Instituting Inter Partes Review

§ 42.108 Institution of inter partes review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a preliminary patent owner response where such a response is filed.

After Institution of Inter Partes Review

§ 42.120 Patent owner response.

(a) *Scope.* A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) *Due date for response.* If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is two months from the date the *inter partes* review was instituted.

§ 42.121 Amendment of the patent.

(a) A patent owner may file one motion to amend a patent but only after conferring with the Board. Any additional motions to amend may not be filed without Board authorization.

(b) A motion to amend must set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) A motion to amend the claims of a patent will not be authorized where:

(1) The amendment does not respond to a ground of unpatentability involved in the trial; or

(2) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

§ 42.122 Multiple proceedings.

Where another matter involving the patent is before the Office, the Board may during the pendency of the *inter partes* review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.

§ 42.123 Filing of supplemental information.

Once a trial has been instituted, a petitioner may request authorization to file a motion identifying supplemental information relevant to a ground for which the trial has been instituted. The request must be made within one month of the date the trial is instituted.

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. 2012–2534 Filed 2–9–12; 8:45 am]

BILLING CODE 3510–16–P

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO–P–2011–0084]

RIN 0651–AC72

Changes To Implement Post-Grant Review Proceedings

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 to implement the provisions of the Leahy-Smith America Invents Act that create a new post-grant review proceeding to be conducted before the Patent Trial and Appeal Board (Board). These provisions of the Leahy-Smith America Invents Act will take effect on September 16, 2012, one year after the date of enactment, and generally apply to patents issuing from applications subject to first-inventor-to-file provisions of the Leahy-Smith America Invents Act.

DATES: The Office solicits comments from the public on this proposed rulemaking. Written comments must be received on or before April 10, 2012 to ensure consideration.

ADDRESSES: Comments should be sent by electronic mail message over the Internet addressed to: *post_grant_review@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, Post-Grant Review 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, Sally Lane, Administrative Patent Judge, Scott Boalick, Lead Administrative Patent Judge, and Robert Clarke, 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 post-grant review 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. 326(b). The proposed rules would provide a set of rules relating to Board trial practice for post-grant review.

More grounds for seeking post-grant review will be available as compared with *inter partes* review. The grounds for seeking post-grant review includes any ground that could be raised under 35 U.S.C. 282(b)(2) or (3). Such grounds for post-grant review include grounds that could be raised under 35 U.S.C. 102 or 103 including those based on prior art consisting of patents or printed publications. Other grounds available for post-grant review include 35 U.S.C. 101 and 112, with the exception of compliance with the best mode requirement. In contrast, the grounds for seeking *inter partes* review are limited to issues raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

Section 6 of the Leahy-Smith America Invents Act is entitled ''POST-GRANT REVIEW PROCEEDINGS.'' Section 6(d) of the Leahy-Smith America Invents Act, entitled ''POST-GRANT REVIEW,'' adds chapter 32 of title 35, United States Code, also entitled ''POST-GRANT REVIEW.'' In particular, § 6(d) adds 35 U.S.C. 321–329. Public Law 112–29, 125 Stat. 284, 305–311 (2011).

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 321, entitled ''Post-grant review.'' 35 U.S.C. 321(a) will provide that, subject to the provisions of chapter 32 of title 35, United States Code, a person who is not the owner of a patent may file a petition with the Office to institute a post-grant review of the patent. 35 U.S.C. 321(a) will also provide that the Director will establish, by regulation, 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 post-grant review. 35 U.S.C. 321(b) will provide that a petitioner in a post-grant review may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under 35 U.S.C. 282(b)(2) or (3) (relating to invalidity of the patent or any claim). 35 U.S.C. 321(c) will provide that a petition for post-grant review may only be filed not later than the date that is nine months after the date of the grant of the patent or of the issuance of a reissue patent.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 322, entitled ''Petitions.'' 35 U.S.C. 322(a) will provide that a petition filed under 35 U.S.C. 321 may be considered only if: (1) The petition is accompanied by payment of the fee established by the Director under 35 U.S.C. 321; (2) the petition identifies all real parties in interest; (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including (A) copies of patents and printed publications that the petitioner relies upon in support of the petition and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions; (4) the petition provides such other information as the Director may require by regulation; and (5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) of 35 U.S.C. 322(a) to the patent owner or, if applicable, the designated representative of the patent owner. 35 U.S.C. 322(b) will provide that, as soon as practicable after the receipt of a petition under 35 U.S.C. 321, the Director will make the petition available to the public.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 323, entitled ''Preliminary response to petition.'' 35 U.S.C. 323 will provide that, if a post-grant review petition is filed under 35 U.S.C. 321, the patent owner has the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of chapter 32 of title 35, United States Code.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 324, entitled ''Institution of post-grant review.'' 35 U.S.C. 324(a) will provide that the Director may not authorize a post-grant review to be instituted, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. 35 U.S.C. 324(b) will provide that the determination required under 35 U.S.C. 324(a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. 35 U.S.C. 324(c) will provide that the Director will determine whether to institute a post-grant review under chapter 32 of title 35, United States Code, pursuant to a petition filed under 35 U.S.C. 321 within three months after: (1) Receiving a preliminary response to the petition under 35 U.S.C. 323; or (2) if no such preliminary response is filed, the last date on which such response may be filed. 35 U.S.C. 324(d) will provide that the Director will notify the petitioner and patent owner, in writing, of the Director's determination under 35 U.S.C. 324(a) or (b), and will make such notice available to the public as soon as is practicable. 35 U.S.C. 324(d) will also provide that such notice will include the date on which the review will commence. 35 U.S.C. 324(e) will provide that the determination by the Director whether to institute a post-grant review under 35 U.S.C. 324 will be final and nonappealable.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 325, entitled ''Relation to other proceedings or actions.'' 35 U.S.C. 325(a)(1) will provide that a post-grant review may not be instituted under chapter 32 of title 35, United States Code, if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent. 35 U.S.C. 325(a)(2) will provide for an automatic stay of a civil action brought by the petitioner or real party in interest challenging the validity of a claim of the patent and filed on or after the date on which the petition for post-grant review was filed, until certain specified conditions are met. 35 U.S.C. 325(a)(3) will provide that a counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of 35 U.S.C. 325(a).

35 U.S.C. 325(b) will provide that if a civil action alleging infringement of a patent is filed within three months after the date on which the patent is granted, the court may not stay its consideration of the patent owner's motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed or instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 325(c) will provide that if more than one petition for a post-grant review under chapter 32 of title 35, United States Code, is properly filed against the same patent and the Director determines that more than one of these petitions warrants the institution of a post-grant review under 35 U.S.C. 324, the Director may consolidate such reviews into a single post-grant review.

35 U.S.C. 325(d) will provide that, notwithstanding 35 U.S.C. 135(a), 251, and 252, and chapter 30 of title 35, United States Code, during the

pendency of any post-grant review under chapter 32 of title 35, United States Code, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. 35 U.S.C. 325(d) will also provide that, in determining whether to institute or order a proceeding under chapter 32 of title 35, United States Code, chapter 30 of title 35, United States Code, or chapter 31 of title 35, United States Code, the Director may take into account whether, and reject the petition because, the same or substantially the same prior art or arguments previously were presented to the Office.

35 U.S.C. 325(e)(1) will provide that the petitioner in a post-grant review of a claim in a patent under chapter 32 of title 35, United States Code, that results in a final written decision under 35 U.S.C. 328(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review. 35 U.S.C. 325(e)(2) will provide for estoppel against a post-grant review petitioner, or the real party in interest or privy of the petitioner, in certain civil actions and certain other proceedings before the International Trade Commission if that post-grant review results in a final written decision under 35 U.S.C. 328(a).

35 U.S.C. 325(f) will provide that a post-grant review may not be instituted under chapter 32 of title 35, United States Code, if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in 35 U.S.C. 321(c) would bar filing a petition for a post-grant review for such original patent.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 326, entitled ''Conduct of post-grant review.'' 35 U.S.C. 326(a) will provide that the Director will prescribe regulations: (1) Providing that the file of any proceeding under chapter 32 of title 35, United States Code, will be made available to the public, except that any petition or document filed with the intent that it be sealed will, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion; (2) setting forth the standards for the showing of sufficient grounds to institute a review under 35 U.S.C. 324(a) and (b); (3) establishing procedures for the submission of supplemental information after the petition is filed; (4) establishing and governing a post-grant review under chapter 32 of title 35, United States Code, and the relationship of such review to other proceedings under title 35, United States Code; (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery will be limited to evidence directly related to factual assertions advanced by either party in the proceeding; (6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding; (7) providing for protective orders governing the exchange and submission of confidential information; (8) providing for the filing by the patent owner of a response to the petition under 35 U.S.C. 323 after a post-grant review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies to support the response; (9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under 35 U.S.C. 326(d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under 35 U.S.C. 326(d) is made available to the public as part of the prosecution history of the patent; (10) providing either party with the right to an oral hearing as part of the proceeding; (11) requiring that the final determination in any post-grant review be issued not later than one year after the date on which the Director notices the institution of a proceeding under chapter 32 of title 35, United States Code, except that the Director may, for good cause shown, extend the one-year period by not more than six months, and may adjust the time periods in this paragraph in the case of joinder under 35 U.S.C. 325(c); and (12) providing the petitioner with at least one opportunity to file written comments within a time period established by the Director.

35 U.S.C. 326(b) will provide that in prescribing regulations under 35 U.S.C. 326, the Director will consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely proceedings instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 326(c) will provide that the Patent Trial and Appeal Board will, in accordance with 35 U.S.C. 6, conduct each post-grant review instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 326(d)(1) will provide that during a post-grant review instituted under chapter 32 of title 35, United States Code, the patent owner may file a single motion to amend the patent in one or more of the following ways: (A) Cancel any challenged patent claim; and/or (B) for each challenged claim, propose a reasonable number of substitute claims. 35 U.S.C. 326(d)(2) provides that additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under 35 U.S.C. 327, or upon the request of the patent owner for good cause shown. 35 U.S.C. 326(d)(3) will provide that an amendment under 35 U.S.C. 326(d) may not enlarge the scope of the claims of the patent or introduce new matter. 35 U.S.C. 326(e) will provide that in a post-grant review instituted under chapter 32 of title 35, United States Code, the petitioner will have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 327, entitled ''Settlement.'' 35 U.S.C. 327(a) will provide that a post-grant review instituted under chapter 32 of title 35, United States Code, will be terminated with respect to any petitioner upon the 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. 35 U.S.C. 327(a) will also provide that if the post-grant review is terminated with respect to a petitioner under 35 U.S.C. 327, no estoppel under 35 U.S.C. 325(e) will attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that post-grant review. 35 U.S.C. 327(a) will further provide that if no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under 35 U.S.C. 328(a).

35 U.S.C. 327(b) will provide that any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under

35 U.S.C. 327 will be in writing, and a true copy of such agreement or understanding will be filed in the Office before the termination of the post-grant review as between the parties. 35 U.S.C. 327(b) will also provide that at the request of a party to the proceeding, the agreement or understanding will be treated as business confidential information, will be kept separate from the file of the involved patents, and will be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 328, entitled ''Decision of the Board.'' 35 U.S.C. 328(a) will provide that if a post-grant review is instituted and not dismissed under chapter 32 of title 35, United States Code, the Patent Trial and Appeal Board will issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under 35 U.S.C. 326(d).

35 U.S.C. 328(b) will provide that if the Patent Trial and Appeal Board issues a final written decision under 35 U.S.C. 328(a) and the time for appeal has expired or any appeal has terminated, the Director 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 by operation of the certificate any new or amended claim determined to be patentable.

35 U.S.C. 328(c) will provide that any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under chapter 32 of title 35, United States Code, will have the same effect as that specified in 35 U.S.C. 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under 35 U.S.C. 328(b).

35 U.S.C. 328(d) will provide that the Office will make available to the public data describing the length of time between the institution of, and the issuance of, a final written decision under 35 U.S.C. 328(a) for each post-grant review.

Section 6(d) of the Leahy-Smith America Invents Act adds 35 U.S.C. 329, entitled ''Appeal.'' 35 U.S.C. 329 will provide that a party dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 328(a) may appeal the decision pursuant to 35 U.S.C. 141–144. 35 U.S.C. 329 will also provide that any party to the post-grant review will have the right to be a party to the appeal.

Section 6(f) of the Leahy-Smith America Invents Act is entitled ''REGULATIONS AND EFFECTIVE DATE.'' Section 6(f)(1) of the Leahy-Smith America Invents Act provides that the Director will, not later than the date that is one year after the date of the enactment of the Leahy-Smith America Invents Act, issue regulations to carry out chapter 32 of title 35, United States Code, as added by § 6(d) of the Leahy-Smith America Invents Act.

Section 6(f)(2)(A) of the Leahy-Smith America Invents Act provides that the amendments made by § 6(d) of the Leahy-Smith America Invents Act will take effect upon the expiration of the one-year period beginning on the date of the enactment of the Leahy-Smith America Invents Act and, except as provided in § 18 of the America Invents Act and in § 6(f)(3) of the Leahy-Smith America Invents Act, will apply only to patents described in § 3(n)(1) of the Leahy-Smith America Invents Act. Section 3(n) of the Leahy-Smith America Invents Act is entitled ''EFFECTIVE DATE.'' Section 3(n)(1) of the Leahy-Smith America Invents Act provides:

> (n) EFFECTIVE DATE.—
>
> (1) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this section shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time—
>
> (A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is on or after the effective date described in this paragraph; or
>
> (B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

For example, the post-grant review provisions will apply to patents issued from applications that have an effective filing date on or after March 16, 2013, eighteen months after the date of enactment.

Section 6(f)(2)(B) of the Leahy-Smith America Invents Act provides that the Director may impose a limit on the number of post-grant reviews that may be instituted under chapter 32 of title 35, United States Code, during each of the first four one-year periods in which the amendments made by § 6(d) of the Leahy-Smith America Invents Act are in effect.

Section 6(f)(3) of the Leahy-Smith America Invents Act is entitled ''PENDING INTERFERENCES.'' Section 6(f)(3)(A) of the Leahy-Smith America Invents Act provides that the Director will determine, and include in the regulations issued under § 6(f)(1) of the Leahy-Smith America Invents Act, the procedures under which an interference commenced before the effective date set forth in § 6(f)(2)(A) of the Leahy-Smith America Invents Act is to proceed, including whether such interference: (i) is to be dismissed without prejudice to the filing of a petition for a post-grant review under chapter 32 of title 35, United States Code; or (ii) is to proceed as if the Leahy-Smith America Invents Act had not been enacted.

Section 6(f)(3)(B) of the Leahy-Smith America Invents Act provides that, for purposes of an interference that is commenced before the effective date set forth in § 6(f)(2)(A) of the Leahy-Smith America Invents Act, the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference.

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 §§ 141(d) and 146 of title 35, United States Code, as amended, and the jurisdiction to entertain appeals from derivation proceedings in 28 U.S.C. 1295(a)(4)(A), as amended, will be deemed to extend to any final decision in an interference that is commenced before the effective date set forth in § 6(f)(2)(A) of the Leahy-Smith America Invents Act and that is not dismissed pursuant to this paragraph.

Discussion of Specific Rules

The proposed new rules would implement the provisions of the Leahy-Smith America Invents Act for instituting and conducting post-grant review proceedings before the Patent Trial and Appeal Board (Board). 35 U.S.C. 326(a)(4), as added by the Leahy-Smith America Invents Act, provides that the Director will prescribe regulations establishing and governing post-grant review and the relationship of the review to other proceedings under title 35 of the United States Code. Public Law 112–29, § 6(d), 125 Stat. 284, 308 (2011). In particular, this notice proposes to add a new subpart C to 37 CFR part 42 to provide rules specific to post-grant reviews.

Additionally, the Office in a separate rulemaking is proposing to add part 42,

including subpart A, (RIN 0651–AC70) that will include a consolidated set of rules relating to Board trial practice. Specifically, the proposed subpart A of part 42 would set forth the policies, practices, and definitions common to all trial proceedings before the Board. The proposed rules in the instant notice and discussion below may reference the proposed rules in subpart A of part 42. Furthermore, the Office in separate rulemakings is proposing to add a new subpart B to 37 CFR part 42 (RIN 0651–AC71) to provide rules specific to *inter partes* reviews, 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.

Title 37 of the Code of Federal Regulations, Chapter I, Part 42, Subpart C, entitled ''Post-Grant Review'' is proposed to be added as follows:

Section 42.200: Proposed § 42.200 would set forth policy considerations for post-grant review proceedings.

Proposed § 42.200(a) would provide that a post-grant review is a trial and subject to the rules set forth in subpart A.

Proposed § 42.200(b) would provide that a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification in which it appears. This proposed rule would be consistent with longstanding established principles of claim construction before the Office. *In re Am. Acad. of Sci. Tech Ctr.,* 367 F.3d 1359, 1364 (Fed. Cir. 2004); *In re Yamamoto,* 740 F.2d 1569, 1571 (Fed. Cir. 1984). As explained in *Yamamoto,* a party's ability to amend claims to avoid prior art distinguishes Office proceedings from district court proceedings and justifies the difficult standard for claim interpretation. *Yamamoto,* 740 F.2d at 1572.

Proposed § 42.200(c) would provide a one-year timeframe for administering the proceeding after institution, with up to a six-month extension for good cause. This proposed rule is consistent with 35 U.S.C. 326(a)(11), which sets forth statutory time frames for post-grant review.

Proposed § 42.200(d) would provide that interferences commenced within one year of enactment of the Leahy-Smith America Invents Act shall proceed under part 41 of 37 CFR except as the Chief Administrative Patent Judge may otherwise order in the interests of justice. The expectation is that dismissal will be rarely, if ever, ordered. Hence, any case where such an order arises would be exceptional and should be handled as its circumstances require. This proposed rule is consistent with § 6(f)(3) of the Leahy-Smith America Invents Act, which provides that the Director shall include in regulations the procedures under which an interference commenced before the effective date of the act is to proceed.

Section 42.201: Proposed § 42.201 would provide who may file a petition for post-grant review.

Proposed § 42.201(a) would provide that a person who is not the patent owner may file a petition to institute a post-grant review, unless the petitioner or real party in interest had already filed a civil action challenging the validity of a claim of the patent. The proposed rule would follow the statutory language of 35 U.S.C. 325(a)(1), which provides that post-grant reviews are barred by prior civil action.

Proposed § 42.201(b) would provide that a petition may not be filed where the petitioner, the petitioner's real party in interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition. The proposed rule is consistent with 35 U.S.C. 325(e)(1) and 315(e)(1), as amended, which provide for estoppel based upon a final written decision in a post-grant review, a covered business method review, or *inter partes* review.

Section 42.202: Proposed § 42.202 would set forth the timeliness requirement for filing a post-grant review petition.

Proposed § 42.202(a) would provide that a petition for a post-grant review of a patent must be filed no later than the date that is nine months after the date of the grant of a patent or of the issuance of a reissue patent. Proposed § 42.202(a) would also provide that a petition may not request a post-grant review for a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued unless the petition is filed not later than the date that is nine months after the date of the grant of the original patent. The proposed rule would be consistent with the requirements of 35 U.S.C. 321(c).

Proposed § 42.202(b) would provide that the Director may limit the number of post-grant reviews that may be instituted during each of the first four 1-year periods after post-grant review takes effect. This proposed rule is consistent with § 6(f)(2)(B) of the Leahy-Smith America Invents Act (Pub. L. 112–29, 125 Stat. 284, 311 (2011)), which provides for graduated implementation of post-grant reviews. The Office, however, does not expect to limit the number of petitions at this time.

Section 42.203: Proposed § 42.203 would provide that a fee must accompany a petition for post-grant review and that no filing date will be accorded until full payment is received. This proposed rule is consistent with 35 U.S.C. 322(a)(1), which provides that a petition may only be considered if the petition is accompanied by the payment of the fee established by the Director.

Section 42.204: Proposed § 42.204 would provide for the content of petitions to institute a post-grant review. The proposed rule is consistent with 35 U.S.C. 322(a)(4), which allows the Director to prescribe regulations concerning the information provided with the petition.

Proposed § 42.204(a) would provide that a petition must demonstrate that the petitioner has standing. To establish standing, a petitioner, at a minimum, must certify that the patent is available for post-grant review and that the petitioner is not barred or estopped from requesting a post-grant review. This proposed requirement attempts to ensure that a party has standing to file the post-grant review and would help prevent spuriously-instituted post-grant reviews. Facially, improper standing is a basis for denying the petition without proceeding to the merits of the petition.

Proposed § 42.204(b) would require that the petition identify the precise relief requested for the claims challenged. Specifically, the proposed rule would require that the petition identify each claim being challenged, the specific grounds on which each claim is challenged, how the claims are to be construed, how the claims as construed are unpatentable, why the claims as construed are unpatentable under the identified grounds, and the exhibit numbers of the evidence relied upon with a citation to the portion of the evidence that is relied upon to support the challenge. This proposed rule is consistent with 35 U.S.C. 322(a)(3), which requires that the petition identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence supporting the challenge. It is also consistent with 35 U.S.C. 322(a)(4), which allows the Director to require additional information as part of the petition. The proposed rule would provide an efficient means for identifying the legal and factual basis satisfying the threshold for instituting a proceeding and would provide the patent owner with a minimum level of notice as to the basis for the challenge to the claims.

Proposed § 42.204(c) would provide that a petitioner seeking to correct clerical or typographical mistakes in a petition could file a procedural motion to correct the mistakes. The proposed rule would also provide that the grant of such a motion would not alter the filing date of the petition.

Section 42.205: Proposed § 42.205 would provide petition and exhibit service requirements in addition to the service requirements of § 42.6.

Proposed § 42.205(a) would require the petitioner to serve the patent owner at the correspondence address of record for the patent, and permits service at any other address known to the petitioner as likely to effect service as well. Once a patent has issued, communications between the Office and the patent owner often suffer. *Ray* v. *Lehman,* 55 F.3d 606 (Fed. Cir. 1995) (patentee's failure to maintain correspondence address contributed to failure to pay maintenance fee and therefore expiration of the patent). While the proposed rule requires service at the correspondence address of record in the patent, the petitioner will already be in communication with the patent owner, in many cases, at a better service address than the official correspondence address.

Proposed § 42.205(b) would address the situation where service to a patent's correspondence address does not result in actual service on the patent owner. When the petitioner becomes aware of a service problem, it must promptly advise the Board of the problem. The petitioner may be required to certify that it is not aware of any better address for service of the patent owner. The Board may authorize other forms of service, such as service by publication in the Official Gazette of the United States Patent and Trademark Office.

Section 42.206: Proposed § 42.206 would provide for the filing date requirements of a post-grant review petition.

Proposed § 42.206(a) would set forth the requirements for a complete petition. 35 U.S.C. 322 states that a petition may only be considered when the petition identifies all the real parties in interest, when a copy of the petition is provided to the patent owner or the owner's representative, and that the petition be accompanied by the fee established by the Director. Consistent with the statute, the proposed rule would require that a complete petition be filed along with the fee and that it be served upon the patent owner.

Proposed § 42.206(b) would provide one month to correct defective requests to institute a post-grant review, unless the statutory deadline in which to file a petition for post-grant review has expired. The proposed rule is consistent with the requirement of 35 U.S.C. 322 that the Board may not consider a petition that fails to meet the statutory requirements for a petition. In determining whether to grant a filing date, the Board would review a petition for procedural compliance. Where a procedural defect is noted, *e.g.,* failure to state the claims being challenged, the Board would notify the petitioner that the petition was incomplete and identify any non-compliance issues.

Section 42.207: Proposed § 42.207(a) would provide that the patent owner may file a preliminary response to the petition. The rule is consistent with 35 U.S.C. 323, which provides for such a response.

Proposed § 42.207(b) would provide that the due date for the preliminary response to petition is no later than two months from the date of the notice that the request to institute a post-grant review has been granted a filing date. This proposed rule is consistent with 35 U.S.C. 323, which provides that the Director shall set a time period for filing the preliminary patent owner response.

Within three months from the filing of the preliminary patent owner response, or three months from the date such a response was due, the Board would determine whether to institute the review. A patent owner seeking a shortened period for the determination may wish to file a preliminary response well before the date the response is due, including filing a paper stating that no preliminary response will be filed. No adverse inference will be drawn where a patent owner elects not to file a response or elects to waive the response.

Proposed § 42.207(c) would provide that the preliminary patent owner response would not be allowed to present new testimony evidence, for example, expert witness testimony on patentability. 35 U.S.C. 323 provides that a preliminary patent owner response set forth reasons why no post-grant review should be instituted. In contrast, 35 U.S.C. 326(a)(8) provides for a patent owner response after institution and requires the presentation, through affidavits or declarations, of any additional factual evidence and expert opinions on which the patent owner relies in support of the response. The difference in statutory language demonstrates that 35 U.S.C. 323 does not permit for the presentation of evidence as a matter of right in the form of testimony in support of a preliminary patent owner response, and the proposed rule reflects this distinction. In certain instances, however, a patent owner may be granted additional discovery before filing their preliminary response and submit any testimonial evidence obtained through the discovery. For example, additional discovery may be authorized where patent owner raises sufficient concerns regarding the petitioner's certification of standing.

Although 35 U.S.C. 324 does not require that a preliminary patent owner response be considered, the Board expects to consider such a response in all but exceptional cases.

Proposed § 42.207(d) would provide that the preliminary patent owner response would not be allowed to include any amendment. *See* proposed § 42.221 for filing a motion to amend the patent after a post-grant review has been instituted.

Proposed § 42.207(e) would provide that the patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent, and no post-grant review will be instituted based on disclaimed claims.

Section 42.208: Proposed § 42.208 would provide for the institution of a post-grant review.

35 U.S.C. 324(a), as amended, states that the Director may not authorize a post-grant review to be instituted, unless the Director determines that the information in the petition, if such information is not rebutted, demonstrate that it is more likely than not at least one of the claims challenged in the petition is unpatentable. Alternatively, the Director may institute a post-grant review by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. Proposed § 42.208 is consistent with this statutory requirement and identifies how the Board may authorize such a review to proceed.

Proposed § 42.208(a) would provide that the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. Specifically, in instituting the review, the Board would authorize the review to proceed on the challenged claims for which the threshold requirements for the proceeding have been met. The Board would identify which of the grounds the review will proceed upon on a claim-by-claim basis. Any claim or issue not included in the authorization for review would not be part of the post-grant review. The Office intends to publish a notice of the institution of a post-grant review in the Official Gazette.

Proposed § 42.208(b) would provide that the Board, prior to institution of a

review, may deny some or all grounds for unpatentability on some or all of the challenged claims. This proposed rule is consistent with the efficient administration of the Office, which is a consideration in prescribing post-grant review regulations under 35 U.S.C. 326(b).

Proposed § 42.208(c) would provide that the institution may be based on a more likely than not standard and is consistent with the requirements of 35 U.S.C. 324(a).

Proposed § 42.208(d) would provide that a determination under § 42.208(c) may be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. This proposed rule is consistent with 35 U.S.C. 324(b). The expectation is that this ground for a post-grant review would be used sparingly.

Section 42.220: Proposed § 42.220 would set forth the procedure in which the patent owner may file a patent owner response.

Proposed § 42.220(a) would provide for a patent owner response and is consistent with the requirements of 35 U.S.C. 326(a)(8).

Proposed § 42.220(b) would provide that if no time for filing a patent owner response to a petition is provided in a Board order, the default time for filing the response would be two months from the date the post-grant review is instituted. The Board's experience with patent owner responses is that two months provides a sufficient amount of time to respond in a typical case, especially as the patent owner would already have been provided two months to file a preliminary patent owner response prior to institution. Additionally, the proposed time for response is consistent with the requirement that the trial be conducted such that the Board renders a final decision within one year of the institution of the review. 35 U.S.C. 326(a)(11).

Section 42.221: Proposed § 42.221 would provide a procedure for a patent owner to file motions to amend the patent.

Proposed § 42.221(a) would make it clear that the first motion to amend need not be authorized by the Board. If the motion complies with the timing and procedural requirements, the motion would be entered. Additional motions to amend would require prior Board authorization. All motions to amend, even if entered, will not automatically result in entry of the proposed amendment into the patent.

The requirement to consult the Board reflects the Board's need to regulate the substitution of claims and the amendment of the patent to control unnecessary proliferation of issues and abuses. The proposed rule aids in the efficient administration of the Office and the timely completion of the review. 35 U.S.C. 326(b).

Proposed § 42.221(b) would provide that a motion to amend the claims must set forth: (1) The support in the original disclosure of the patent for each claim that is added or amended, and (2) the support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

Proposed § 42.221(c) would provide that a motion to amend the claims will not be authorized where the amendment does not respond to the ground of unpatentability involved in the trial or seeks to enlarge the scope of the claims or introduce new matter.

The proposed rule aids the efficient administration of the Office and the timely completion of the review, 35 U.S.C. 326(b), and is also consistent with 35 U.S.C. 326(d)(3), which prohibits enlarging the scope of claims or introducing new matter.

Under the proposed rules, a patent owner may request filing more than one motion to amend its claims during the course of the proceeding. Additional motions to amend may be permitted upon a demonstration of good cause by the patent owner. In considering whether good cause is shown, the Board will take into account how the filing of such motions would impact the timely completion of the proceeding and the additional burden placed on the petitioner. Specifically, belated motions to amend may cause the integrity and efficiency of the review to suffer as the petitioner may be required to devote significant time and resources on claims that are of constantly changing scope. Furthermore, due to time constraints, motions to amend late in the process may not provide a petitioner a full and fair opportunity to respond to the newly presented subject matter. Accordingly, the longer a patent owner waits to request authorization to file an additional motion to amend, the higher the likelihood the request will be denied. Similarly, motion to amend may be permitted upon a joint request of the petitioner and the patent owner to advance settlement where the motion does not jeopardize the ability of the Office to timely complete the proceeding.

Section 42.222: Proposed § 42.222 would prescribe a rule consistent with the requirements of 35 U.S.C. 325(d) regarding multiple proceedings involving the subject patent. When there is a question of a stay concerning a matter for which a statutory time period is running in one of the proceedings, where the stay would impact the ability of the Office to meet the statutory deadline, it is expected that the Director would be consulted prior to issuance of a stay, given that the stay would impact the ability of the Office to meet the statutory deadline for completing the post-grant review. For example, it is expected that the Board would consult the Director prior to the issuance of a stay in an *ex parte* reexamination proceeding where the three month statutory time period under 35 U.S.C. 303 is running.

Section 42.223: Proposed § 42.223 would provide for the filing of supplemental information. 35 U.S.C. 326(a)(3) provides that the Director shall establish regulations establishing procedures for filing supplemental information after the petition is filed. 35 U.S.C. 324(a) provides that the institution of a post-grant review is based upon the information filed in the petition under 35 U.S.C. 321 and any response filed under 35 U.S.C. 323. As the institution of the post-grant review is not based upon supplemental information, the proposed rule would provide that motions identifying supplemental information be filed after the institution of the post-grant review.

Section 42.224: Proposed § 42.224 would provide that additional discovery in a post-grant review is limited to evidence directly related to factual assertions advanced by a party to the proceeding and that the standard for additional discovery is good cause. The proposed rule is consistent with 35 U.S.C. 326(a)(5), which provides that the Director shall prescribe regulations setting forth the standards and procedures for discovery of relevant evidence that is directly related to factual assertions by either party.

While an interests-of-justice standard will be employed in granting additional discovery in *inter partes* reviews and derivation proceedings, new subpart C will provide that a good cause standard is 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 on balance, 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, interests of justice would mean that the Board would look at all relevant factors. The interests-of-justice standard covers considerable more ground than the good cause standard, and in using such a standard

the Board will attempt to consider whether the additional discovery is necessary in light of ''the totality of the relevant circumstances.'' *U.S.* v. *Roberts,* 978 F.2d 17, 22 (1st Cir. 1992).

Rulemaking Considerations

A. Administrative Procedure Act (APA): This notice proposes rules of practice concerning the procedure for requesting a post-grant or covered business method patent review, and the trial process after initiation of such a review. 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 (DC 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 rulemaking 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 50 petitions for post-grant and covered business method patent review will be filed in fiscal year 2013. This will be the first fiscal year in which the review proceeding will be available for an entire fiscal year.

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 and 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 qualify as covered business method patents would approximate the number of patents classified in other classes that do qualify.

The Office received 20 requests for *inter partes* reexamination of patents classified in Class 705 in fiscal year 2011. The Office is estimating the number of petitions for covered business method patent review to be higher than 20 requests due to an expansion of the grounds for which review may be requested including subject matter eligibility grounds, the greater coordination with litigation, and the provision that patents will be eligible for the proceeding regardless of filing date of the application which resulted in the patent. 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 are eligible for post-grant review, or certain applications involved in an interference proceeding commenced before September 12, 2012. Public Law 112–29, § 6(f), 125 Stat. 284, 311 (2011).

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 post-grant and covered business method patent review, it is estimated that 16 petitions for post-grant and covered business method patent review 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 *

Fiscal year	*Inter partes* 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

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

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 estimate 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 post-grant and covered business method patent review in fiscal year 2013 (16 patents) would be less than 0.005% (16/375,000) of all patents in force that are owned by small entities. 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 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. For the implementation, § 6(f) of the Leahy-Smith America Invents Act requires that the Director issue regulations to carry out chapter 32 of title 35, United States Code, within one year after the date of enactment. Public Law 112–29, § 6(f), 125 Stat. 284, 311 (2011).

2. *Succinct Statement of the Objectives of, and Legal Basis for, the Proposed Rules:* The proposed rules seek to implement post-grant and covered business method patent review as authorized by the Leahy-Smith America Invents Act. The Leahy-Smith America Invents Act requires that the Director prescribe rules for the 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. 326(a)(11). The Leahy-Smith America Invents Act also requires that the Director, in prescribing rules for 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. 326(b). Consistent with the time periods provided in 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 50 petitions for post-grant and covered business method patent review 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 16 patents owned by small entities would be affected by a post-grant or covered business method patent review.

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 2 patent owners will file a request for adverse judgment or fail to participate after institution in post-grant and covered business method patent review 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 1 small entity will file such requests or fail to participate in post-grant and 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. Specifically, the Office estimates that 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 15 small entities will file a preliminary response to a post-grant or covered business method patent review petition filed 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* Reexamination—FY 2011, *http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.* The Office also considered the impact of: (1) Patent owner preliminary responses under newly authorized in 35 U.S.C. 323, (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 324(a), which would tend to increase the likelihood of dismissing a petition for review, and (3) the more restrictive time period for filing a petition for review in 35 U.S.C. 325(b), which would tend to reduce the likelihood of dismissing a petition. Based on these considerations, it is estimated that 10% of the petitions for review (5 divided by 49) would be dismissed.

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 2 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%), it is estimated that 1 small entity will file a request for a reconsideration of a decision dismissing the petition for post-grant and covered business method patent review filed 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 post-grant and covered business method patent reviews will have an average of 8.89 motions, oppositions, and replies per trial after institution. Settlement is estimated to occur in 20% of instituted trials at various points of the trial. In the trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed.

After a trial has been instituted but prior to a final written decision, parties to a post-grant or covered business method patent review may request an oral hearing. It is anticipated that 45 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 15 small entities will file a request for oral hearing in the post-grant or covered business method patent reviews instituted in fiscal year 2013.

Parties to a post-grant or covered business method patent review may file requests to treat a settlement as business confidential, and request for adverse judgment. A written request to make a settlement agreement available may also be filed. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options will be infrequently used. The Office estimates that 2 requests to treat a settlement as business confidential, and 10 requests for adverse judgment, default adverse judgment, or settlement notices will be filed. The Office also estimates that 2 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%), it is estimated that 1 small entity will file a request to treat a settlement as business confidential and 3 small entities will file a request for adverse judgment, default adverse judgment notices, or settlement notices in the reviews instituted in fiscal year 2013.

Parties to a post-grant or covered business method patent review 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 decision of the Board would be appealed. The reduction in appeal rate is based the higher threshold for institution, the focused process, and the experience of the Board in conducted contested cases. Therefore, it is estimated that 5 parties would seek judicial review of the final decisions of the Board in post-grant or covered business method patent reviews instituted in fiscal year 2013. Furthermore, based on the percentage of small entity owned patents that were the subject of *inter partes* reexamination (32.79%), it is estimated that 2 small entities would seek judicial review of final decisions of the Board in the post-grant or covered business method patent reviews 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 post-grant 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. 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, 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 for post-grant review.

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 business method field for covered business methods.

Preparation of the petition would require analyzing the patent claims, locating evidence supporting arguments of unpatentability, and preparing the petition seeking review of the patent. This 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 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 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 post-grant or covered business method patent review is estimated to be 33.333% higher than the cost of preparing an *inter partes* review petition because the petition for post-grant or covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. The American Intellectual Property Law Association's *AIPLA Report of the Economic Survey 2011* reported that the average cost of preparing a request for *inter partes* reexamination was $46,000. Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Therefore, the Office estimates that the cost of preparing a petition for post-grant or covered business method patent review would be $61,333 (including expert costs).

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 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 $2,270. 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 post-grant or covered business method patent review with 20 or fewer challenged claims, it is anticipated that 121 hours of judge time would be required. For 21 to 30 challenged claims, an additional 30 hours is anticipated for a total of 151 hours of judge time. For 31 to 40 challenged claims, an additional 60 hours is anticipated for a total of 181 hours of judge time. For 41 to 50 challenged claims, an additional 121 hours is anticipated for a total of 242 hours of judge time. For 51 to 60 challenged claims, an additional 181 hours is anticipated for a total of 302 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, or 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. 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, 42.221, 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, 42.207, 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 post-grant or covered business method patent review will have 8.89 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, 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 or covered business method patent review is estimated at $44,200 (including expert costs), reflecting the reduction in overlap between motions relative to derivation. 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 post-grant or covered business method patent review 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 post-grant or covered business method patent review may file requests to treat a settlement as business confidential, or file a request for adverse judgment. A written request to make a settlement agreement available may also be filed. The procedures to file requests that a settlement be treated as business confidential are proposed in § 42.74(c). The procedures to file requests for adverse judgment are proposed in § 42.73(b). 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 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).

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.*

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, a 5 page limit for miscellaneous issues, and 10 pages 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. 326(b) provides considerations that are to be taken into account when prescribing regulations including the integrity of the patent system, the efficient administration of the Office, and the ability to complete 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, 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.

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 cases practice provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in federal courts. The proposed rule would continue the current practice.

Proposed § 42.24(c) would provide page limits for replies. Current contested cases 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 cases 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 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. 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. 321(a) requires the Director to establish fees to be paid by the person requesting the review in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. In contrast to 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 determines that the review should not be initiated.

35 U.S.C. 322(a)(1) further requires that the fee established by the Director under 35 U.S.C. 321 accompany the petition on filing. Accordingly, in interpreting the fee setting authority in 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 administrating 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 efficiently manage a case). 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. 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 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 timely complete 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 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. 322 that requires the fee established by the Director be paid at the time of filing the petition. Accordingly, this alternative is inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for 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 may 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*. Accordingly, this alternative would have been inconsistent with objectives of the Leahy-Smith America Invents Act that the Director, in prescribing rules for the 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. To promote effective discovery, the proposed rule would require a showing of good cause to authorize additional requested discovery. To show good cause, a party must make a particular and specific demonstration of fact. The moving party must also show that it was fully diligent in seeking discovery, and that there is no undue prejudice to the non-moving party.

The Office has proposed a default scheduling order to provide limited discovery as a matter of right and also 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 economic impact on the opposing party would be considered which 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. Proceedings before the Office can be technically complex. 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, 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 timeframe, 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 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. 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 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 of 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.

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

Based on the petition and other filing requirements for initiating a review proceeding, the USPTO estimates the burden of the proposed rules on the public to be $22,761,410 in fiscal year 2013 which represents the sum of the estimated total annual (hour) respondent cost burden ($20,405,610) plus the estimated total annual non-hour respondent cost burden ($2,355,800) provided in Part O, Section II, of this notice, *infra.*

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. 326(a) provides that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for *inter partes* reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7 months during fiscal years 2009–2011. *See* Reexaminations—FY 2011, *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 post-grant or covered business method patent reviews to reduce duplication of efforts and costs.

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* (last visited Nov. 11, 2011) (hosting annual reports for 1997 through 2010). Thus, the Office estimates that no more than 3,300 patent cases (the highest number of yearly filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above ($22,761,410) 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 rulemaking 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. In the Notice ''Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,'' RIN 0651–AC70, the information collection for all of the new trials authorized by the Leahy-Smith America Invents Act were provided. In the Notice ''Changes to Implement Post-Grant Review Proceedings,'' RIN 0651–AC72, the information collection for post-grant review and covered business method patent review combined authorized by the Leahy-Smith America Invents Act were provided. This notice also provides the subset of burden created by the covered business method patent review provisions. The proposed collection will be available at the OMB's Information Collection Review Web site (*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 a post-grant review (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205);

(2) 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);

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

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

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

The proposed rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 326(a)(10), requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), and requests that a

settlement be treated as business confidential (§ 42.74(b)) provided for in 35 U.S.C. 327.

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

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

Section 18 of the 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.

In estimating the number of hours necessary for preparing a petition to institute a post-grant or covered business method patent 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.* Since additional grounds are provided in post-grant 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 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 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. A post-grant or covered business method patent review should have many fewer motions since only one party will have a patent that is the subject of the proceeding (compared with each party having at least a patent or an application in current contested cases before the trial section of the Board). Moreover, fewer issues can be raised since post-grant and covered business method patent reviews will not have the priority-related issues that must be addressed in current contested cases before the trial section of the Board before the priority phase. Again, a 75% weighting factor should capture the typical costs of a post-grant or covered business method patent review.

The title, description, and respondent description of the information collection are shown below with an estimate of the annual reporting burdens for the post-grant and covered business method patent review provisions. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. The principal impact of the proposed changes in this notice of proposed rulemaking is to implement the changes to Office practice necessitated by §§ 6(d) 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 as well as the motions authorized following the institution is used by the USPTO to determine whether to initiate a review under 35 U.S.C. 324 and to prepare a final decision under 35 U.S.C. 328.

OMB Number: 0651–00xx.

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: 100 respondents and 515 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: 60,016.5 hours per year.

Estimated Total Annual (Hour) Respondent Cost Burden: $20,405,610 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 $20,405,610 per year (60,016.5 hours per year multiplied by $340 per hour).

Estimated Total Annual Non-hour Respondent Cost Burden: $2,355,800

per year. There are no capital start-up or maintenance costs associated with this information collection. However, this collection does have annual (non-hour) costs in the form of filing fees. There are filing fees associated with petitions for post-grant and covered business method patent review and for requests to treat a settlement as business confidential. The total fees for this collection are calculated in the accompanying table. The USPTO estimates that the total fees associated with this collection will be approximately $2,355,800 per year.

Therefore, the total estimated cost burden in fiscal year 2013 is estimated to be $22,761,410 (the sum of the estimated total annual (hour) respondent cost burden ($20,405,610) plus the estimated total annual non-hour respondent cost burden ($2,355,800)).

Item	Estimated time for response (hours)	Estimated annual responses	Estimated annual burden hours
Petition for post-grant or covered business method patent review	180.4	50	9,020
Reply to initial post-grant or covered business method patent review	100	45	4,500
Request for Reconsideration	80	14	1,120
Motions, replies and oppositions after institution in post-grant or covered business method patent review	130	342	44,460
Request for oral hearing	20	45	900
Request to treat a settlement as business confidential	2	2	4
Request for adverse judgment, default adverse judgment or settlement	1	10	10
Request to make a settlement agreement available	1	2	2
Notice of judicial review of a Board decision (*e.g.,* notice of appeal under 35 U.S.C. 142)	0.1	5	0.5
Totals		515	60,016.5

Item	Estimated annual responses	Fee amount	Estimated annual filing costs
Petition for post-grant or covered business method patent review	50	$47,100	$2,355,000
Reply to post-grant or covered business method patent review petition	45	0	0
Request for Reconsideration	14	0	0
Motions, replies and oppositions after initiation in post-grant or covered business method patent review	342	0	0
Request for oral hearing	45	0	0
Request to treat a settlement as business confidential	2	0	0
Request for adverse judgment, default adverse judgment or settlement	10	0	0
Request to make a settlement agreement available	2	400	800
Notice of judicial review of a Board decision (*e.g.,* notice of appeal under 35 U.S.C. 142)	5	0	0
Totals	515		$2,355,800

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 10, 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;* and (2) The Board of Patent Appeals and Interferences by electronic mail message over the Internet addressed to: *post_grant_review@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, Post-Grant Review 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 in 37 CFR Part 42

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 propose to amend 37 CFR part 42 as proposed to be added in the February 9, 2012, issue of the **Federal Register** as follows:

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

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

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

2. A subpart C is added to read as follows:

Subpart C—Post-Grant Review

General

Subpart C—Post-Grant Review

General

§ 42.200 Procedure; pendency.

(a) A post-grant review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) A post-grant review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge.

(d) Interferences commenced before September 16, 2012, shall proceed under part 41 of this chapter except as the Chief Administrative Patent Judge, acting on behalf of the Director, may otherwise order in the interests of justice.

§ 42.201 Who may petition for a post-grant review.

A person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent unless:

(a) Before the date on which the petition for review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent; or

(b) The petitioner, the petitioner's real party in interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

§ 42.202 Time for filing.

(a) A petition for a post-grant review of a patent must be filed no later than the date that is nine months after the date of the grant of a patent or of the issuance of a reissue patent. A petition, however, may not request a post-grant review for a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued unless the petition is filed not later than the date that is nine months after the date of the grant of the original patent.

(b) The Director may impose a limit on the number of post-grant reviews that may be instituted during each of the first four one-year periods in which 35 U.S.C. 321 is in effect by providing notice in the Office's Official Gazette or **Federal Register**. Petitions filed after an established limit has been reached will be deemed untimely.

§ 42.203 Post-grant review fee.

(a) A post-grant review fee set forth in § 42.15(b) must accompany the petition.

(b) No filing date will be accorded to the petition until full payment is received.

§ 42.204 Content of petition.

In addition to the requirements of §§ 42.8 and 42.22, the petition must set forth:

(a) *Grounds for standing.* The petitioner must certify that the patent for which review is sought is available for post-grant review and that the petitioner is not barred or estopped from requesting a post-grant review of the patent.

(b) *Identification of challenge.* Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds permitted under paragraph (2) or (3) of 35 U.S.C. 282(b) on which the challenge to the claim is based;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112, sixth paragraph, the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. Where the grounds for unpatentability are based on prior art, the petition must specify where each element of the claim is found in the prior art. For all other grounds of unpatentability, the petition must identify the specific part of the claim that fails to comply with the statutory grounds raised and state how the identified subject matter fails to comply with the statute; and

(5) The exhibit number of the supporting evidence relied upon to support the challenge and state the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

§ 42.205 Service of petition.

In addition to the requirements of § 42.6, the petitioner must serve the petition and exhibits relied upon in the petition as follows:

(a) The petition and supporting evidence must be served on the patent owner at the correspondence address of record for the subject patent. The petitioner may additionally serve the petition and supporting evidence on the patent owner at any other address known to the petitioner as likely to effect service.

(b) If the petitioner cannot effect service of the petition and supporting evidence on the patent owner at the correspondence address of record for the subject patent, the petitioner must immediately contact the Board to discuss alternate modes of service.

§ 42.206 Filing date.

(a) *Complete petition.* A petition to institute a post grant review will not be accorded a filing date until the petition satisfies all of the following requirements:

(1) Complies with § 42.204 or § 42.304,

(2) Service of the petition on the correspondence address of record as provided in § 42.205(a); and

(3) Is accompanied by the filing fee in § 42.15(b).

(b) *Incomplete request.* Where a party files an incomplete petition, no filing date will be accorded and the Office will dismiss the request if the deficiency in the petition is not corrected within the earlier of either one month from the notice of an incomplete petition, or the expiration of the statutory deadline in which to file a petition for post-grant review.

§ 42.207 Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no post-grant review should be instituted under 35 U.S.C. 324. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is an opposition for purposes of determining page limits under § 42.24.

(b) *Due date.* The preliminary response must be filed no later than two months after the date of a notice indicating that the request to institute a post-grant review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the preliminary patent owner response.

(c) *No new testimonial evidence.* The preliminary response shall not present new testimony evidence beyond that already of record.

(d) *No amendments.* The preliminary response shall not include any amendment.

(e) *Disclaim Patent Claims.* The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent. No post-grant review will be instituted based on disclaimed claims.

Instituting Post-Grant Review

§ 42.208 Institution of post-grant review.

(a) When instituting post-grant review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute post-grant review on that ground.

(c) *Sufficient grounds.* Post-grant review shall not be instituted for a ground of unpatentability, unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a preliminary patent owner response where such a response is filed.

(d) *Additional grounds.* Sufficient grounds under § 42.208(c) may be a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

After Institution of Post-Grant Review

§ 42.220 Patent owner response.

(a) *Scope.* A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) *Due date for response.* If no date for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is two months from the date the post-grant review is instituted.

§ 42.221 Amendment of the patent.

(a) A patent owner may file one motion to amend a patent but only after conferring with the Board. Any additional motions to amend may not be filed without Board authorization.

(b) A motion to amend must set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) A motion to amend the claims of a patent will not be authorized where:

(1) The amendment does not respond to a ground of unpatentability involved in the trial; or

(2) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

§ 42.222 Multiple proceedings.

Where another matter involving the patent is before the Office, the Board may during the pendency of the post-grant review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.

§ 42.223 Filing of supplemental information.

Once a trial has been instituted, a petitioner may request authorization to file a motion identifying supplemental information relevant to a ground for which the trial has been instituted. The request must be made within one month of the date the trial is instituted.

§ 42.224 Discovery.

Notwithstanding the discovery provisions of subpart A:

(a) Requests for additional discovery may be granted upon a showing of good cause as to why the discovery is needed; and

(b) Discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding.

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. 2012–2529 Filed 2–9–12; 8:45 am]

BILLING CODE 3510–16–P

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO–P–2011–0085]

RIN 0651–AC73

Changes To Implement Transitional Program for Covered Business Method Patents

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 to implement the provisions of the Leahy-Smith America Invents Act that create a new transitional post-grant review proceeding for covered business method patents to be conducted before the Patent Trial and Appeal Board (Board). These provisions of the Leahy-Smith America Invents Act will take effect on September 16, 2012, one year after the date of enactment. These provisions and any regulations issued under these provisions will be repealed on September 16, 2020, with respect to any new petitions under the transitional program.

DATES: The Office solicits comments from the public on this proposed rulemaking. Written comments must be received on or before April 10, 2012 to ensure consideration.

ADDRESSES: Comments should be sent by electronic mail message over the Internet addressed to: *TPCBMP_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, Covered Business Method Patent Review 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.