

From testimonial evidence to word count: all change at the PTAB

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Patentees and petitioners should be aware of several important changes at the Patent Trial and Appeal Board. John Pegram and Stuart Nelson of Fish & Richardson round up some of the notable amendments.

The US Patent and Trademark Office (USPTO) has made some significant changes in its rules of practice before the Patent Trial and Appeal Board PTAB, effective May 2, 2016, but declined to make other suggested changes. Revisions to the Office Trial Practice Guide, corresponding to rule changes, are in progress.

The most significant change permits patent owners to submit “new” expert declarations and testimonial evidence with their preliminary response in an inter partes review (IPR), covered business method or post-grant review when opposing institution of the proceeding.

Size limits for the major briefing papers filed at the PTAB are being changed from page limits to word count limits. Another significant change clarifies the PTAB’s authority to sanction bad behaviour.

However, the USPTO refused to change the claim construction standard in all PTAB proceedings from the USPTO's broadest reasonable interpretation (BRI) standard to the narrower standard used in district court litigation, but clarified the way to request the PTAB to use district court style interpretation of soon-to-expire patents. The USPTO decided not to adopt a proposed pilot programme in which institution decisions would have been made by a single judge and declined to expand patent owners' ability to amend claims.

Testimonial evidence

Petitioners have always been required to include all evidence with their petition. They typically file expert declarations, which may include claim interpretations and application of prior art disclosures to the claims. Until the recent rule amendments, patent owners were precluded from submitting such expert reports and other new testimonial evidence, prepared for use in the proceeding, with their preliminary response. They had to defer such submissions until their full response, which would be filed only after the PTAB instituted a proceeding. As a result, patent owners sometimes felt limited in their ability to fully present arguments and distinctions that might have prevented institution of a proceeding.

Now, patent owners will be permitted to file expert reports and other new testimonial evidence with their preliminary response. According to the USPTO, this change is intended to balance the institution procedure. The amended rules are not quite so favourable to patent owners as some have portrayed. In particular, the amended rules expressly provide that any genuine issue of material fact will be viewed in the light most favourable to the petitioner for the purpose of deciding whether to institute the review.

However, disagreement about the BRI of a claim limitation, which is ultimately a legal distinction, may help avoid institution. A declaration on a factual issue that is not disputed, such as an issue not addressed in the petition, may also help avoid institution. Predating an allegedly prior art reference by showing prior invention could also be considered at the preliminary response stage now that a supporting declaration will be allowed. Petitioners may be permitted to reply in the pre-institution stage to issues raised in a declaration on a case-by-case basis. However, comments from PTAB judges suggest that such replies will rarely be granted.

Revised size limits

An amendment to rule 42.24 changes the size limits from page limits to word count limits for petitions, patent owner preliminary responses, patent owner responses after institution and petitioner replies. Also, certain mandatory notices are now excluded from the limits. Application of a word limit, instead of a page limit, should allow practitioners to use larger images and less crowded text, rather than trying to shrink it to satisfy a page limit.

A little-noticed aspect of this amended rule is that it appears to reduce the potential number of words in such documents by nearly 20% as compared to documents filed under the old rules. This might be considered more favourable to patent owners because it may require a petitioner to limit its arguments about lack of patentability. While the change to word count will also reduce the size of the patent owner's briefing, space constraints tend to be a bigger issue for petitioners, who have the burden of proof.

Authority to sanction and procedure

Although the USPTO already believed that the PTAB had the authority to sanction bad behaviour, the amended rules clarify that authority and the procedure. Similar to rule 11 in the federal courts, amended USPTO rule 42.11 requires (i) that all filings in PTAB proceedings are signed by a practitioner in the office; (ii) that the signature be treated as a certification that the paper is not being presented for any improper purpose; and (iii) that there is a reasonable basis for legal and factual contentions and denials.

Rule 42.11(d) permits the PTAB to impose an appropriate sanction for violation of the rule, either on motion by a party or on the PTAB's own initiative. Similar to district court rule 11, the new rule provides a haven. A party seeking a sanction by the PTAB must serve the proposed motion on the other party 21 days in advance of seeking authorisation to file the motion. There will be no sanction if the challenged paper, claim, defence, contention or denial is withdrawn or corrected within that period.

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The office specifically declined to give an example of what might be an “improper purpose” in filing a petition, but did state that the office does not expect to use the procedure often. Because of the generally high level of conduct by PTAB practitioners and the 21-day provisions for avoiding sanctions, the major effect of this new rule will probably be to encourage practitioners to think carefully before filing. We suspect that there may be some use of the rule—or precautionary references to it—by the PTAB, on its own initiative, in connection with requests for reconsideration that do not satisfy the rules governing reconsideration of rulings. A few mentions of the amended rule by the PTAB may reduce the filings of weak and unfounded reconsideration requests, freeing the judges to work on other matters.

Claim construction for expiring patents

The USPTO has steadfastly defended general application of the BRI standard of claim construction, pointing out that the patent owner can amend a given claim should it disagree with how that claim is being construed. A new rule, however, allows parties to “request a

district court-type claim construction” upon certification that the challenged patent will expire within 18 months of a filing date being accorded to the petition.

This change attempts to address the situation where impending patent expiration in effect negates any value of amended claims. This rule is similar to how at least some expired patents are already being treated by the PTAB.

While obtaining a district court-type claim construction would tend to benefit patent owners the most, there are situations where it could benefit a petitioner. For example, when a petitioner anticipates that the patent owner may later certify expiration of the patent, the petitioner could preemptively do so itself in order to avoid having to construe claims under both standards. The petitioner may also want the PTAB to construe claims using the district court-type construction standard in order to argue later that a district court should use the same claim constructions.

No change to claim amendments

The USPTO declined to make any formal rule change regarding claim amendments, instead preferring to develop the law by identifying certain decisions as precedential. Amendments are a hot-button issue for practitioners. Some argue that amendments should be easier to make, pointing to the extremely low rate of motions to amend being granted. Others argue that the opportunity to amend should be removed, since amendments are rarely successful, but their possibility complicates proceedings. Because the right to amend is statutory, it would take an act of Congress (not just a rule change by the USPTO) to make that change. In the end, the right to amend remains as it was: a possible but challenging option.

As a practical matter, to avoid the strict limits on claim amendments during PTAB proceedings, patent owners should include a variety of “fallback position” claims during the original prosecution of the application for a patent, argue for non-institution of PTAB proceedings against narrower claims, and consider whether desired claims might be obtained through reexamination or reissue proceedings.

Although some of the recent rule changes may be helpful for patent owners, the PTAB will continue to be a very attractive forum for petitioners who want to have issues of patent validity reviewed by three administrative patent judges, instead of a jury, within a relatively short time.

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