37, Code of Federal Regulations is proposed to be added to permit consolidation of rules relating to court review of Board decisions and to simplify reference to such practices. The proposed rules in part 90 would also implement the provisions of the Leahy-Smith America Invents Act associated with judicial review of agency actions addressed by the Leahy-Smith America Invents Act.

Current §§ 1.301 through 1.304, which relate to rules of practice in patent cases, would be removed from part 1 and relocated to part 90. Paraphrasing of the statute in those rules would be eliminated in the proposed new rules in favor of directing the reader to the relevant statutory provisions. This change would avoid the need for the Office to amend the rules when statutory amendments are made. It would also avoid undue public reliance on the Office's paraphrase of statutory text. The proposed rules in part 90 would better state the existing practice and are not intended to change the existing practice except as explicitly provided.

**Section 90.1:** Proposed § 90.1 would clarify the scope of the proposed rules in part 90. The proposed rules in part 90 would be limited to rules governing the procedure by which a party dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under 35 U.S.C. 134 may seek judicial review of the Patent Trial and Appeal Board decision pursuant to Chapter 13 of title 35, United States Code. This would include judicial review of the Patent Trial and Appeal Board decisions arising out of *ex parte* prosecution. The proposed rules in part 90 would not apply to other avenues for judicial review of Office decisions that may be available, such as appeals from Trademark Trial and Appeal Board decisions pursuant to § 2.145, civil actions brought pursuant to the Administrative Procedure Act, or mandamus actions. The title of part 90 would indicate that this part would apply only to judicial review of Patent Trial and Appeal Board decisions.

Proposed § 90.1 would clarify that the rules in effect on July 1, 2012, would continue to govern appeals from *inter partes* reexamination proceedings. Section 7(e) of the Leahy-Smith America Invents Act maintains the statutory

provisions governing *inter partes* reexaminations requested under 35 U.S.C. 311, and the review provision of 35 U.S.C. 141 for Board decisions arising out of such reexaminations, as they existed at the time the Leahy-Smith America Invents Act was enacted. Accordingly, the Office will continue to apply the regulations as they existed when the Leahy-Smith America Invents Act was enacted (or as subsequently modified prior to July 1, 2012) for those proceedings. Further, § 3(n)(2) of the Leahy-Smith America Invents Act provides that the provisions of 35 U.S.C. 135 "as in effect on the day before the effective date set forth in paragraph (1) of this subsection" shall apply to certain applications. Thus, interference proceedings will still be available for a limited period for certain applications under the Leahy-Smith America Invents Act. Regarding judicial review of Board decisions arising out of such interferences, § 7(c) and (e) of the Leahy-Smith America Invents Act makes review by the Federal Circuit available under 35 U.S.C. 141 only for proceedings commenced before September 16, 2012. Similarly, § 3 of the Leahy-Smith America Invents Act makes review of interference decisions by a district court under 35 U.S.C. 146 available only if the provisions of § 3(n)(1) of the Leahy-Smith America Invents Act are not satisfied. That is because if the involved application contains a claim satisfying the terms of § 3(n)(1) of the Leahy-Smith America Invents Act (*e.g.*, a continuation-in-part application), then § 3(j) of the Leahy-Smith America Invents Act—changing 35 U.S.C. 146 from review of "an interference" to review of "a derivation proceeding"—applies, and district court review of a decision arising out of an interference proceeding under 35 U.S.C. 135 will not be available. To the extent that an interference proceeding under 35 U.S.C. 135 is available and judicial review of that decision is available, the Office will continue to apply the regulations as they existed when the Leahy-Smith America Invents Act was enacted (or as subsequently modified prior to July 1, 2012) to those proceedings. Lastly, note that certain interferences may be deemed to be eligible for judicial review as though they were derivation proceedings. See § 6(f)(3) of the Leahy-Smith America Invents Act.

**Section 90.2:** Proposed § 90.2 would address notice and service requirements associated with notices of appeal and civil actions seeking judicial review of Board decisions. The proposed rule would combine the notice and service

requirements of current §§ 1.301, 1.302, and 1.303 for proceedings addressed by those rules. Paraphrasing of the statute in those rules would be eliminated in proposed § 90.2 in favor of directing the reader to the relevant statutory provisions to streamline the rules and prevent confusion. The proposed rule would also include references to pertinent statutory provisions or court rules that apply in such court proceedings. Proposed § 90.2 would further add provisions associated with judicial review of Board decisions in *inter partes* reviews, post-grant reviews, covered business method patent reviews, and derivation proceedings.

Proposed § 90.2 would require parties filing an appeal under 35 U.S.C. 141, initiating a civil action pursuant to 35 U.S.C. 146, or electing under 35 U.S.C. 141(d) to proceed under 35 U.S.C. 146, to file a copy of the notice of appeal, complaint, or notice of election, respectively, with the Board in the appropriate manner provided in § 41.10(a), 41.10(b), or 42.6(b). The proposed rule would also require that a complaint under 35 U.S.C. 146 be filed with the Board no later than five business days after filing the complaint in district court. These requirements would ensure that the Board is aware of such proceedings and would prevent further action within the Office consistent with the Board decision at issue in the appeal or civil action. Proposed § 90.2 would further require that the complaint be filed with the Office pursuant to § 104.2 within the same five business day time period. That requirement similarly assures that the Office has adequate notice of the pending judicial review proceeding.

**Section 90.3:** Proposed § 90.3 would address the time for filing a notice of appeal under 35 U.S.C. 142 and a notice of election under 35 U.S.C. 141(d), as amended, and the commencement of a civil action.

Proposed § 90.3(a) would address the time for filing a notice of appeal or a civil action seeking judicial review of a Board decision. The proposed rule would extend the period for filing a notice of appeal or a civil action under § 1.304 to sixty-three (63) days. This proposed change would avoid confusion regarding that period, which was two months except when the two-month period included February 28, in which case the period was two months and one day. The proposed sixty-three (63) day period would result in the deadline for filing a notice of appeal or a civil action falling on the same day of the week as the Board decision. Thus, the proposed rule would minimize calculations regarding extensions of time pursuant to

35 U.S.C. 21(b), which applies when the time period ends on a Saturday, Sunday, or Federal holiday in the District of Columbia, by eliminating the possibility that a Saturday or Sunday would be the final day of the period.

Proposed § 90.3(a) would also remove language regarding the time for cross-appeals from § 1.304. Instead, the proposed rule would refer to the pertinent rules in the Federal Rules of Appellate Procedure and the Rules for the United States Court of Appeals for the Federal Circuit to avoid confusion or inconsistency. The proposed rule would also add a reference to 35 U.S.C. 141(d) for both the relevant time for filing a notice of election under that statute and the relevant time for commencing a civil action pursuant to a notice of election under that statute.

Proposed § 90.3(b) and (c) would incorporate provisions from current § 1.304 addressing computation of time and extensions of time.

### Rulemaking Considerations

*A. Administrative Procedure Act (APA):* This notice proposes rules of practice concerning the procedure for requesting an *inter partes* review, post-grant review, covered business method patent review, or a derivation, and the trial process after initiation of such a review. The notice also proposes changes to the rule of practice to consolidate the procedure for appeal of a decision by the Board and to require that a copy of the notice of appeal, notice of election, and complaint be provided to the Board. The changes being proposed in this notice do not change the substantive criteria of patentability. These proposed changes involve rules of agency practice and procedure 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 standard 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).

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)). The Office, however, is publishing these changes and the Initial Regulatory Flexibility Act analysis, below, for comment as it seeks the benefit of the public’s views on the Office’s proposed implementation of these provisions of the Leahy-Smith America Invents Act.

*B. Regulatory Flexibility Act:* The Office estimates that 460 petitions for *inter partes* review, 50 petitions for post-grant review and covered business method patent review combined, and 50 petitions for derivation proceedings will be filed in fiscal year 2013. This will be the first fiscal year in which review proceedings will be available for an entire fiscal year, and derivation proceedings will be available for more than 6 months. The estimate for *inter partes* review petitions is partially based on the number of *inter partes* reexamination requests under 37 CFR 1.915 that have been filed in fiscal years 2010 and 2011.

The Office received 281 requests for *inter partes* reexamination in fiscal year 2010. See Table 13B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2010, available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

The Office received 374 requests for *inter partes* reexamination in fiscal year 2011. See Table 14B of the United States Patent and Trademark Office Performance and Accountability Report for Fiscal Year 2011, available at <http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>.

Additionally, the Office takes into consideration the recent growth rate in the number of requests for *inter partes* reexamination, the projected growth due to an expansion in the number of eligible patents under the *inter partes* review provisions of the Leahy-Smith America Invents Act (see § 6(c)), and the more restrictive filing time period in 35 U.S.C. 315(b) as amended by the Leahy-Smith America Invents Act.

In fiscal year 2013, it is expected that no post-grant review petitions will be received, other than those filed under the transitional program for covered business method patents. Thus, the estimated number of post-grant review petitions including 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 <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 (Feb. 2011) 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 qualified 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 in estimating the number of petitions for covered business method patent review to be higher than 20 requests due to an expansion of 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. It is not anticipated that any post-grant review petitions will be received in fiscal year 2013 as only patents issuing based on certain applications filed on or after March 16, 2013, or certain applications involved in an interference proceeding commenced before September 12, 2012, are eligible for post-grant review. See Pub. L. 112–29, § 6(f), 125 Stat. 284, 311 (2011).

The Office expects the number of newly declared interferences to decrease as some parties file *inter partes* review petitions rather than file reissue applications of their own earlier filed patents. Parties filing such reissue applications often seek a review of another party’s issued patent in an interference proceeding.

The Office has reviewed the entity status of patents for which *inter partes* reexamination was requested from October 1, 2000, to September 23, 2011. This data only includes filings granted a filing date in the particular year rather

than filings in which a request was received in the year. 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 32.79% 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 *inter partes* review, post-grant review, covered business method patent review, and derivation proceedings, it is estimated that 151 petitions for *inter partes* review, 16 petitions for post-grant and covered business method patent review combined, and 16 petitions for derivation proceedings would be filed to seek review of patents owned by a small entity in fiscal year 2013, the first full fiscal year that these proceedings will be available.

TABLE 1—*Inter partes* REEXAMINATION REQUESTS FILED WITH PARENT ENTITY TYPE \*

[\* Small entity status determined by reviewing preexamination small entity indicator for the parent patent]

Fiscal year	<i>Inter partes</i> reexamination requests filed	Number filed where parent patent is small entity type	Percent small entity type of total
2011 .....	329	123	37.39
2010 .....	255	94	36.86
2009 .....	240	62	25.83
2008 .....	155	52	33.55
2007 .....	127	35	27.56
2006 .....	61	17	27.87
2005 .....	59	18	30.51
2004 .....	26	5	19.23
2003 .....	21	12	57.14
2002 .....	4	1	25.00
2001 .....	1	0	0.00
	1,278	419	32.79

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 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 no less than 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 estimated 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, would be

incomplete and any estimate adjustment would be administratively burdensome. Thus, it is estimated that the number of small entity patents in force in fiscal year 2013 will be at least 375,000.

Based on the estimated number of patents in force, the number of small entity owned patents impacted by *inter partes* review in fiscal year 2013 (151 patents) would be less than 0.05% (151/375,000) of all patents in force that are owned by small entities. Moreover, post-grant and covered business method patent review and derivation would have a smaller impact. The USPTO nonetheless has undertaken an Initial Regulatory Flexibility Act Analysis of the proposed rule.

1. Description of the Reasons That Action by the Office Is Being Considered: On September 16, 2011, the Leahy-Smith America Invents Act was

enacted into law (Pub. L. 112–29, 125 Stat. 284 (2011)). Section 6 of the Leahy-Smith America Invents Act amends chapter 31 of title 35, United States Code, to create a new *inter partes* review proceeding which will take effect on September 16, 2012, one year after the date of enactment, and eliminate *inter partes* reexamination (except for requests filed before the effective date of September 16, 2012). Section 6 of the Leahy-Smith America Invents Act further amends title 35, United States Code, by adding chapter 32 to create a new post-grant review proceeding. Section 18 of the Leahy-Smith America Invents Act 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. Additionally, § 3(i) of the Leahy-Smith America Invents Act amends 35 U.S.C. 135 to provide for derivation proceedings and eliminate the interference practice as to applications and patents that have an effective filing date on or after March 16, 2013 (with a few exceptions). For the implementation, §§ 6(c) and 6(f) of the Leahy-Smith America Invents Act requires that the Director issue regulations to carry out chapter 31, as amended, and chapter 32 of title 35, United States Code, within one year after the date of enactment. Public Law 112–29, §§ 6(c) and 6(f), 125 Stat. 284, 304 and 311 (2011). Moreover, 35 U.S.C. 135(b), as amended, requires that the Director prescribe regulations to set forth the standards for conducting derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.

2. Succinct Statement of the Objectives of, and Legal Basis for, the Proposed Rules: The proposed rules seek to implement *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings as authorized by the Leahy-Smith America Invents Act. The Leahy-Smith America Invents Act requires that the Director prescribe rules for the *inter partes*, post-grant, and 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 6 months if good cause is shown. See 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11). The Leahy-Smith America Invents Act also requires that the Director, in prescribing rules for the

*inter partes*, post-grant, and 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 timely the instituted proceedings. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). Consistent with the time periods provided in 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), the proposed rules are designed to, except where good cause is shown to exist, result in a final determination by the Patent Trial and Appeal Board within one year of the notice of initiation of the review. This one-year review will enhance the effect on the economy, and improve the integrity of the patent system and the efficient administration of the Office.

3. Description and Estimate of the Number of Affected Small Entities: The Small Business Administration (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 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 small business size standards set forth in 13 CFR 121.201, the size standard for USPTO is not industry-specific. The Office's definition of a 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 (Nov 20, 2006), 1313 *Off. Gaz. Pat. Office* at 63 (Dec. 12, 2006).

As discussed above, it is anticipated that 460 petitions for *inter partes* review, 50 petitions for post-grant review and covered business method patent review combined, and 50 petitions for derivation proceedings will be filed in fiscal year 2013. The Office has reviewed the percentage of patents for which *inter partes* reexamination was requested from October 1, 2000 to September 23, 2011. 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 32.79% 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 the new review proceedings, it is estimated that 151 patents owned by small entities would be affected by *inter partes* review, and that 16 patents owned by small entities would be affected by a post-grant or covered business method patent review.

For derivation proceedings, the Office has reviewed the percentage of applications and patents for which an interference was declared in fiscal year 2011. Applications and patents known to be owned by a small entity represent 19.62% of applications and patents for which interference was declared in FY 2011. Based on the assumption that the same percentage of applications and patents owned by small entities will be involved in a derivation proceeding, 20 small entity owned applications or patents would be affected by derivation proceeding.

The USPTO estimates that 2.5% of patent owners will file a request for adverse 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 21 patent owners will file a request for adverse judgment or fail to participate after institution in *inter partes* review, and an estimated 2 patent owners will do so in post-grant and covered business method proceedings combined. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%) from October 1, 2000 to September 23, 2011, it is estimated that 7 small entities will file such requests or fail to participate in *inter partes* review proceedings, and an estimated 1 small entity will do so in post-grant or covered business method patent review combined.

Under the proposed 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 desire to avoid 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 result in the filing of a patent owner preliminary response. Where an *inter partes* review petition is filed close to the expiration of the one-year period set forth in 35 U.S.C. 315(b), as amended, a patent owner would likely be advantaged by filing a successful preliminary response. In view of these considerations, it is anticipated that 90% patent owners will file a preliminary response. Specifically, the Office estimates that 406 patent owners will file a preliminary response to an *inter partes* review petition, and an estimated 45 patent owners will file a preliminary response to a post-grant or covered business method petition. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%), it is estimated that 133 small entities will file a preliminary response to an *inter partes* review petition, and 15 small entities will file a preliminary response to a post-grant or covered business method patent review petition in fiscal year 2013.

Under the proposed 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](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf). The Office also considered the impact of: (1) Patent owner preliminary responses under newly authorized in 35 U.S.C. 313, as amended, and 35 U.S.C. 323, (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 314(a), as amended, and 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. 315(b), as amended, and 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 10% of the petitions for review (50 divided by 498) would be dismissed.

The Office predicts that it will institute 10 derivation proceedings based on petitions seeking derivation filed in fiscal year 2013. This estimate is based on the low number of interference proceedings declared, as well as the limited number of eligible applications.

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 19 requests for reconsideration will be filed. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%) and the percentage of small entity owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that 6 small entities will file a request for a reconsideration of a decision

dismissing the petition for review or derivation in fiscal year 2013.

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. Based on the review, it is anticipated that: (1) *Inter partes* reviews will have an average of 6.92 motions, oppositions, and replies per trial after institution, (2) post-grant and covered business method patent reviews will have an average of 8.89 motions, oppositions, and replies per trial after institution, and (3) derivation proceedings will have an average of 23.4 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 trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed.

After a trial has been instituted but prior to a final written decision, parties to a review or derivation proceeding may request an oral hearing. It is anticipated that 466 requests for oral hearings will be filed 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 notice of proposed rulemaking. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%), it is estimated that 153 small entities will file a request for oral hearing in the reviews and derivations instituted in fiscal year 2013.

Parties to a review or derivation proceeding 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. Parties to derivation proceedings may also file arbitration agreements and awards. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options will be infrequently used. The Office estimates that 20 requests to treat a settlement as business confidential; 103 requests for adverse judgment, default adverse judgment, or settlement notices; and 2 arbitration agreements and awards will be filed. The Office also estimates that 20 requests to make a settlement available will be filed. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%) and the percentage of small entity owned patent

applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that 7 small entities will file a request to treat a settlement as business confidential, 34 small entities will file a request for adverse judgment, default adverse judgment notices, or settlement notices, and 1 small entity will file an arbitration agreement and award in the reviews and derivations instituted in fiscal year 2013.

Parties to a review or derivation proceeding may seek judicial review of the final decision of the Board. Historically, 33% of examiner's decisions in *inter partes* reexamination proceedings have been appealed to the Board. It is anticipated that 16% of final decisions of the Board would be appealed. The reduction in appeal rate is based on the higher threshold for institution, the focused process, and the experience of the Board in conducted contested cases. Therefore, it is estimated that 56 parties would seek judicial review of the final decisions of the Board in reviews and derivations instituted in fiscal year 2013. In addition, appeals in other final decisions of the Board are anticipated to continue at the same rate, but with a higher base rate of final decisions. Based on this expectation, it is estimated that 138 parties would seek judicial review of other final decisions of the Board. Furthermore, based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%) and the percentage of small entity owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that 18 small entities would seek judicial review of final decisions of the Board in the reviews and derivations instituted in fiscal year 2013.

4. Description of the Reporting, Recordkeeping, and Other Compliance Requirements of the Proposed 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: Based on the filing trends of *inter partes* reexamination requests, it is anticipated that petitions for review will be filed across all technologies with approximately 50% being filed in electrical technologies, approximately 30% in mechanical technologies, and the remaining 20% in chemical technologies and design. However, covered business method patent reviews would be limited to business method patents that are not patents for technological inventions. Under the

proposed rules, a person who is not the owner of a patent may file a petition to institute a review of the patent, 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 same or similar field as the patent. Therefore, it is anticipated that 50% of the petitions for review will be filed in the electronic field, 30% in the mechanical field, and 20% in the chemical or design fields.

Based on the trends of declared contested cases in fiscal year 2011, it is anticipated that petitions for derivation will be filed across all technologies with approximately 16% in electrical technologies, approximately 17% in mechanical technologies, and the remaining 67% in chemical technologies and design. A derivation petition is likely to be filed by an entity practicing in the same or similar field as the patent. Therefore, it is anticipated that 16% of the petitions for review will be filed in the electronic field, 17% in the mechanical field, and 67% in the chemical or design fields.

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 notice provides the proposed procedural requirements that are common for the new trials. Additional requirements are provided in contemporaneous trial specific proposed rulemaking. The procedures for petitions to institute an *inter partes* review are proposed in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105. The procedures for petitions to institute a post-grant review are proposed in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205. The procedures for petitions to institute a covered business method patent review are proposed 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 procedures for petitions to institute a derivation proceeding are proposed in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(4), 42.63, 42.65, and 42.402 through 42.406.

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, to represent a party in an *inter partes* reexamination, and to represent a party in an interference proceeding before the

Patent Trial and Appeal Board. The level of skill is typically 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 *inter partes* review is anticipated to be the same as the cost for preparing a request for *inter partes* reexamination. 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. Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Accordingly, the Office estimates that the cost of preparing a petition for *inter partes* review would be \$46,000 (including expert costs).

The cost of preparing a petition for post-grant or covered business method patent review is estimated to be 33.333% higher than the cost of preparing a petition for *inter partes* review because the petition for post-grant or covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. Therefore, the Office estimates that the cost of preparing a petition for post-grant or covered business method patent review would be \$61,333. It is expected that petitions for derivation would have the same complexity and cost as a petition for post-grant review because derivation proceedings raise issues of conception and communication, which have similar complexity to the issues that can be raised in a post-grant review, *i.e.*, public use, sale and written description. Thus, the Office estimates that the cost of preparing a petition for derivation would also 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 proposed fees for filing a petition for *inter partes* review are: \$27,200 for requesting review of 20 or fewer claims, \$34,000 to request review of 21 to 30 claims, \$40,800 to request review of 31 to 40 claims, \$54,400 to request review

of 41 to 50 claims, \$68,000 to request review of 51 to 60 claims, and an additional \$27,200 to request review of additional groups of 10 claims. The fees for filing a petition for post-grant or covered business method patent review would be: \$35,800 to request review of 20 or fewer claims, \$44,750 to request review of 21 to 30 claims, \$53,700 to request review of 31 to 40 claims, \$71,600 to request review of 41 to 50 claims, \$89,500 to request review of 51 to 60 claims, and an additional \$35,800 to request review of additional groups of 10 claims.

In setting fees, the estimated information technology cost to establish the process and maintain the filing and storage system through 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 fees would be \$2,122 for requesting review of 21–30 claims, \$2,557 for requesting review of 31–40 claims, \$3,409 for requesting review of 41–50 claims, \$4,267 for requesting review of 51–60 claims, and an additional \$1,705 for requesting review of additional groups of 10 claims. 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 *inter partes* review with 20 or fewer challenged claims, it is anticipated that 98.7 hours of judge time would be required. For 21 to 30 challenged claims, an additional 24.7 hours is anticipated for a total of 123.4 hours of judge time. For 31 to 40 challenged claims, an additional 49.3 hours is anticipated for a total of 148 hours of judge time. For 41 to 50 challenged claims, an additional 98.7 hours is anticipated for a total of 197.4 hours of judge time. For 51 to 60 claims, an additional 148 hours is anticipated for a total of 246.7 hours of judge time. The increase in adjustment reflects the added complexity that typically occurs as more claims are in dispute.

For a petition for post-grant or covered business method patent review with 20 or fewer challenged claims, it is anticipated that 132 hours of judge time will be required. For 21 to 30 challenged claims, an additional 33 hours is anticipated for a total of 165 hours of judge time. For 31 to 40 challenged claims, an additional 66 hours is anticipated for a total of 198 hours of

judge time. For 41 to 50 challenged claims, an additional 132 hours is anticipated for a total of 264 hours of judge time. For 51 to 60 challenged claims, an additional 198 hours is anticipated for a total of 330 hours of judge time. The increase in adjustment reflects the added complexity that typically occurs as more claims are in dispute.

The proposed rules would 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 proposed 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 100 hours of professional time and cost \$34,000 (including expert costs). The *AIPLA Report of the Economic Survey 2011* reported that the average cost for *inter partes* reexamination including of the request (\$46,000), the first patent owner response, and third party comments was \$75,000 (*see* I–175) and the median billing rate for professional time of \$340 per hour for attorneys in private firms (*see* 8). Thus, the cost of the first patent owner reply and the third party statement is \$29,000. 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, an estimated \$34,000 (including expert costs).

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, for a cost of \$27,200. This estimate is based on the complexity of the issues and desire to avoid time bars imposed by 35 U.S.C. 315(b), as amended, and 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 are proposed 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, 42.121, 42.221, 42.123, and 42.223. The procedures for filing an opposition are proposed 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 procedures for filing a reply are proposed 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 *inter partes* review will have 6.92 motions, oppositions, and replies after institution. The average post-grant or covered business method patent review will have 8.89 motions, oppositions, and replies after institution. The average derivation proceeding is anticipated to have 23.4 motions, oppositions, and replies after institution.

The *AIPLA Report of the Economic Survey 2011* reported that the average cost in contested cases before the trial section of the Board prior to the priority phase was \$322,000 per party. Because of the overlap of issues in patentability grounds, it is expected that the cost per motion will decline as more motions are filed in a proceeding. It is estimated that a motion, opposition, or reply in a derivation would cost \$34,000 (including expert costs) which is estimated by dividing the total public cost for all motions in current contested cases divided by the estimated number of motions in derivations under 35 U.S.C. 135, as amended. The cost of a motion, opposition, or reply in a post-grant review is estimated at \$44,200 (including expert costs), reflecting the reduction in overlap between motions relative to derivation. The cost of a motion, opposition or reply in an *inter partes* review would be \$47,600 (including expert costs). Based on the work required to file and prepare such briefs, the Office considers the reported cost as a reasonable estimate.

After a trial has been instituted but prior to a final written decision, parties to a review or derivation proceeding may request an oral hearing. The procedure for filing requests for oral argument is proposed 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 \$800 more than the reported third quartile cost for an *ex parte* oral hearing.

Parties to a review or derivation proceeding may file requests to treat a settlement as business confidential, request for adverse judgment, and arbitration agreements and awards. 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 proposed in §§ 42.74(c) and 42.409. The procedures to file requests for adverse judgment are proposed in § 42.73(b). The procedures to file arbitration agreements and awards are proposed § 42.410. The procedures to file requests to make a settlement agreement available are proposed in § 42.74(c)(2). It is anticipated that requests to treat a settlement as business confidential will require 2 hours of professional time or \$680. It is anticipated that requests for adverse judgment will require 1 hour of professional time or \$340. It is anticipated that arbitration agreements and awards will require 4 hours of professional time or \$1,360. It is anticipated that requests to make a settlement agreement available will require 1 hour of professional time or \$340. The requests to make a settlement agreement available will also require payment of a fee of \$400 specified in proposed § 42.15(d). The fee proposed would be the same as 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 proposed 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 6 minutes of professional time at a cost of \$34.

##### 5. Description of Any Significant Alternatives to the Proposed Rules Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Rules on Small Entities:

Size of petitions and motions: The Office considered whether to apply a

page limit and what an 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, [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](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, 5 page limit for miscellaneous issues, and 10 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 9 months in fiscal year 2011. The percentage of contested cases terminated within 2 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, <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 interference 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. Proposed § 42.24 would provide page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 316(b), as amended, and 35

U.S.C. 326(b) provide 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 timely the trials. The page limits proposed in these rules are 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 farther 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, easing the burden of motions practice on the parties and on 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 proposed rules, an *inter partes* review petition would be based upon any grounds identified in 35 U.S.C. 311(b), as amended, *i.e.*, only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing a single prior art motion, limited to 25 pages in

length. The proposed rule would provide up to 50 pages in length for a motion requesting *inter partes* review. Thus, as the proposed page limit doubles the default page limit currently set for a motion before the Board, a 50 page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

Under the proposed rules, a post-grant 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, 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 proposed 70 page limit is considered sufficient in all but exceptional cases.

Covered business method patent review is similar in scope to that of post-grant review, as there is substantial overlap in the statutory grounds permitted for review. Thus, the proposed page limit for proposed covered business method patent reviews is 70 pages, which is the same as that proposed for post-grant review.

Petitions to institute derivation proceedings raise a subset of issues that are currently raised in interferences in a motion for judgment on priority of invention. Currently, motions for judgment on priority of invention, including issues such as conception, corroboration, and diligence, are generally limited to 50 pages. Thus, the proposed 50 page limit is considered sufficient in all but exceptional cases.

The proposed rule would provide 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 interference miscellaneous motion practice. Accordingly, the proposed 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.

Proposed § 42.24(b) would provide page limits for oppositions filed in response to motions. Current contested case 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 proposed rule would continue the current practice.

Proposed § 42.24(c) would provide page limits for replies. Current contested case practice provides a 15 page limit for priority motion replies, a 5 page limit for miscellaneous (procedural) motion replies, and a 10 page limit for all other motions. The proposed rule is consistent with current contested case practice for procedural motions. The proposed rule would provide 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 to not only 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 Leahy-Smith America Invents Act requires that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings. *See* 35 U.S.C. 316(b), as amended, and 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), proposing procedures with reasonable page limits would be consistent with the objectives set forth in the Leahy-Smith America Invents Act. 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. 311(a), as amended, and 35 U.S.C. 321(a) require 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 current 35 U.S.C. 311(b) and 312(c), the Leahy-Smith America Invents Act requires the Director to establish more than one fee for reviews based on the total cost of performing the reviews, and does not provide for refund of any part of the fee when the Director determine that the review should not be initiated.

35 U.S.C. 312(a)(1), as amended, and 35 U.S.C. 322(a)(1) further require that the fee established by the Director under 35 U.S.C. 311(a), as amended, or 35 U.S.C. 321 accompany the petition on filing. Accordingly, in interpreting the fee setting authority in 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a), it is reasonable that the Director should 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 request is refused due to improper fee payment. Any subsequent petition would be time barred in view 35 U.S.C. 315(b), as amended, or 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, the option would have a negative impact on small entities. Moreover, interferences 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 interference records were often a collection of disparate issues and evidence. This led to lengthy and unwarranted delays in deciding interference cases as well as increased costs for parties and the Office. Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

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 10 pages for a single “fact” that merely cut and pasted a portion of a declarant’s cross-examination. Based upon the trial section’s experience with unlimited pages of facts, the Board recently reverted back to a fixed page limit for the entire motion (argument and facts). Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

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 timely reviews, 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. 312, as amended, and 35 U.S.C. 322 that require the fee established by the Director be paid at the time of filing the petition. Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

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. The Office shall set the fee to recover the cost of providing the services under 35 U.S.C. 41(d)(2)(a). 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 proceedings.” *See* Introduction to *An E-Discovery Model Order*, available at [http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery\\_Model\\_Order.pdf](http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf). Accordingly, this alternative would have been inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. The Board's experience in contested cases, however, is that such showings are often lacking and authorization for additional discovery is expected to be rare. While an interests-of-justice standard would be employed in granting additional discovery in *inter partes* reviews and derivation proceedings, the post-grant review and covered business method patent review would employ a good cause standard in granting additional discovery.

To promote effective discovery, the proposed rule would require a showing that additional requested discovery would be productive in *inter partes* reviews and derivation proceedings. An interests-of-justice standard for additional discovery is proposed for *inter partes* reviews and derivation proceedings. This standard is consistent with the considerations identified in 35 U.S.C. 316(b) and 135(b), as amended, including the efficient administration of the Board and the Board's ability to complete timely trials. Further, the proposed interests-of-justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests of justice.

Good cause and interests of justice are closely related standards, but the interests-of-justice standard is slightly higher than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under the interests-of-justice standard, the moving party would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the non-moving party. The interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

The Office is proposing 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 an agreement 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 proposed rule, if adopted, would allow for this practice in the new proceedings authorized by the Leahy-Smith America Invents Act.

The proposed rules would 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 proposed rule would delegate to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rule would also delegate 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 for representation before the Board and has a patent review 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 Leahy-Smith America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

*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. 314, as amended, and 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 proposed 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 Leahy-Smith

America Invents Act that the Director, in prescribing rules for the *inter partes*, post-grant, and 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 timely the instituted proceedings.

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, if the proposed option is adopted, it is expected that the entity size and sophistication would be considered in determining whether alternative filing methods would be authorized.

6. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict With the Proposed Rules:

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 § 6(c)(3)(C) of the Leahy-Smith America Invents Act.

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.

The notice also proposes changes to the rule of practice to consolidate the procedure for notifying the Office and other parties in the proceeding when a party seeks judicial review of a Board decision. In fiscal year 2010, the Board issued 7,312 decisions, and only 61 notices of appeal were filed with the Office and no civil action was commenced. In fiscal year 2011, the Board issued 7,551 decisions, and only 100 notices of appeal were filed with the Office and 7 civil actions were commenced. As such, the average rate for fiscal years 2010 and 2011 was 1.13%  $((61/7,312 + 107/7,551)/2 \times 100)$ . Based on current projections with additional resources, it is anticipated that the Board will issue 10,500 decisions in fiscal year 2013. Thus, it is estimated that 137 notices of appeal (and notices of election) would be filed with the Office. Historically, one third of *inter partes* reexamination proceedings have been appealed to the Board. Based on an assumption that the appeal rate from the Board for the new proceedings will be 50% of the historic rate, 57 additional notices of appeal will be filed based on the new trials sought in fiscal year 2013. Based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%) and the percentage of small entity owned patent applications or patents that were the subject of an interference declared in fiscal year 2010 (19.62%), it is estimated that 63 small entities will be required to file notices of appeal and notices of elections.

The proposed rule also requires that a copy of the notice of appeal or notice of election and complaint be provided to the Board, thus an additional 194 (137 + 57) copies would be required.

*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).

The Office estimates that the aggregate burden of the proposed rules for implementing the new review

procedures is approximately \$80.6 million for fiscal year 2013. The USPTO considered several factors in making this estimate.

Based on the petition and other filing requirements for initiating a review proceeding, the USPTO initially estimated the burden of the proposed rules on the public to be \$209,131,529 in fiscal year 2013, which represents the sum of the estimated total annual (hour) respondent cost burden (\$190,280,456) plus the estimated total annual non-hour respondent cost burden (\$18,851,073) provided in Item (O)(II) of the Rulemaking Considerations section of this notice, *infra*. However, since the Leahy-Smith America Invents Act also eliminates *inter partes* reexamination practice (except for requests filed before the effective date of September 16, 2012) and interference practice as to applications and patents that have an effective filing date on or after March 16, 2013, (with a few exceptions), the burden of the proposed rules should be offset by the eliminations of these proceedings and their associated burdens.

It is estimated that 460 new requests for *inter partes* reexamination would have been filed in FY 2012 if the Leahy-Smith America Invents Act had not been enacted. This estimate is based on the number of proceedings filed in fiscal years 2011 (374), 2010 (280), and 2009 (258). Elimination of 460 proceedings reduces the public's burden to pay filing fees by \$4,048,000 (460 filings with an \$8,800 filing fee due) and the public's burden to prepare requests by \$21,160,000 (460 filings with \$46,000 average cost to prepare). Based on the assumption that 93% of the requests would be ordered (consistent with the fiscal year 2011 grant rate), the burden to conduct the proceeding until close of prosecution will reduce the public's burden by \$89,880,000 (428 proceedings that would be estimated to be granted reexamination multiplied by \$210,000 which is average cost cited in the *AIPLA Report of the Economic Survey 2011* per party cost until close of prosecution reduced by the \$46,000 request preparation cost). Additionally, the burden on the public to appeal to the Board would be reduced by \$5,358,000 (based on an estimate that 141 proceedings would be appealed to the Board which is estimated based on the number of granted proceedings (428) and the historical rate of appeal to the Board ( $\frac{1}{3}$ ) and an average public cost of \$38,000). Thus, \$120,446,000 in public burden will be eliminated by the elimination of new filings of *inter partes* reexamination (the sum of \$4,048,000 (the filing fees), \$21,160,000 (the cost of



preparing requests), \$89,880,000 (the prosecution costs), plus \$5,358,000 (the burden to appeal to the Board)).

The public burden due to a reduction in the number of interferences declared, from 64 to 51, is estimated at \$9,484,400 based on the assumption that the current percentage of interferences decided in the preliminary phase (80%) would continue on the lower number of proceedings instituted and based on cost to the public. To calculate this public burden due to a reduction in the number of interferences declared (\$9,484,400), the following information was used. The average public burden for a two party interference decided in the preliminary phase reported in the *AIPLA Report of the Economic Survey 2011* is \$644,000 (if decided in the preliminary phase) and \$1,262,000 (if decided after the preliminary phase). It is estimated that had the Leahy-Smith America Invents Act not been enacted, 52 interferences would have been decided in the preliminary phase, and 12 would have been decided after the preliminary phase, equating to a public burden of \$48,632,000 (52 multiplied by \$644,000 equals \$33,488,000), plus 12 multiplied by \$1,262,000 equals \$15,144,000 for a total of \$48,632,000. It is estimated that 51 interferences will be instituted in fiscal year 2013, at an average public burden of \$767,600 (80% of \$644,000 plus 20% of \$1,262,000) per interference, or a total of \$39,147,600 (51 multiplied by \$767,600). Accordingly, it is estimated that burden to the public due to the reduction of interferences would be the total public burden for interferences of \$48,632,000 minus total public burden for estimated interferences for fiscal year 2013 of \$39,147,600, or \$9,484,400.

Thus, a total of \$129,930,400 in public burden will be eliminated by the reduction in the number of interferences that would be declared and by eliminating new filings of *inter partes* reexamination (this total is a sum of the following identified above: Elimination of filing fees (\$4,048,000), cost of preparing requests (\$21,160,000), prosecution costs until close of prosecution (\$89,880,000), burden to appeal to the Board (\$5,358,000) in new *inter partes* reexamination proceedings, and the reduction in interference burden (\$9,484,400)). Therefore, the estimated aggregate burden of the proposed rules for implementing the new review proceedings would be \$79,201,129 (\$209,131,529 minus \$129,930,400) in fiscal year 2013.

The USPTO expect several benefits to flow from the Leahy-Smith America Invents Act and these proposed rules. It is anticipated that the proposed rules

will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326(a) provide 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, [http://www.uspto.gov/patents/Reexamination\\_operational\\_statistic\\_through\\_FY2011Q4.pdf](http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf).

Likewise, it is anticipated that the proposed rules will minimize duplication of efforts. In particular, the Leahy-Smith America Invents Act provides more coordination between district court infringement litigation and *inter partes* review to reduce duplication of efforts and costs. For instance, 35 U.S.C. 315(b), as amended, will require that a petition for *inter partes* review be filed within one year of the date of service of a complaint alleging infringement of a patent. By requiring the filing of an *inter partes* review petition earlier than a request for *inter partes* reexamination, and by providing shorter timelines for *inter partes* review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.

The *AIPLA Report of the Economic Survey 2011* reports that the total cost of patent litigation where the damages at risk are less than \$1,000,000 average \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 average \$2,769,000, and where the damages at risk exceed \$25,000,000 average \$6,018,000. There may be a significant reduction in overall burden if, as intended, the Leahy-Smith America Invents Act and the proposed 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, [www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/C02ASep10.pdf](http://www.uscourts.gov/uscourts/Statistics/JudicialBusiness/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 (\$79,201,056) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new *inter partes* review proceedings.

*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 effect 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 proposed in this notice 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. 1501–1571.

*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 proposed 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 notice has been submitted to OMB under OMB control number 0651–00xx. The proposed collection will be available at the OMB’s Information Collection Review Web site at: [www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain).

The USPTO is submitting the information collection to OMB for its review and approval because this notice of proposed rulemaking will add the following to a collection of information:

(1) Petitions to institute an *inter partes* review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105);

(2) Petitions to institute a post-grant review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205);

(3) 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);

(4) Petitions to institute a derivation proceeding (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(4), 42.63, 42.65, and 42.402 through 42.406);

(5) 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, 42.121, 42.221, 42.123, and 42.223);

(6) 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, 42.107, 42.120, 42.207, and 42.220);

(7) Replies provided for in 35 U.S.C. 135 and 311–318, as amended, and new 35 U.S.C. 319 and 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); and

(8) Notices of judicial review of a Board decision, including notices of appeal and notices of election provided for 35 U.S.C. 141, 142, 145 and 146 (§§ 90.1 through 90.3).

The proposed rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 316(a)(10), as amended, and 35 U.S.C. 326(a)(10), requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), requests that a settlement be treated as business confidential (§ 42.74(b) and 42.409) provided for in 35 U.S.C. 317, as amended, and 35 U.S.C. 327, and arbitration agreements and awards (§ 42.410) to a collection of information.

*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 31 of title 35, United States Code, in effect on September 16, 2012, provides for *inter partes* review proceedings allowing third parties to petition the USPTO to review the patentability of an issued patent under 35 U.S.C. 102 and 103 based on patents and printed publications. 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.

Chapter 32 of title 35 U.S.C. in effect on September 16, 2012, provides for post-grant review proceeding 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 Leahy-Smith America Invents Act 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. 35 U.S.C. 135 in effect on March 16, 2013, provides for petitions to institute a derivation proceeding at the USPTO for certain applications. The new rules for initiating and conducting these proceedings are proposed in this notice as new part 42 of title 37 of the Code of Federal Regulations.

In estimating the number of hours necessary for preparing a petition to institute an *inter partes* review, the USPTO considered the estimated cost of preparing a request for *inter partes* reexamination (\$46,000), the median billing rate (\$340/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*. It was estimated that a petition for an *inter partes* review and an *inter partes* reexamination request would cost the same to the preparing party (\$46,000). Since additional grounds are provided in post-grant review or covered business method patent review, 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.

In estimating the number of hours necessary for preparing motions after instituting and participating in the review, the USPTO considered in the *AIPLA Report of the Economic Survey 2011* which reported the average cost of a party to a two-party interference to the end of the preliminary motion phase (\$322,000) and inclusive of all costs (\$631,000). The Office considered that the preliminary motion phase is a good proxy for patentability reviews since that is the period of current contested cases before the trial section of the Board where most patentability motions are currently filed.

The USPTO also reviewed recent contested cases before the trial section of the Board to make estimates on 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 will have a somewhat less than proportional decrease in costs since the overlapping costs will be spread over fewer motions.

It is estimated that the cost of an *inter partes* review would be 60% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. An *inter partes* 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 *inter partes* review will not have priority-related issues that must be addressed in current contested cases before the trial section of the Board. Consequently, a 60% weighting factor should capture the typical costs of an *inter partes* review.

It is estimated that the cost of a post-grant review or 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. The basis for this estimate is similar to the basis for the *inter partes* review estimate. Since more patentability issues may be raised in the petition, the cost for these trials is expected to be somewhat higher. Again, a 75% weighting factor should capture the typical costs of a post-grant review or a covered business method patent review.

Derivations will be more like current contested cases before the trial section of the Board inasmuch as they may have a period which sets the stage for determining derivation and a derivation period. One half of derivations are anticipated to end in the preliminary motion period, while the other half are anticipated to proceed to decision on derivation. While it is recognized that fewer than half of all current contested cases before the trial section of the Board proceed to a priority decision, derivation contests are often more protracted than other current contested cases before the trial section of the Board. The costs associated with derivations through the preliminary motion period and through the derivation period should be comparable to the corresponding costs of current contested cases before the trial section of the Board.

The title, description, and respondent description of the information collection are shown below with an estimate of the annual reporting burdens. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. The principal impact of the proposed changes in this notice of proposed rulemaking is to implement the changes to Office practice necessitated by §§ 3(i), 6, and 18 of the Leahy-Smith America Invents Act.

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 or derivation 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. 314, as amended, or 35 U.S.C. 324 or derivation proceeding under 35 U.S.C. 135, as amended, and to prepare a final decision under 35 U.S.C. 135 or 318, as amended, or 35 U.S.C. 328.

*OMB Number:* 0651-00xx.

*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:* 1120 respondents and 4,967 responses per year.

*Estimated Time per Response:* The USPTO estimates that it will take the public from 0.1 to 180.4 hours to gather the necessary information, prepare the documents, and submit the information to the USPTO.

*Estimated Total Annual Respondent Burden Hours:* 559,648.4 hours per year.

*Estimated Total Annual (Hour) Respondent Cost Burden:* \$190,280,456 per year. The USPTO expects that the information in this collection will be prepared by attorneys. Using the professional rate of \$340 per hour for attorneys in private firms, the USPTO estimates that the respondent cost burden for this collection will be approximately \$190,280,456 per year (559,648.4 hours per year multiplied by \$340 per hour).

*Estimated Total Annual Non-Hour Respondent Cost Burden:* \$18,851,073 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 and postage costs where filing via mail is authorized. It is estimated that filing via mail will be authorized in one *inter partes* review petition filing and 3 subsequent papers. There are filing fees associated with petitions for *inter partes* review, post-grant review, and covered business method patent review and for requests to treat a settlement as business confidential. The total filing fees for this collection are calculated in the

accompanying table. The USPTO estimates that filings authorized to be filed via mail will be mailed to the USPTO by Express Mail using the U.S. Postal Service's flat rate envelope, which can accommodate varying submission weights, estimated in this case to be 16 ounces for the petitions

and two ounces for the other papers. The cost of the flat rate envelope is \$18.30. The USPTO estimates that the total postage cost associated with this collection will be approximately \$73 per year. The USPTO estimates that the total fees associated with this collection will be approximately \$18,851,073 per year.

Therefore, the total cost burden in fiscal year 2013 is estimated to be \$209,131,529 (the sum of the estimated total annual (hour) respondent cost burden (\$190,280,456) plus the estimated total annual non-hour respondent cost burden (\$18,851,073)).

Item	Estimated time for response (in hours)	Estimated annual responses	Estimated annual burden hours
Petition for <i>inter partes</i> review .....	135.3	460	62,238
Petition for post-grant review or covered business method patent review .....	180.4	50	9,020
Petition for derivation .....	180.4	50	9,020
Reply to initial <i>inter partes</i> review petition .....	100	406	40,600
Reply to initial post-grant review or covered business method patent review .....	100	45	4,500
Request for Reconsideration .....	80	146	11,680
Motions, replies and oppositions after institution in <i>inter partes</i> review .....	140	2,453	343,420
Motions, replies and oppositions after institution in post-grant review or covered business method patent review .....	130	342	44,460
Motions, replies and oppositions in derivation proceeding .....	120	210	25,200
Request for oral hearing .....	20	466	9,320
Request to treat a settlement as business confidential .....	2	20	40
Request for adverse judgment, default adverse judgment or settlement .....	1	103	103
Arbitration agreement and award .....	4	2	8
Request to make a settlement agreement available .....	1	20	20
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142) .... hour	0.1	194	19.4
<b>Totals .....</b>		<b>4,967</b>	<b>559,648.4</b>

Item	Estimated annual responses	Fee amount	Estimated annual filing costs
Petition for <i>inter partes</i> review .....	460	\$35,800	\$16,468,000
Petition for post-grant review or covered business method patent review .....	50	47,100	2,355,000
Petition for derivation .....	50	400	20,000
Reply to <i>inter partes</i> review petition .....	406	0	0
Reply to post-grant review or covered business method patent review petition .....	45	0	0
Request for Reconsideration .....	146	0	0
Motions, replies and oppositions after initiation in <i>inter partes</i> review .....	2,453	0	0
Motions, replies and oppositions after initiation in post-grant review or covered business method patent review .....	342	0	0
Motions, replies and oppositions in derivation proceeding .....	210	0	0
Request for oral hearing .....	466	0	0
Request to treat a settlement as business confidential .....	20	0	0
Request for adverse judgment, default adverse judgment or settlement .....	103	0	0
Arbitration agreement and awards .....	2	0	0
Request to make a settlement agreement available .....	20	400	8,000
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142) .....	194	0	0
<b>Totals .....</b>	<b>4,967</b>		<b>18,851,000</b>

**III. Solicitation**

The agency is soliciting comments to: (1) Evaluate whether the proposed information requirement is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (2) evaluate the accuracy of the agency's estimate of the burden; (3) enhance the quality, utility, and clarity of the information to be collected; and (4) minimize the burden of collecting the information on those who are to respond, including by using appropriate

automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

Interested persons are requested to send comments regarding this information collection by April 9, 2012, to: (1) The Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10202, 725 17th Street NW., Washington, DC 20503, Attention: Nicholas A. Fraser, the Desk Officer for the United States

Patent and Trademark Office, and via email at [nfraser@omb.eop.gov](mailto:nfraser@omb.eop.gov); and (2) The Board of Patent Appeals and Interferences by electronic mail message over the Internet addressed to [patent\\_trial\\_rules@uspto.gov](mailto:patent_trial_rules@uspto.gov), or by mail addressed to: Mail Stop Patent Board, Director of the United States Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450, marked to the attention of "Lead Judge Michael Tierney, Patent Trial Proposed Rules."

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 requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

#### List of Subjects

##### 37 CFR Part 42

Administrative practice and procedure, Inventions and patents, Lawyers.

##### 37 CFR Part 90

Administrative practice and procedure, Inventions and patents, Lawyers.

#### Proposed 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 proposes to amend 37 CFR chapter I as follows:

1. Add part 42 to read as follows:

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

Sec.

##### Subpart A—Trial Practice and Procedure

###### General

- 42.1 Policy.
- 42.2 Definitions.
- 42.3 Jurisdiction.
- 42.4 Notice of trial.
- 42.5 Conduct of the proceeding.
- 42.6 Filing of documents, including exhibits; service.
- 42.7 Management of the record.
- 42.8 Mandatory notices.
- 42.9 Action by patent owner.
- 42.10 Counsel.
- 42.11 Duty of candor.
- 42.12 Sanctions.
- 42.13 Citation of authority.
- 42.14 Public availability.

###### Fees

- 42.15 Fees.

##### Petition and Motion Practice

- 42.20 Generally.
- 42.21 Notice of basis for relief.
- 42.22 Content of petitions and motions.
- 42.23 Oppositions and replies.
- 42.24 Page limits for petitions, motions, oppositions and replies.
- 42.25 Default filing times.

##### Testimony and Production

- 42.51 Discovery.
- 42.52 Compelling testimony and production.
- 42.53 Taking testimony.
- 42.54 Protective order.
- 42.55 Confidential information in a petition.

- 42.56 Expungement of confidential information.
- 42.61 Admissibility.
- 42.62 Applicability of the Federal Rules of Evidence.
- 42.63 Form of evidence.
- 42.64 Objection; motion to exclude; motion in limine.
- 42.65 Expert testimony; tests and data.

##### Oral Argument, Decision, and Settlement

- 42.70 Oral argument.
- 42.71 Decision on petitions or motions.
- 42.72 Termination of trial.
- 42.73 Judgment.
- 42.74 Settlement.

##### Certificate

- 42.80 Certificate.

##### Subpart B—[Reserved]

**Authority:** 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321–326 and Leahy-Smith America Invents Act, Pub. L. 112–29, sections 6(c), 6(f) and 18, 125 Stat. 284, 304, 311, and 329 (2011).

##### Subpart A—Trial Practice and Procedure

###### General

###### § 42.1 Policy.

(a) *Scope.* Part 42 governs proceedings before the Patent Trial and Appeal Board. Sections 1.4, 1.7, 1.14, 1.16, 1.22, 1.23, 1.25, 1.26, 1.32, 1.34, and 1.36 of this chapter also apply to proceedings before the Board, as do other sections of part 1 of this chapter that are incorporated by reference into this part.

(b) *Construction.* This part shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding.

(c) *Decorum.* Every party must act with courtesy and decorum in all proceedings before the Board, including in interactions with other parties.

(d) *Evidentiary standard.* The default evidentiary standard is a preponderance of the evidence.

###### § 42.2 Definitions.

The following definitions apply to this part:

*Affidavit* means affidavit or declaration under § 1.68 of this chapter. A transcript of an *ex parte* deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.

*Board* means the Patent Trial and Appeal Board. Board means a panel of the Board or a member or employee acting with the authority of the Board.

*Business day* means a day other than a Saturday, Sunday, or Federal holiday within the District of Columbia.

*Confidential information* means trade secret or other confidential research, development or commercial information.

*Final* means final for the purpose of judicial review. A decision is final only if it disposes of all necessary issues with regard to the party seeking judicial review, and does not indicate that further action is required.

*Hearing* means consideration of the trial.

*Involved* means an application, patent, or claim that is the subject of the proceeding.

*Judgment* means a final written decision by the Board.

*Motion* means a request for relief other than by petition.

*Office* means the United States Patent and Trademark Office.

*Panel* means at least three members of the Board.

*Party* means at least the petitioner and the patent owner and, in a derivation proceeding, any applicant.

*Petition* is a request that a trial be instituted.

*Petitioner* means the party filing a petition requesting that a trial be instituted.

*Preliminary Proceeding* begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.

*Proceeding* means a trial or preliminary proceeding.

*Rehearing* means reconsideration.

*Trial* means a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial. The term trial specifically includes a derivation proceeding under 35 U.S.C. 135; an *inter partes* review under Chapter 31 of title 35, United States Code; a post-grant review under Chapter 32 of title 35, United States Code; and a transitional business-method review under section 18 of the Leahy-Smith America Invents Act. Patent interferences are administered under part 41 and not under part 42 of this title, and therefore are not trials.

###### § 42.3 Jurisdiction.

(a) The Board may exercise exclusive jurisdiction within the Office over every involved application and patent during the proceeding, as the Board may order.

(b) A petition to institute a trial must be filed with the Board in a timely manner.

###### § 42.4 Notice of trial.

(a) Institution of trial. The Board institutes the trial on behalf of the Director.

(b) Notice of a trial will be sent to every party to the proceeding. The entry of the notice institutes the trial.

(c) The Board may authorize additional modes of notice, including:

(1) Sending notice to another address associated with the party, or

(2) Publishing the notice in the Official Gazette of the United States Patent and Trademark Office or the **Federal Register**.

#### § 42.5 Conduct of the proceeding.

(a) The Board may determine a proper course of conduct in a proceeding for any situation not specifically covered by this part and may enter non-final orders to administer the proceeding.

(b) The Board may waive or suspend a requirement of parts 1, 41, and 42 and may place conditions on the waiver or suspension.

(c) *Times*—(1) *Setting times*. The Board may set times by order. Times set by rule are default and may be modified by order. Any modification of times will take any applicable statutory pendency goal into account.

(2) *Extension of time*. A request for an extension of time must be supported by a showing of good cause.

(3) *Late action*. A late action will be excused on a showing of good cause or upon a Board decision that consideration on the merits would be in the interests of justice.

(d) *Ex parte communications*. Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. 6(a) is not permitted unless both parties have an opportunity to be involved in the communication.

#### § 42.6 Filing of documents, including exhibits; service.

(a) *General format requirements*. (1) Page size must be 8½ inch x 11 inch except in the case of exhibits that require a larger size in order to preserve details of the original.

(2) In documents, including affidavits, created for the proceeding:

(i) Markings must be in black or must otherwise provide an equivalent dark, high-contrast image;

(ii) Either a proportional or monospaced font may be used:

(A) The proportional font must be 14-point or larger, and

(B) The monospaced font must not contain more than 4 characters per centimeter (10 characters per inch);

(iii) Double spacing must be used except in headings, tables of contents, tables of authorities, indices, signature blocks, and certificates of service. Block quotations may be 1.5 spaced, but must be indented from both the left and the right margins; and

(iv) Margins must be at least 2.5 centimeters (1 inch) on all sides.

(3) *Incorporation by reference; combined documents*. Arguments must

not be incorporated by reference from one document into another document. Combined motions, oppositions, replies, or other combined documents are not permitted.

(4) *Signature; identification*. Documents must be signed in accordance with §§ 1.33 and 11.18(a) of this title, and should be identified by the trial number (where known).

(b) *Modes of filing*—(1) *Electronic filing*. Unless otherwise authorized, submissions are to be made to the Board electronically via the Internet according to the parameters established by the Board and published on the Web site of the Office.

(2)(i) *Filing by means other than electronic filing*. A document filed by means other than electronic filing must:

(A) Be accompanied by a motion requesting acceptance of the submission; and

(B) Identify a date of transmission where a party seeks a filing date other than the date of receipt at the Board.

(ii) Mailed correspondence shall be sent to: Mail Stop PATENT BOARD, Patent Trial and Appeal Board, United States Patent and Trademark Office, P.O. Box 1450, Alexandria, Virginia 22313-1450.

(c) *Exhibits*. Each exhibit must be filed with the first document in which it is cited except as the Board may otherwise order.

(d) *Previously filed paper*. A document already in the record of the proceeding must not be filed again, not even as an exhibit or an appendix, without express Board authorization.

(e) *Service*—(1) *Simultaneous with filing*. Each document filed with the Board, if not previously served, must be served simultaneously on each opposing party.

(2) *Counsel of record*. If a party is represented by counsel of record in the proceeding, service must be on counsel.

(3) *Certificate of service*. (i) Each document, other than an exhibit, must include a certificate of service at the end of that document. Any exhibit filed with the document may be included in the certification for the document.

(ii) For an exhibit filed separately, a transmittal letter incorporating the certificate of service must be filed. If more than one exhibit is filed at one time, a single letter should be used for all of the exhibits filed together. The letter must state the name and exhibit number for every exhibit filed with the letter.

(iii) The certificate of service must state:

(A) The date and manner of service; and

(B) The name and address of every person served.

#### § 42.7 Management of the record.

(a) The Board may expunge any paper directed to a proceeding or filed while an application or patent is under the jurisdiction of the Board that is not authorized under this part or in a Board order or that is filed contrary to a Board order.

(b) The Board may vacate or hold in abeyance any non-Board action directed to a proceeding while an application or patent is under the jurisdiction of the Board unless the action was authorized by the Board.

#### § 42.8 Mandatory notices.

(a) Each notice listed in paragraph (b) of this section must be filed with the Board:

(1) By the petitioner, as part of the petition;

(2) By the patent owner, or applicant in the case of derivation, within 21 days of service of the petition; or

(3) By either party, within 21 days of a change of the information listed in paragraph (b) of this section stated in an earlier paper.

(b) Each of the following notices must be filed as a separate paper with a caption identical to the title of the paragraph:

(1) *Real party-in-interest*. Identify each real party-in-interest for the party.

(2) *Related matters*. Identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding.

(3) *Lead and back-up counsel*. If the party is represented by counsel, then counsel must be identified.

(4) *Service information*. Identify (if applicable):

(i) An electronic mail address;

(ii) A postal mailing address;

(iii) A hand-delivery address, if different than the postal mailing address;

(iv) A telephone number; and

(v) A facsimile number.

#### § 42.9 Action by patent owner.

(a) *Entire interest*. An owner of the entire interest in an involved application or patent may act to the exclusion of the inventor (*see* § 3.73(b) of this title).

(b) *Part interest*. An owner of a part interest in the subject patent may move to act to the exclusion of an inventor or a co-owner. The motion must show the inability or refusal of an inventor or co-owner to prosecute the proceeding or other cause why it is in the interests of justice to permit the owner of a part interest to act in the trial. In granting the

motion, the Board may set conditions on the actions of the parties.

#### § 42.10 Counsel.

(a) If a party is represented by counsel, the party should designate a lead counsel and a back-up counsel who can conduct business on behalf of the lead counsel.

(b) A power of attorney must be filed with the designation of counsel, except the patent owner should not file an additional power of attorney if the designated counsel is already counsel of record in the subject patent or application.

(c) The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to such conditions as the Board may impose.

(d) A panel of the Board may disqualify counsel for cause after notice and opportunity for hearing. A decision to disqualify is not final for the purposes of judicial review until certified by the Chief Administrative Patent Judge.

(e) Counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal.

#### § 42.11 Duty of candor.

Parties and individuals associated with the parties have a duty of candor and good faith to the Office during the course of a proceeding.

#### § 42.12 Sanctions.

(a) The Board may impose a sanction against a party for misconduct, including:

- (1) Failure to comply with an applicable rule or order in the proceeding;
- (2) Advancing a misleading or frivolous argument or request for relief;
- (3) Misrepresentation of a fact;
- (4) Engaging in dilatory tactics;
- (5) Abuse of discovery;
- (6) Abuse of process; or
- (7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

(b) Sanctions include entry of:

- (1) An order holding facts to have been established in the proceeding;
- (2) An order expunging, or precluding a party from filing a paper;
- (3) An order precluding a party from presenting or contesting a particular issue;
- (4) An order precluding a party from requesting, obtaining, or opposing discovery;
- (5) An order excluding evidence;
- (6) An order providing for compensatory expenses, including attorney fees;

(7) An order requiring terminal disclaimer of patent term; or

(8) Judgment in the trial or dismissal of the petition.

#### § 42.13 Citation of authority.

(a) For any United States Supreme Court decision, citation must be to the United States Reports.

(b) For any decision other than a United States Supreme Court decision, citation must be to the West Reporter System.

(c) Citations to authority must include pinpoint citations whenever a specific holding or portion of an authority is invoked.

(d) Non-binding authority should be used sparingly. If the authority is not an authority of the Office and is not reproduced in the United States Reports or the West Reporter System, a copy of the authority should be provided.

#### § 42.14 Public availability.

The record of a proceeding, including documents and things, shall be made available to the public, except as otherwise ordered. A party intending a document or thing to be sealed shall file a motion to seal concurrent with the filing of the document or thing to be sealed. The document or thing shall be provisionally sealed on receipt of the motion and remain so pending the outcome of the decision on the motion.

#### Fees

##### § 42.15 Fees.

(a) On filing a petition for *inter partes* review of a patent, payment of the following fee is due based upon the number of challenged claims:

- (1) 1 to 20 claims—\$27,200.00.
- (2) 21 to 30 claims—\$34,000.00.
- (3) 31 to 40 claims— \$40,800.00.
- (4) 41 to 50 claims— \$54,400.00.
- (5) 51 to 60 claims— \$68,000.00.
- (6) Additional fee for each additional 10 claims or portion thereof—\$27,200.00.

(b) On filing a petition for post-grant review or covered business method patent review of a patent, payment of the following fee is due based upon the number of challenged claims:

- (1) 1 to 20 claims—\$35,800.00.
- (2) 21 to 30 claims—\$44,750.00.
- (3) 31 to 40 claims—\$53,700.00.
- (4) 41 to 50 claims—\$71,600.00.
- (5) 51 to 60 claims—\$89,500.00.
- (6) Additional fee for each additional 10 claims or portion thereof—\$35,800.00.

(c) On the filing of a petition for a derivation proceeding a fee of:—\$400.00.

(d) Any request requiring payment of a fee under this part, including a written

request to make a settlement agreement available:—\$400.00.

#### Petition and Motion Practice

##### § 42.20 Generally.

(a) *Relief*. Relief, other than a petition requesting the institution of a trial, must be requested in the form of a motion.

(b) *Prior authorization*. A motion will not be entered without Board authorization. Authorization may be provided in an order of general applicability or during the proceeding.

(c) *Burden of proof*. The moving party has the burden of proof to establish that it is entitled to the requested relief.

(d) *Briefing*. The Board may order briefing on any issue involved in the trial.

##### § 42.21 Notice of basis for relief.

(a) *Notice of request for relief*. The Board may require a party to file a notice stating the relief it requests and the basis for its entitlement to relief. A notice must include sufficient detail to place the Board and each opponent on notice of the precise relief requested. A notice is not evidence except as an admission by a party-opponent.

(b) *Filing and service*. The Board may set the times and conditions for filing and serving notices required under this section. The Board may provide for the notice filed with the Board to be maintained in confidence for a limited time.

(c) *Effect*. If a notice under paragraph (a) of this section is required:

- (1) A failure to state a sufficient basis for relief may result in a denial of the relief requested;
- (2) A party will be limited to filing motions consistent with the notice; and
- (3) Ambiguities in the notice will be construed against the party.

(d) *Correction*. A party may move to correct its notice. The motion should be filed promptly after the party becomes aware of the basis for the correction. A correction filed after the time set for filing notices will only be entered if entry would serve the interests of justice.

##### § 42.22 Content of petitions and motions.

(a) Each petition or motion must be filed as a separate paper and must include:

- (1) A statement of the precise relief requested;
- (2) A statement of material facts (*see* paragraph (c) of this section); and
- (3) A full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.

(b) *Relief requested*. Where a rule in part 1 of this title ordinarily governs the

relief sought, the petition or motion must make any showings required under that rule in addition to any showings required in this part.

(c) *Statement of material facts.* Each material fact shall be set forth as a separately numbered sentence with specific citations to the portions of the record that support the fact.

(d) The Board may order additional showings or explanations as a condition for authorizing a motion (*see* § 42.20(b)).

#### § 42.23 Oppositions and replies.

(a) Oppositions and replies must comply with the content requirements for motions and must include a statement identifying material facts in dispute. Any material fact not specifically denied may be considered admitted.

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to arguments raised in the corresponding opposition.

#### § 42.24 Page limits for petitions, motions, oppositions, and replies.

(a) *Petitions and motions.* (1) The following page limits for petitions and motions apply and include the required statement of facts in support of the petition or motion. The page limit does not include a table of contents, a table of authorities, a certificate of service, or appendix of exhibits.

(i) Petition requesting *inter partes* review: 50 pages

(ii) Petition requesting post-grant review: 70 pages

(iii) Petition requesting covered business method patent review: 70 pages

(iv) Petition requesting derivation proceeding: 50 pages

(v) Motions: 15 pages.

(2) Petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion 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 and must append a copy of proposed petition exceeding the page limit to the motion. If the motion is not granted, the proposed petition exceeding the page limit may be expunged or returned. Any other motion to waive page limits must be granted in advance of filing a motion, opposition or reply for which the waiver is necessary.

(b) *Oppositions.* The page limits for oppositions are the same as those for corresponding petitions or motions. The page limits do not include a listing of facts which are admitted, denied, or cannot be admitted or denied.

(c) *Replies.* The following page limits for replies apply and include the required statement of facts in support of the reply. The page limits do not include a table of contents, a table of authorities, a listing of facts which are admitted, denied, or cannot be admitted or denied, a certificate of service, or appendix of exhibits.

(1) Replies to patent owner responses to petitions: 15 pages

(2) Replies to motions: 5 pages.

#### § 42.25 Default filing times.

(a) A motion may only be filed according to a schedule set by the Board. The default times for acting are:

(1) An opposition is due one month after service of the motion; and

(2) A reply is due one month after service of the opposition.

(b) A party should seek relief promptly after the need for relief is identified. Delay in seeking relief may justify a denial of relief sought.

#### Testimony and Production

##### § 42.51 Discovery.

(a) *Limited discovery.* A party is not entitled to discovery except as authorized in this subpart. The parties may agree to discovery between themselves at any time.

(b) *Routine discovery.* Except as the Board may otherwise order:

(1) Unless previously served, any exhibit cited in a paper or in testimony must be served with the citing paper or testimony.

(2) Cross examination of affidavit testimony is authorized within such time period as the Board may set.

(3) Unless previously served, noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding. The information is to be filed as soon as practicable in a motion identifying supplemental information or as part of a petition, motion, opposition, reply, preliminary patent owner response to petition, or patent owner response to petition. The party submitting the information must specify the relevance of the information, including where the information is presented in a document and, where applicable, how the information is pertinent to the claims.

(c) *Additional discovery.* (1) A party may move for additional discovery. Except in post-grant reviews, the moving party must show that such additional discovery is in the interests of justice. The Board may specify conditions for such additional discovery.

(2) When appropriate, a party may obtain production of documents and

things during cross examination of an opponent's witness or during authorized compelled testimony under § 42.52.

#### § 42.52 Compelling testimony and production.

(a) *Authorization required.* A party seeking to compel testimony or production of documents or things must file a motion for authorization. The motion must describe the general relevance of the testimony, document, or thing, and must:

(1) In the case of testimony, identify the witness by name or title; and

(2) In the case of a document or thing, the general nature of the document or thing.

(b) *Outside the United States.* For testimony or production sought outside the United States, the motion must also:

(1) *In the case of testimony.* (i) Identify the foreign country and explain why the party believes the witness can be compelled to testify in the foreign country, including a description of the procedures that will be used to compel the testimony in the foreign country and an estimate of the time it is expected to take to obtain the testimony; and

(ii) Demonstrate that the party has made reasonable efforts to secure the agreement of the witness to testify in the United States but has been unsuccessful in obtaining the agreement, even though the party has offered to pay the travel expenses of the witness to testify in the United States.

(2) *In the case of production of a document or thing.* (i) Identify the foreign country and explain why the party believes production of the document or thing can be compelled in the foreign country, including a description of the procedures that will be used to compel production of the document or thing in the foreign country and an estimate of the time it is expected to take to obtain production of the document or thing; and

(ii) Demonstrate that the party has made reasonable efforts to obtain the agreement of the individual or entity having possession, custody, or control of the document or thing to produce the document or thing in the United States but has been unsuccessful in obtaining that agreement, even though the party has offered to pay the expenses of producing the document or thing in the United States.

#### § 42.53 Taking testimony.

(a) *Form.* Uncompelled direct testimony must be submitted in the form of an affidavit. All other testimony, including testimony compelled under 35 U.S.C. 24, must be in the form of a deposition transcript. In addition, the



Board may authorize or require live or video-recorded testimony.

(b) *Time and location.* (1) Uncompelled direct testimony may be taken at any time to support a petition, motion, opposition, or reply; otherwise, testimony may only be taken during a testimony period set by the Board.

(2) Except as the Board otherwise orders, during the testimony period, deposition testimony may be taken at any reasonable time and location within the United States before any disinterested official authorized to administer oaths at that location.

(3) Deposition testimony outside the United States may only be taken as the Board specifically directs.

(c) *Notice of deposition.* (1) Prior to the taking of deposition testimony, all parties to the proceeding must agree on the time and place for taking testimony. If the parties cannot agree, the party seeking the testimony must initiate a conference with the Board to set a time and place.

(2) Cross-examination should ordinarily take place after any supplemental evidence relating to the direct testimony has been filed and more than a week before the filing date for any paper in which the cross-examination testimony is expected to be used. A party requesting cross-examination testimony of more than one witness may choose the order in which the witnesses are to be cross-examined.

(3) In the case of direct deposition testimony, at least 3 business days prior to the conference in paragraph (c)(1) of this section, the party seeking the direct testimony must serve:

(i) A list and copy of each document under the party's control and on which the party intends to rely; and  
(ii) A list of, and proffer of reasonable access to, anything other than a document under the party's control and on which the party intends to rely.

(4) The party seeking the deposition must file a notice of the deposition at least 2 business days before a deposition.

(5) *Scope and content*—(i) For direct deposition testimony, the notice limits the scope of the testimony and must list:

(A) The time and place of the deposition;  
(B) The name and address of the witness;  
(C) A list of the exhibits to be relied upon during the deposition; and  
(D) A general description of the scope and nature of the testimony to be elicited.

(ii) For cross-examination testimony, the scope of the examination is limited to the scope of the direct testimony.

(iii) The notice must list the time and place of the deposition.

(6) *Motion to quash*—Objection to a defect in the notice is waived unless the objecting party promptly seeks authorization to file a motion to quash.

(d) *Deposition in a foreign language.* If an interpreter will be used during the deposition, the party calling the witness must initiate a conference with the Board at least 5 business days before the deposition.

(e) *Manner of taking deposition testimony.* (1) Before giving deposition testimony, each witness shall be duly sworn according to law by the officer before whom the deposition is to be taken. The officer must be authorized to take testimony under 35 U.S.C. 23.

(2) The testimony shall be taken in answer to interrogatories with any questions and answers recorded in their regular order by the officer, or by some other disinterested person in the presence of the officer, unless the presence of the officer is waived on the record by agreement of all parties.

(3) Any exhibits used during the deposition must be numbered as required by § 42.63(b), and must, if not previously served, be served at the deposition. Exhibits objected to shall be accepted pending a decision on the objection.

(4) All objections made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and any other objection to the deposition shall be noted on the record by the officer.

(5) When the testimony has been transcribed, the witness shall read and sign (in the form of an affidavit) a transcript of the deposition unless:

(i) The parties otherwise agree in writing;  
(ii) The parties waive reading and signature by the witness on the record at the deposition; or  
(iii) The witness refuses to read or sign the transcript of the deposition.

(6) The officer shall prepare a certified transcript by attaching a certificate in the form of an affidavit signed and sealed by the officer to the transcript of the deposition. Unless the parties waive any of the following requirements, in which case the certificate shall so state, the certificate must state:

(i) The witness was duly sworn by the officer before commencement of testimony by the witness;  
(ii) The transcript is a true record of the testimony given by the witness;  
(iii) The name of the person who recorded the testimony and, if the officer did not record it, whether the testimony was recorded in the presence of the officer;

(iv) The presence or absence of any opponent;

(v) The place where the deposition was taken and the day and hour when the deposition began and ended;

(vi) The officer has no disqualifying interest, personal or financial, in a party; and

(vii) If a witness refuses to read or sign the transcript, the circumstances under which the witness refused.

(7) The officer must promptly provide a copy of the transcript to all parties. The testimony must be filed by proponent as an exhibit.

(8) Any objection to the content, form, or manner of taking the deposition, including the qualifications of the officer, is waived unless made on the record during the deposition and preserved in a timely filed motion to exclude.

(f) *Costs.* Except as the Board may order or the parties may agree in writing, the proponent of the direct testimony shall bear all costs associated with the testimony, including the reasonable costs associated with making the witness available for the cross-examination.

#### § 42.54 Protective order.

(a) A party or any person from whom discovery of confidential information is sought may file a motion to seal where the motion to seal contains a proposed protective order. The motion must include a certification that the moving party has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute. The Board may, for good cause, issue an order to protect a party or person from disclosing confidential information, including, but not limited to, one or more of the following:

(1) Forbidding the disclosure or discovery;  
(2) Specifying terms, including time and place, for the disclosure or discovery;  
(3) Prescribing a discovery method other than the one selected by the party seeking discovery;

(4) Forbidding inquiry into certain matters, or limiting the scope of disclosure or discovery to certain matters;

(5) Designating the persons who may be present while the discovery is conducted;

(6) Requiring that a deposition be sealed and opened only by order of the Board;

(7) Requiring that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way; and

(8) Requiring that the parties simultaneously file specified documents or information in sealed envelopes, to be opened as the Board directs.

(b) [Reserved].

**§ 42.55 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. The petitioner may serve the confidential information under seal. The patent owner may only access the sealed confidential information prior to the institution of the trial by agreeing to the terms of the proposed protective order. The institution of the requested trial will constitute a grant of the motion to seal unless otherwise ordered by the Board.

**§ 42.56 Expungement of confidential information.**

After denial of a petition to institute a trial or after final judgment in a trial, a party may file a motion to expunge confidential information from the record.

**§ 42.61 Admissibility.**

(a) Evidence that is not taken, sought, or filed in accordance with this subpart is not admissible.

(b) *Records of the Office.* Certification is not necessary as a condition to admissibility when the evidence to be submitted is a record of the Office to which all parties have access.

(c) *Specification and drawings.* A specification or drawing of a United States patent application or patent is admissible as evidence only to prove what the specification or drawing describes. If there is data in the specification or a drawing upon which a party intends to rely to prove the truth of the data, an affidavit by an individual having first-hand knowledge of how the data was generated must be filed.

**§ 42.62 Applicability of the Federal Rules of Evidence.**

(a) *Generally.* Except as otherwise provided in this subpart, the Federal Rules of Evidence shall apply to a proceeding.

(b) *Exclusions.* Those portions of the Federal Rules of Evidence relating to criminal proceedings, juries, and other matters not relevant to proceedings under this subpart shall not apply.

(c) *Modifications in terminology.* Unless otherwise clear from context, the following terms of the Federal Rules of Evidence shall be construed as indicated:

*Appellate court* means United States Court of Appeals for the Federal Circuit.

*Civil action, civil proceeding,* and *action* mean trial.

*Courts of the United States, U.S. Magistrate, court, trial court, trier of fact,* and *judge* mean Board.

*Hearing* means as defined in Federal Rule of Evidence 804(a)(5), the time for taking testimony.

*Judicial notice* means official notice.

*Trial* or *hearing* in Federal Rule of Evidence 807 means the time for taking testimony.

(d) In determining foreign law, the Board may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence.

**§ 42.63 Form of evidence.**

(a) *Exhibits required.* Evidence consists of affidavits, transcripts of depositions, documents, and things. All evidence must be filed in the form of an exhibit.

(b) *Translation required.* When a party relies on a document or is required to produce a document in a language other than English, a translation of the document into English and an affidavit attesting to the accuracy of the translation must be filed with the document.

(c) *Exhibit numbering.* Each party's exhibits must be uniquely numbered sequentially in a range the Board specifies. For the petitioner, the range is 1001–1999, and for the patent owner, the range is 2000–2999.

(d) *Exhibit format.* An exhibit must conform with the requirements for papers in § 42.6 and the requirements of this paragraph.

(1) Each exhibit must have an exhibit label.

(i) An exhibit filed with the petition must include the petitioner's name followed by a unique exhibit number.

(ii) For exhibits not filed with the petition, the exhibit label must include the party's name followed by a unique exhibit number, the names of the parties, and the trial number.

(2) When the exhibit is a paper:

(i) Each page must be uniquely numbered in sequence; and

(ii) The exhibit label must be affixed to the lower right corner of the first page of the exhibit without obscuring information on the first page or, if obscuring is unavoidable, affixed to a duplicate first page.

(e) *Exhibit list.* Each party must maintain an exhibit list with the exhibit number and a brief description of each exhibit. If the exhibit is not filed, the exhibit list should note that fact.

**§ 42.64 Objection; motion to exclude; motion in limine.**

(a) *Cross-examination deposition.* An objection to the admissibility of deposition evidence must be made during the deposition. Evidence to cure the objection must be provided during the deposition, unless the parties to the deposition stipulate otherwise on the deposition record.

(b) *Other than cross-examination deposition.* For evidence other than cross-examination deposition evidence:

(1) *Objection.* Any objection to evidence submitted during a preliminary proceeding must be served within 10 business days of the institution of the trial. Once a trial has been instituted, any objection must be served within 5 business days of service of evidence to which the objection is directed. The objection must identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence.

(2) *Supplemental evidence.* The party relying on evidence to which an objection is timely served may respond to the objection by serving supplemental evidence within ten business days of service of the objection.

(c) *Motion to exclude.* A motion to exclude evidence must be filed to preserve any objection. The motion must identify the objections in the record in order and must explain the objections.

(d) *Motion in limine.* A party may file a motion in limine for a decision on the admissibility of evidence.

**§ 42.65 Expert testimony; tests and data.**

(a) Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight. Testimony on United States patent law or patent examination practice will not be admitted.

(b) If a party relies on a technical test or data from such a test, the party must provide an affidavit explaining:

(1) Why the test or data is being used;

(2) How the test was performed and the data was generated;

(3) How the data is used to determine a value;

(4) How the test is regarded in the relevant art; and

(5) Any other information necessary for the Board to evaluate the test and data.

**Oral Argument, Decision, and Settlement**

**§ 42.70 Oral argument.**

(a) *Request for oral argument.* A party may request oral argument on an issue raised in a paper at a time set by the

Board. The request must be filed as a separate paper and must specify the issues to be argued.

(b) Demonstrative exhibits must be served at least 5 business days before the oral argument and filed no later than the time of the oral argument.

#### § 42.71 Decision on petitions or motions.

(a) *Order of consideration.* The Board may take up petitions or motions for decisions in any order, may grant, deny, or dismiss any petition or motion, and may enter any appropriate order.

(b) *Interlocutory decisions.* A decision on a motion without a judgment is not final for the purposes of judicial review. A panel decision on an issue will govern the trial. If a decision is not a panel decision, the party may request that a panel rehear the decision. When rehearing a non-panel decision, a panel will review the decision for an abuse of discretion.

(c) *Rehearing.* A party dissatisfied with a decision may file a request for rehearing. The burden of showing 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 the place where each matter was previously addressed in a motion, an opposition, or a reply. A request for rehearing does not toll times for taking action. Any request must be filed:

- (1) Within 14 days of the entry of non-final decision; or
- (2) Within 30 days of the entry of a final decision.

#### § 42.72 Termination of trial.

The Board may terminate a trial without rendering judgment, where appropriate, including where the trial is consolidated with another proceeding or pursuant to a joint request under 35 U.S.C. 317(a) or 327(a).

#### § 42.73 Judgment.

(a) A judgment disposes of all issues that were, or by motion could have properly been, raised and decided.

(b) *Request for adverse judgment.* A party may request judgment against itself at any time during a proceeding. Actions construed to be a request for adverse judgment include:

- (1) Disclaimer of the involved application or patent;
  - (2) Cancellation or disclaimer of a claim such that the party has no remaining claim in the trial;
  - (3) Concession of unpatentability or derivation of the contested subject matter; and
  - (4) Abandonment of the contest.
- (c) *Recommendation.* The judgment may include a recommendation for

further action by an examiner or by the Director.

(d) *Estoppel*—(1) *Petitioner other than in derivation proceeding.* A petitioner, or the real party in interest or privy of the petitioner, is estopped in the Office from taking an action that is inconsistent with a judgment as to any ground that the petitioner raised or reasonably could have raised during the trial, except that estoppel shall not apply to a petitioner, or to the real party in interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327.

(2) *In a derivation,* the losing party who could have properly moved for relief on an issue, but did not so move, may not take action in the Office after the judgment that is inconsistent with that party's failure to move, except that a losing party shall not be estopped with respect to any contested subject matter for which that party was awarded a favorable judgment.

(3) *Patent applicant or owner.* A patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:

- (i) A claim to substantially the same invention as the finally refused or cancelled claim;
- (ii) A claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim; or
- (iii) An amendment of a specification or of a drawing that was denied during the trial proceeding.

#### § 42.74 Settlement.

(a) *Board role.* The parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.

(b) *Agreements in writing.* Any agreement or understanding between the parties made in connection with, or in contemplation of, the termination of a proceeding shall be in writing and a true copy shall be filed with the Board before the termination of the trial.

(c) *Request to keep separate.* A party to a settlement may request that the settlement be treated as business confidential information and be kept separate from the files of an involved patent or application. The request must be filed with the settlement. If a timely request is filed, the settlement shall only be available:

- (1) To a Government agency on written request to the Board; or
- (2) To any other person upon written request to the Board to make the settlement agreement available, along

with the fee specified in § 42.15(d) and on a showing of good cause.

### Certificate

#### § 42.80 Certificate.

After the Board issues a final written decision in an *inter partes* review, post-grant review, or covered business method patent review and the time for appeal has expired or any appeal has terminated, the Office will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any new or amended claim determined to be patentable by operation of the certificate.

2. Part 90 is added to read as follows:

### PART 90—JUDICIAL REVIEW OF PATENT TRIAL AND APPEAL BOARD DECISIONS

Sec.

90.1 Scope.

90.2 Notice; service.

90.3 Time for appeal or civil action.

Authority: 35 U.S.C. 2(b)(2).

#### § 90.1 Scope.

The provisions herein govern judicial review for Patent Trial and Appeal Board decisions under chapter 13 of title 35, United States Code. Judicial review of decisions arising out of *inter partes* reexamination proceedings that are requested under 35 U.S.C. 311, and where available, judicial review of decisions arising out of interferences declared pursuant to 35 U.S.C. 135 continue to be governed by the pertinent regulations in effect on July 1, 2012.

#### § 90.2 Notice; service.

(a) *For an appeal under 35 U.S.C. 141.* (1) In all appeals, the notice of appeal required by 35 U.S.C. 142 must be filed with the Director of the United States Patent and Trademark Office as provided in § 104.2 of this title. A copy of the notice of appeal must also be filed with the Patent Trial and Appeal Board in the appropriate manner provided in § 41.10(a), 41.10(b), or 42.6(b).

(2) In all appeals, the party initiating the appeal must comply with the requirements of the Federal Rules of Appellate Procedure and Rules for the United States Court of Appeals for the Federal Circuit, including:

- (i) Serving the requisite number of copies on the Court; and
- (ii) Paying the requisite fee for the appeal.

(3) *Additional requirements.* (i) In appeals arising out of an *ex parte* reexamination proceeding ordered

pursuant to § 1.525, notice of the appeal must be served as provided in § 1.550(f) of this title.

(ii) In appeals arising out of an *inter partes* review, a post-grant review, a covered business method patent review, or a derivation proceeding, notice of the appeal must be served as provided in § 42.6(e) of this title.

(b) *For a notice of election under 35 U.S.C. 141(d) to proceed under 35 U.S.C. 146.* (1) Pursuant to 35 U.S.C. 141(d), if an adverse party elects to have all further review proceedings conducted under 35 U.S.C. 146 instead of under 35 U.S.C. 141, that party must file a notice of election with the United States Patent and Trademark Office as provided in § 104.2.

(2) A copy of the notice of election must also be filed with the Patent Trial and Appeal Board in the manner provided in § 42.6(b).

(3) A copy of the notice of election must also be served where necessary pursuant to § 42.6(e).

(c) *For a civil action under 35 U.S.C. 146.* The party initiating an action under 35 U.S.C. 146 must file a copy of the complaint no later than five business days after filing the complaint in district court with the Patent Trial and Appeal Board in the manner provided in § 42.6(b), and the Office of the Solicitor pursuant to § 104.2. Failure to comply

with this requirement can result in further action within the United States Patent and Trademark Office consistent with the final Board decision.

### § 90.3 Time for appeal or civil action.

(a) *Filing deadline*—(1) *For an appeal under 35 U.S.C. 141.* The notice of appeal filed pursuant to 35 U.S.C. 142 must be filed with the Director of the United States Patent and Trademark Office no later than sixty-three (63) days after the date of the final Board decision. Any notice of cross-appeal is controlled by Rule 4(a)(3) of the Federal Rules of Appellate Procedure, and any other requirement imposed by the Rules of the United States Court of Appeals for the Federal Circuit.

(2) *For a notice of election under 35 U.S.C. 141(d).* The time for filing a notice of election under 35 U.S.C. 141(d) is governed by 35 U.S.C. 141(d).

(3) *For a civil action under 35 U.S.C. 145 or 146.* (i) A civil action must be commenced no later than sixty-three (63) days after the date of the final Board decision.

(ii) The time for commencing a civil action pursuant to a notice of election under 35 U.S.C. 141(d) is governed by 35 U.S.C. 141(d).

(b) *Time computation*—(1) *Rehearing.* A timely request for rehearing will reset the time for appeal or civil action to no

later than sixty-three (63) days after action on the request. Any subsequent request for rehearing from the same party in the same proceeding will not reset the time for seeking judicial review, unless the additional request is permitted by order of the Board.

(2) *Holidays.* If the last day for filing an appeal or civil action falls on a Federal holiday in the District of Columbia, the time is extended pursuant to 35 U.S.C. 21(b).

(c) *Extension of time.* (1) The Director, or his designee, may extend the time for filing an appeal, or commencing a civil action, upon written request if:

(i) Requested before the expiration of the period for filing an appeal or commencing a civil action, and upon a showing of good cause; or

(ii) Requested after the expiration of the period for filing an appeal or commencing a civil action, and upon a showing that the failure to act was the result of excusable neglect.

(2) The request must be filed as provided in § 104.2 of this title.

Dated: January 31, 2012.

**David J. Kappos,**

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

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