

AMERICA INVENTS ACT

WEBINAR SERIES

WEBINAR 3:

ADMINISTRATIVE TRIAL FINAL RULES

November 8, 2012

11:00 a.m.

REPORTING ASSOCIATES, LLC

Certified Court Reporters

112 Haddontowne Court, Suite 202

Cherry Hill, NJ 08034

(856) 795-2323 (215) 564-0675

Fax (856) 795-1777

Sean M. Fallon, RMR, CCR, RPR

LAUREN PAFUMI: Good morning, and welcome to the America Invents Act Webinar Series. I'm Lauren Pafumi with the FLC Management Support Office, and I'll be facilitating this webinar. Today is our third and final session, in which we will cover administrative trial final rules.

This webinar will be about one hour long. The presentation segment will be followed by a Q and A period of about 15 minutes. Please enter your questions in the questions chat box in your webinar menu, which should be on the right-hand side of your screen.

This webinar will be recorded and the recording will be online within 24 to 48 hours. You will receive an e-mail with information about how to access the recording. For technical questions or issues, please type your issue into the same questions chat box in the webinar menu for immediate assistance.

Our speaker today will be Sally Medley, who is an administrative patent judge at the U.S. Patent and Trademark Office, Board of Patent Trials and Appeals. Judge Medley has participated in formulating proposed and final rules for the America Invents Act administrative trials. She has also given numerous presentations on the AIA statutory provisions along with the proposed and final rules for the AIA administrative trials.

Judge Medley has been an administrative patent judge for the past 12 years and has been with the USPTO since 1993, when she began her career there as a patent examiner. Previously she had worked as a systems engineer within both the Federal Laboratory System and private industry, first at Lockheed and then at NASA's Kennedy Space Center. Many thanks to Judge Medley for joining us today.

Now I'd like to turn the floor over to her.

JUDGE MEDLEY: Thank you for the introduction. I'm pleased to be part of the FLC webinar presentation and I thank you for having me.

As you are aware, patent laws have significantly changed through the AIA, otherwise known as the Leahy-Smith America Invents Act. Many of those changes became effective September 16th of this year, and they include the new AIA trial proceedings.

Today I'm going to provide a high level overview of the final rules for the new AIA trial proceedings. Those proceedings include the Inter partes review, IPR; the post-grant review, PGR; the transitional program for the covered business method patents, or CBM, as we like to call it; and the derivation proceeding.

I will also cover the umbrella rules which apply to all four of the proceedings, and I will also discuss the practice guide, which applies to all the proceedings, as well.

The AIA patent trial final rules and practice guide for the final rules became effective September 16, 2012, except for derivation proceedings. Derivation proceedings become effective March of next year, so I'm not going to spend as much time on the derivation proceedings as I will the IPR, PGR and CBM, because those are up and running right now. We had 250 written comments regarding our proposed rules and, in light of all the comments we received, which we greatly appreciated, we made significant modifications, such as fees, discovery, estoppel and page limit provisions. So, whenever you see this blue highlighted language throughout the slide set, that is—that's highlighting the changes that we made from our proposed rules to our final rules.

In formulating the final rules, the Office considered that the AIA provides for us to consider the effect of the regulations on the economy, the integrity of the patent system, the efficient operation of the Office, and the ability to timely complete the proceeding. And also we looked at the legislative history, and that also provides that the proceedings reflect quick, effective and efficient alternative to costly and protracted district court litigation. Importantly, we have to complete these trials within a year of institution of the trial.

AIA provides for the same basic structure for all four of the proceedings. For example, each proceeding begins with the filing of a petition, and a trial, I said earlier, must be concluded within a year. The final rules lay out a framework for conducting the proceedings aimed at streamlining and converging the issues for a decision.

And, so, what does that mean, streamlining and converging the issues? Well, one example of how the Board will conduct these proceedings to reduce the burdens on the parties is by instituting a trial on a claim-by-claim, ground-by-ground basis. So, for example, if you have—a petitioner files a petition attacking—challenging ten claims of the patent based on Grounds A through Z, the Board may only determine to go forward on, let's say, Claims 1 through 5, Grounds A, B, C.

Also, conference calls with the judge handling the case will allow issues to be decided quickly and efficiently, and this is going to avoid burdens associated with filing costs for relief in the form of motions or as an inter partes re-exam and ex parte re-exam in the form of petition practice.

This is a view at a four-Board proceeding that I've been talking about. We've got the IPR, PGR, CBM, and derivation. Each of the four proceedings have, as I said earlier, common features and, so, they are going to be conducted in like fashion, and for this reason we formulated and promulgated from the umbrella trial rules that, and it applies to each of the proceedings.

And on this slide it shows the specific C.F.R. number for the particular trial—for the particular proceeding. And, if you haven't—if you are not familiar with these trials, but you are interested, I would recommend that you first look at our practice guide. The practice guide gives a great overview of what all of this is about.

This next slide provides a timeline of basically how a trial—typical trial occurs and how it proceeds. Each proceeding, as I said earlier, begins with the filing of a petition, and then the patent owner has three months from the docketing date to file a preliminary response. The AIA

then provides that the director—we will have to determine whether to institute within three months of receiving the patent owner response or, if no patent owner response was filed, within the time that it was supposed to be filed.

If the Board institutes a trial, we'll send out a scheduling order along with a decision to institute, and then about one month from institution of the trial we'll have a conference call and we'll set forth the time, the posture of the trial, and discuss issues that will be raised during the trial.

The times on this timeline (inaudible) as you can see from this timeline, there is this sort of back and forth between the parties for filing certain—excuse me—certain papers.

For example, three months from the institution date the patent owner may file a full response and/or a motion to amend their claims. Three months later a petitioner would then have an opportunity to file a reply to the opposition, or response, if you will, and/or an opposition to any motion to amend, and then one month later the patent owner may file a reply to any opposition to motion to amend. And during these times the parties will conduct—it will be sort of a serial conduction of cross-examination as appropriate. And two months after the patent owner reply, if the parties request, there will be an oral hearing and then we will follow up with a written decision.

So the total time from institution to the end was one year, and the director may, for good cause, extend that time, though we—to six months—by six months, though we see that that's going to be very rare. We are going to try to get these done within a year.

Okay. This next slide shows the major differences between an IPR, PGR and a CBM. The first set of blocks across is a really good view, it sort of succinctly shows the differences. It demonstrates which patents are eligible. So, for an IPR, inter partes review, all patents are eligible, but for a PGR it's only the first-to-inventor-to-file patents that are eligible, and then for CBM it's both, first inventor to file and first-to-admit patent, but the caveat is it must be a covered business method patent, and we'll talk about what that means shortly.

The second set of blocks across demonstrates who may file. For an IPR, the petitioner cannot have filed an invalidity action, and, if they are going to file a petition, they have to file no more than one year after service of infringement Complaint for the same patent. For PGR there is one similarity. The petitioner cannot have filed an invalidity action, and for CBM we have the additional caveat that the petitioner must be sued or charged with infringement in order to bring a proceeding before the Office.

The third set of blocks across demonstrates under what grounds the patent may be challenged. For an IPR, it's only 102 and 103 grounds based on patents or printed publication, and then for a PGR it's 102, 103, and 101 and 112, except for the best mode ground under 112. For a CBM it's the same.

Okay. This next slide indicates the threshold standards for institution, so what does the petitioner have to show. Well, for an IPR, the petitioner must demonstrate that there is a reasonable likelihood that he or she would prevail as to at least one of the claims challenged. And for a PGR

it's a different standard, and CBM. The petitioner must demonstrate that it is more likely than not that at least one of the claims challenged is unpatentable.

So, what is the difference here? For a PGR or CBM, I think most—most practitioners would understand that "more likely than not" is something greater than 50 percent chance. So the petitioner has the burden to show, you know, that it's more likely than not, greater than a 50 percent chance, that the claims—at least one claim is unpatentable. But for an IPR it's not—it encompasses that, of course, greater than 50 percent, but it also may encompass a 50/50 percent chance, or something that is close, but it has to be a reasonable likelihood, so certainly any frivolous type charges would not be considered because they wouldn't be considered to be reasonable.

This slide indicates which proceeding may be utilized for a first-to-invent patent, first—and first-inventor-to-file patent. That's sort of what I've been talking about, but shown in a different—little different context. In general, a person who is not the patent owner can file, so all third-party requests in the following—petitions in the following time period. So, if you have a first-to-invent patent, you can file a CBM immediately after issuance. If you are going to file an IPR because you don't have a CBM, for example, it's not a covered business method patent, you have to wait nine months from the issue date.

If you have a first-inventor-to-file patent, then a PGR can be filed, but it has to be done within nine months from the issue date, and if you are going to file an IPR or CBM, you can, but you have to wait nine months from the issue date.

Okay. Now I'm going to go through the specifics of each one of the four proceedings, spending a lot of time on inter partes review because there is a lot of similarities, and then just highlighting the differences for a PGR and a CBM and the derivation proceeding.

So, for IPR, all patents are eligible. It can't be the patent owner, as I said earlier, it has to be a third party, and it has to be something that you could not have previously filed or you did not previously file a civil action challenging the validity of a claim. You have to request to cancel if unpatentable, and you can only do so based on 102 or 103 prior art consisting of patents or printed publications. And then timing. What's timing? Well, you have to wait the latter of nine months after the grant of a patent or issuance of a reissue, or, if a PGR has been instituted, then you have to wait to the termination date of any post-grant review.

Okay. Well, the AIA tells us that we have certain things that we need to collect, we need to have, in order to give you filing dates so at least you can go forward and we can consider your petition. So the petition requirements per statute is we require that have you a fee, we also require that you identify the real parties in interest. This is important for estoppel reasons, as well as to alert the members of the panel that will be considering the case. Who the real parties in interest are, they may be recusal purposes or they will have to switch—we will have to switch people on the panel. The petition also must identify the claims challenged and the grounds upon which you are challenging the claims. The petitioner is also required to provide us with a claim construction and show how the claim is unpatentable based on that claim construction.

The AIA also requires petitioner to provide the evidence upon which they rely and to certify that they are not estopped from proceeding. The patent owner can file a preliminary response. If you remember back to that timeline that I discussed earlier, that's—we've set that time to be three months and, you know, we may waive that time, may extend, but it's probably likely going to be around three months that the patent owner can file a preliminary response.

Testimonial evidence is generally not permitted at this time because we don't want to have a trial before the trial. Evidence of record, you know, patents, those sorts of things that you want to rely on, that's fine, and, of course, we will consider parties' requests to file evidence where—and if they show where it's in the interest of justice to require, we may allow testimonial evidence. And one example we give in our practice guide is, for example, to demonstrate that the petitioner is estopped from proceeding.

Okay. Threshold and institution. As I said earlier, there is a threshold that the petitioner must meet. They have to demonstrate there is a reasonable likelihood that they will prevail as to at least one of the claims challenged. If they do that, then the Board will institute the trial on a claim-by-claim basis and ground-by-ground basis. So, there again, the Board is trying to narrow and converge the issues so that we can have, you know, a semblance of order there before we begin the trial.

So, what happens if you don't—if a trial is not instituted or you are not—you are not comfortable with a decision by the Board, what's your recourse? Well, parties can request rehearing of that decision and that's set forth in the rules there indicated. Again, once we start the trial, which is we decide that, yes, we should go forward with this petition, we are going to complete it within a year, except that it may be extended—the time may be extended up to six months for good cause. This will be rare, and if we do, it's probably going to extend just maybe like on a day-to-day, week-to-week basis. It's never going to be, you know, just a full carte blanche six month additional time.

Okay. So, what's this patent owner's response—full response going to look like? Well, let me just back up here for a second. So, once a trial is instituted, you are going to get a scheduling order, it's going to be sent to both parties, and then we're going to have a conference call about one month from institution. Now, we are going to talk about, you know, will the patent owner file a response, what kind of amendment do they want to make to the claims, if any, and then three months after institution they are going file—a patent owner is likely going to file a response. So, what is that going to be? Well, you can address any ground for patentability not already denied by the Board, so we don't want to hear about those things that we—you know, we are not going forward on. You can also file through affidavits or declarations any additional factual evidence and expert opinions. Again, this is all due three months from institution.

The patent owner also has the option to file a motion to amend. So, this is "and," in addition to the response. Authorization is not required to file initial motion, but, you know, we are going to talk about it during that initial conference call. You know, what are the claims that you want to amend, what are they going to look like, that type of thing. You can cancel any challenge claim and/or propose a reasonable number of substitute claims. And an additional motion may be authorized for good cause. So, if you file your—you file your one motion to amend the claim and

then, let's say, the petitioner comes up with some great evidence that they didn't have, there was just no way they could have found it, and the Board somehow, you know, takes up that motion, considers it, what's it in, well, then, we'll consider letting the patent owner have an additional motion to amend, if it's appropriate.

So this whole process we are going to limit it to prevent abuse and to aid in efficient administration and timely completion of the proceeding. So that gets back to the reasonable number of claims. So, if the patent owner—for example, there is only one claim that we are going forward on being challenged, and the patent owner wants to come in with a hundred new claims, that's likely not going to be authorized because that's not considered—going to be considered a probable—a reasonable number of substitute claims. Certainly a one-for-one substitution would be considered—likely to be considered reasonable.

Okay. Now moving on to the post-grant review, it has—there are a lot of similarities, so I'm just going to highlight the differences between PGR and IPR. Some of those differences are that in a PGR it's only patents issuing from applications subject to the first-inventor-to-file provision, which that occurs in March, 2013. PGR, well, why is—you may ask, well, why are we talking about PGR now? Well, CBM is covered by the same provisions as PGR is, so, in fact, CBM doesn't have—they don't have the wait period, so that's why we are talking about PGR today. PGR allows challenges based on 102 and 103, just like IPR, but we also—you can also challenge claims under 101 and 112, except for best mode. PGR may only be requested on or prior to the date that is nine months after the grant of a patent or issuance of a reissued patent. So, while you have a broader base to challenge a claim, you have to do it within a narrower time. You can't wait very long.

The petition has to demonstrate the threshold again, that it's more likely than not that at least one of the claims challenged is unpatentable. That's that greater than 50 percent threshold that I discussed earlier.

The covered business method employs the PGR standards and procedures subject to certain exceptions, so I'm going to review those exceptions. So, the differences include, you cannot file a CBM petition during the time a PGR petition could be filed. So, if you have nine months after issuance of the first-to-file patent, then have you to file the PGR, you can't file the CBM. If you haven't tried to go the CBM route, however, the petitioner must be sued or charged with infringement and the petitioner has the burden of establishing that the patent is eligible for a covered business method review.

Now, what does that mean? Well, I'm going to get into what is a covered business method, and that's set forth—the definition of that is set forth in the AIA, and I'll review that in just a moment.

Prior art is limited when challenging a first-to-invent patent, and I—I advise you to look at Section 18 of the public law, which goes through those limitations. So, for the covered business method review, both—all patents are eligible, both the first-to-invent and first-inventor-to-file patents, but it must be a covered business method patent. So, generally it's defined—as I said earlier, it's in the AIA and it's also provided again in our rule set, and the AIA generally defines it as a method or corresponding apparatus for performing data processing or other operations for

financial products or services, except the definition excludes patents for technological inventions. And Congress left it up to us to determine what is a technological invention. However, there is a lot of legislative history and—and discussion of the AIA about what this means, so we looked at the legislative history to come up with this definition that you see here. Technological invention is solely for the purposes of the CBM review. I wanted to make clear that this doesn't apply to, for example, district court litigation. The following will be considered on a case-by-case basis to determine if a patent is for a technological invention.

So we are looking at whether the claimed subject matter as a whole, based on the claims, recites a technological feature that is novel and unobvious over the prior art, solves a technical problem using a technical solution, and also is based on what the patent claims. As I said earlier, a patent having one or more claims directed to a covered business method review is eligible.

So, if you have just one that gives the green light, then we are going to go forward.

This slide sort of shows this funneling effect. These are the things that you have to have to get into a CBM review, and they are just sort of reviewing what I've already talked about. The patent has to be a covered business method patent as defined in AIA and also the regulations, which basically just cuts and pastes that definition from the AIA into our rule set. The petitioner must be sued or charged with infringement, and the patent has to be one that is not for a technological invention.

Okay. Now I'm moving on to derivation. Derivation is a little bit different than the other three proceedings that I've been talking about, and the one major difference is that, in the petitioner and the other three, they don't have to have an application before the Office for us to review their petition, but for a derivation—it only applies to a patent applicant. So you have to have—if you are the petitioner, so to speak, you have to have a patent application filed with the Office in order to pursue this route. And, again, derivation is not going to become effective until March of next year.

For derivation you have to have filed the petition within one year of the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.

So, first publication, we had a lot of comments on what does that mean, so we further explained that in our rules, that it means either a patent or an application publication under 35 U.S.C. 122(b), including a publication of an international application, as provided by 35 U.S.C. 374.

Okay. The petitioner, what do they have to have? They have to have a claim that is the same or substantially the same as the respondent's claim. So the person that allegedly derived the claimed subject matter from the petitioner, you have to have—show that you have the same claim as they do, and the same or substantially the same as the invention disclosed to the respondent. So that's—you have to have shown that what was disclosed to the respondent is related—directly related to what you are claiming.

So, what does same or substantially the same mean? We had lots of comments requesting more information on that, so we defined it in our final rule set to mean patentably indistinct. You also, the petitioner, must have—you must set forth a basis for finding an inventor named in an earlier application or patent derived the claimed invention. And we also, in our final regulations, clarified that you have to—as the petitioner, you have to certify that the inventor from whom the invention was derived—that you did not—the petitioner did not authorize the filing of the earliest application claiming invention. So, if you said, yes, go ahead and file at the Patent Office, you can't turn around then and say, oh, no, he took my invention, and—and you have to show that you didn't authorize him to do that.

You have to provide substantial evidence, including at least one affidavit in support of the petition, to show how the invention was communicated to the respondent. And we are not going to institute these, even if the standard is met, until a patent with the claimed invention issues. And why is that? Well, you know, these things are costly, they are expensive, and we want to make—ensure that the claims are what they are, you know, the claims are finalized, and that only can happen when the patent issues and then the claims are—are—they are set, you know, they are not flowing through prosecution. So that's why we want a patent to be issued.

Okay. Now that I've talked about the individual rule sets for the four different proceedings, post-grant review, inter partes review, covered business method review, and the derivation, I'm going to spend some time talking about the umbrella rules, and, again, the umbrella rules—we have this set of umbrella rules that applies to all four, and the reason we did this is that, you know, we wanted—wanted you not to have to be an expert on any one of these four. So, if you are familiar with the umbrella rules, you should be able to file any four of these different proceedings. And, again, if you need an overview of the umbrella rules, I highly advise you to look at our practice guide, which came out the same time as the rules did.

Real parties in interest have to be identified, and this is covered in the umbrella rules section. And, as the federal leader, it's important for us to know who the real parties are, it's important for the patent owner to know, the petitioner, for estoppel purposes, also for us for recusal purposes. And the practice guide goes into a lot of information, factors that could be considered in determining whether a party constitutes a real party in interest or privy.

Both petitioner and the patent owner must provide a certain amount of information additionally to conduct the proceeding. So we need to know what related proceedings are involved, we have to have a lead and a backup counsel, and we need contact information, e-mails addresses and phone numbers.

So, who can practice before the Board in these trial proceedings? Well, a lead counsel—lead counsel has to be a registered practitioner. However, the Board may recognize counsel pro hac vice, which—upon a showing of good cause, subject to the Office's Code of Professional Responsibility provisions and any other conditions the Board may impose. And one example we provide in the rules—final rules is that counsel, if he's an experienced litigation attorney, has a familiarity with subject matters at issue. That's important for us to know.

For example, in the cases that we've seen coming in, or a lot of them, the IPRs, they have related litigation currently—concurrently proceeding and, so, the lead counsel in that case probably is not a registered practitioner before the Office, but they are an experienced litigator handling the case, so we've seen pro hac vice requests for such persons to come in to the case and be a part of their team.

Similarly the Board, if things go bad, we can revoke pro hac vice status taking into account any various factors listed there.

Okay. The umbrella fees—the umbrella rules, excuse me, also set forth the fees—the petition fees. These are expensive proceedings. However, the fees we select, the cost that is involved in, for example, the re-examination proceedings that we conducted. So that was sort of our cost basis for coming up with these—these prices, and it's a cost—it's supposed to be a cost—we are not making any money. It's supposed to be a cost recovery basis. Proposed fee escalation in block increments of ten claims.

That's what we have proposed. It's not been adopted. The final rules establish a flat fee for each additional challenged claim after 20. So, for IPR, it's \$600 for each additional claim, for a PGR and CBM it's \$800 each additional claim.

The derivation proceeding only costs \$400. The reason why it's so much less expensive than the others is the thought of—if it—if someone improperly received a patent because they derived the invention from someone else, don't really want to charge a lot of—a heavy fee for setting that straight.

For the IPR, PGR and CBM, the director is required to set fees in such amounts determined to be reasonable, considering the aggregate costs of the review. As I had mentioned earlier, consistent with the statute, the fees are—have been set at a cost recovery level.

That's how we promulgated them. However, pursuant to the Office's new fee setting authority, we had proposed a staged fee structure which would permit a refund of a portion of the petition fees in cases where a trial is not instituted, and I believe that those proposed rules are in the comment phase. So you could stay tuned and see the final rule set on fees.

Page limits. The umbrella rule also sets forth page limits, and this was necessary in order for us to complete these within a year. We don't need—you know, we've had—in the past there were instances, as you can imagine, re-examination filings that were thousands of pages long. Since we are trying to conduct these within a year, we had to put page limits. So, as you can imagine, we set the page limits and we did get quite a few comments regarding the page limits, so we listened and we expanded the page limit in our final rules to ten pages.

So, for an IPR, you have 60 pages. That's also for a petition, preliminary response and the patent owner response. For PGR and CBM there is 80 pages because, as you bring them further, more grounds upon which you can challenge a claim—a patent, excuse me. And derivation, 60 pages. For claim charts, we also changed that so that single spacing is permitted, and statement of material facts are optional.

The umbrella rules also set forth a procedure for protecting confidential information. So, if a party wants to file confidential information, they can do so, if the file generally is going to be open to the public, but they can seek to have a document sealed by a motion to seal.

Protective orders may be entered to govern the exchange and submission of confidential information, and the party seeking a protective order may file a motion to seal accompanied by a default protective order. So, we have a default protective order that's in our practice guide, so, if you are interested in looking at that, I'll direct you to the practice guide.

Okay. Is testimony and document production permitted? It is permitted. There is various types of testimony and documents, so we'll talk about each one of those. The AIA does authorize the Office—for us to set standards and procedures for taking discovery, which we did. Our discovery rules allow the parties to agree to discovery between themselves. So, if the parties agree to information they want to provide to each other, they don't need to get the judge involved; they can just exchange that information.

Our final rules also provide for mandatory initial disclosures in addition to routine discovery and additional discovery. So, what is—what are mandatory initial disclosures? The parties can agree to mandatory discovery requiring initial disclosures. If they can't agree, then the party has to seek this type of discovery by motion. So we give an example here. The parties can agree to disclose the name and contact information of each individual likely to have discoverable information, along with the subjects of that information or information regarding secondary indicia of non-obviousness. So, again, if the parties agree to these mandatory initial disclosures and what they should entail, then the judge does not need to get involved. Otherwise, they can seek such discovery by motion.

So you hear—you heard me use this term, "routine discovery." What is routine discovery? Well, that's anything that includes documents cited, so if a petitioner sites a patent, that's—that would be considered a routine piece of discovery. Cross-examination for submitted testimony. So, if a petitioner relies upon testimony or declaration, then certainly the patent owner will have an opportunity, once a trial is instituted, to cross-examine a declarant and submit that to cross-examination testimony. And also information inconsistent with positions advanced during the trial, that's also considered routine information.

Our proposed rule was changed on inconsistent statements and it was modified to limit both scope and number of individuals subject to the rules, so you have to come in with your, you know, inconsistent—any inconsistent information that you have that's inconsistent with a position that you are advancing, but we've limited the scope of it.

Okay. What is additional discovery? Well, that's anything that's beyond the routine discovery, and that includes, you know, a sundry of things. The parties can agree, as I said earlier, to additional discovery between themselves. If they agree, then that's great, they don't need to come to the Board, but, if they don't agree, then they have to come before the Board and seek relief. A party seeking additional discovery in an IPR, they have to demonstrate that the additional

discovery is in the interest of justice. That's a higher standard than for PGR and CBM, which is just a good cause standard.

So, for example, if a party says, I need additional discovery, the opponent is not agreeing to it, you need to come to the judge, you will have a conference call, and then the judge will determine whether the discovery is in the interest of justice for an IPR or a good cause for PGR and CBM.

Okay. Supplemental information, what is this all about? Well, once we institute the trial, petitioner has already had their petition in, we are going forward on at least one claim, at least one ground, and then we get into it and petitioner says, oh, hey, you know, wait a minute, I just found something that's excellent and it needs to be addressed. Well, you can come to the judge, he'll have a conference call again, and the judge will look at it and then the judge may or may not authorize you to file a motion.

So a request for authorization to file a motion to submit supplemental information, you have to do it within one month after institution of the trial. The supplemental information must be relevant to a claim for which the trial has been instituted. And a motion to file supplemental information filed later than one month after institution, you have to show why the information reasonably could not have been obtained earlier and that consideration of the information would be in the interests of justice.

So, you know, the train—the train is going, we are going down the track, we are moving along, we—you know, we have to—we have to, you know, move along with the issues that we already have, so if you come in with something late, you have to really show that you couldn't have obtained it earlier and that consideration would be in the interests of justice.

The AIA provides for us to sanction parties, which we don't—for abuse of proceeding, which we don't anticipate to happen. However, if it does happen, we have in our arsenal the following things we've set forth in our rules, so that you—as you progress down, it's the less—less harsh to the more harsh. So the first is an order holding facts to have been established. We can expunge a paper—paper that comes in that wasn't authorized.

We take it out. We can exclude certain evidence. I can give you an example. If you submit testimony and you don't allow cross-examination of the declarant for some reason, then we'll likely—might not look at the evidence to begin with.

An order precluding a party from obtaining or opposing discovery, providing for expenses, that's likely not going to happen, but it is something that we have in our rule set. And then, of course, judgment or dismissal of the petition, which would be the ultimate.

Settlement, the AIA does allow for settlement. Settlement terminates the proceeding with respect to petitioner, and the Board may terminate the proceeding or issue a final written decision. So, when would we go forward if the parties settle? Why not just stop there? Well, I can give you an example. If we've determined to institute a trial, so we've said, for example, for a PGR, that it's more likely than not that there is at least one claim that's unpatentable.

We will go forward and then, if the parties say, oh, no, we've settled, you know, we might go ahead and hear from the patent owner, because we have this sort of cloud out there over the patent. We'll hear from the patent owner and then we may go ahead and write a final decision. So the AIA allows for us to do that.

A final decision will come out, the Board will issue the final decision that addresses the patentability of any claim challenged and any new claim added.

Are there estoppels? Yes. You know, I had said earlier the real party in interest, that's important there because there are estoppels after a final written decision that attach to the petitioner and there are also some that attach to the patent owner. A petitioner may not request or maintain a proceeding before the Patent Office with respect to any claim on any ground raised or reasonably could have been raised before the Patent Office. Also, the AIA tells us that a petitioner may not assert in district court or the ITC that a claim is invalid on any ground petitioner raised, and then in IPR and PGR, any ground that reasonably could have been raised in the trial before the Patent Office.

And there are patent owner estoppels which we've put in our rules. Patent owners, they are precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent a claim that is patentably indistinct from a finally refused or cancelled claim. So, if you—if you lost, you can't go back to the examiner and try to get what you lost. An amendment of a specification or a drawing that was denied during the trial. However, this provision does not apply to an application or a patent. It has a different written description. Our proposed estoppel provision was changed so that claims that could have been presented. That was not adopted in the final rules. We had a provision that said claims that could have been presented, but that was unpopular, so we took it out.

Requests for re-hearing. So what happens at the end? You've gotten your written decision. You have to file any requests for re-hearing within 14 days of the entry of a non-final decision. So, for example, if you have an interlocutory order, you have to file any request for re-hearing of that particular interlocutory order within 14 days. If you—if we have that final decision, you have to file within 30 days of the final decision a request for a re-hearing. And a request for a re-hearing needs to show what the Board misapprehended or overlooked in making any determination that they made. A party dissatisfied with a final written decision for an IPR or PGR or CBM, you can appeal to the federal circuit. You cannot appeal to the district court level. However, for derivation, you can appeal to the district court.

And I'd just like to wrap up here. We'd like to say—I know I've given you a lot of information, it's a lot to cover in the allotted time, I would just encourage you to go to our website, uspto.gov, and if you look at the Board's website, the Board's particular page, at ip-uspto.gov/ip/bpai, you'll find a lot more information on the—on these proceedings and how we are conducting them. We have sample orders up, decisions that judges have already made in some of these cases, we have information on electronic filing, how to file a petition in one of these cases, for example, and you can also get access to the cases themselves, they are publicly available through our Purpose system; that is our electronic system, and that's—all that information is provided on the Board's website.

And I'd also like to just finish by saying, you know, we have gotten several of these cases. In September we had 17 IPRs filed and eight CBMs filed. In October we had 24 IPRs, five CBMs.

November has been sort of a slow month for us, I think maybe with the holidays coming up, maybe that sort of thing, but we have total—a total of 55 cases that have come in since the beginning—or middle of September, and we feel like that—you know, that's right on track of what we sort of anticipated. And people are using these proceedings and they—even more so than like, for example, when ip riggsann (sic) started where there were just a few in the first year. So you can get lot of information, I encourage you to go to the website.

And now at this time I'll hand it over back to Lauren.

LAUREN PAFUMI: Okay, great. Well, thank you so much. Now Judge Medley will take questions from the audience, and we've received already a few during the presentation, so, if you do still have a question, please type it into the questions box in the webinar menu and I'll start with the ones that we have received.

So the first question is, "Where can I find the practice guide?"

JUDGE MEDLEY: Okay. Well, if you go to the uspto.gov website, it's there. There is like an AIA main menu. If you click on that, you will see all our rules and the practice guide there. The practice guide is not a rule set, but it was—went through the vetting process and did get published through the Federal Register. So, it was published around the same time that all the rules were, so you will see that on our website.

LAUREN PAFUMI: Second question.

"Under Option 2 of the mandatory initial disclosures described in the trial practice guide, is the patent owner required to disclose a statement identifying information regarding secondary indicia of non-obviousness? It looks like only the petitioner is required to make such a statement."

JUDGE MEDLEY: Option 2. Could you give me the specific page of the practice guide, if you have that information?

LAUREN PAFUMI: It doesn't appear to be right in the question. Let's see if I can follow-up.

Okay. The questioner says Page 48762.

JUDGE MEDLEY: 48762, Option 2. So the question is whether this applies to the patent owner or just the petitioner?

LAUREN PAFUMI: The question was, "Does the patent owner also have to disclose a statement identifying information regarding secondary indicia of non-obviousness," so, yes, that's the question, just is that—is the patent owner required?

JUDGE MEDLEY: Yes, right. I believe this applies to both patent owner and petitioner, and if I'm incorrect with that, I will—if you can get that person's information and I can get back with them, but I believe it applies to both petitioner and patent owner.

LAUREN PAFUMI: Okay. Absolutely, I can definitely pass that on to you.

So the next question is, "If the patent owner intends to rely on secondary indicia"—oh, no, that's—no, it's not the same one—"Is the patent owner required to disclose that in its preliminary response to preserve its ability to assert secondary indicia of non-obviousness during a trial?"

JUDGE MEDLEY: No, they don't—the preliminary response—the patent owner doesn't even have to file a preliminary response, so, no, they do not have to do that.

LAUREN PAFUMI: Okay.

JUDGE MEDLEY: They don't have to file one.

LAUREN PAFUMI: Okay. Next question.

"Is the USPTO concerned that high fees will result in a few—in few challenges?"

JUDGE MEDLEY: We have had 55 people come in and/or 55 institutions come in, so I don't think the fees are discouraging people. And if you can sort of step back and take a look at what's going on, most of these cases that have been filed, and they are all—this is all publicly-available information—a lot of them are in the process of litigation, and, so, the litigation itself has cost people a lot of money. If they—they are coming here to get a decision by the Board, which actually would be a lot cheaper than going through the full-blown litigation. So, I think, yes, they are costly, but, compared to district court litigation, they are not near as expensive as those proceedings.

LAUREN PAFUMI: Okay. So here we have a few more questions. "After the petitioner has filed a petition, does a patent owner have to file a preliminary response to avoid having a proceeding instituted?"

JUDGE MEDLEY: No, and that gets back to what—the earlier question. The preliminary response—a patent owner does not have to file one. They can just let the Board know, as a courtesy, we are not going to file one. They can wait to see if a trial is instituted based on the petitioner's filing alone, and then, once trial is instituted, then they can come in with a full-blown response.

LAUREN PAFUMI: Okay, new question.

"If a party is dissatisfied with a decision in a derivation proceeding, what recourse do they have to appeal? The slide suggested that no appeal to the federal circuit was available."

JUDGE MEDLEY: No, that's not true.

They can appeal at the federal circuit, they can also appeal at the district court level. That's the only one where they can appeal to the district court. The other three you have to go right to the federal circuit.

LAUREN PAFUMI: Okay. Next question is, "What is the standard for instituting a post-grant review and who will decide whether the standard is met?"

JUDGE MEDLEY: Okay. I think I covered that in my slide set, that the post-grant review, the threshold—that's that threshold level, what are we looking for? It has to be more likely than not that a claim challenged is unpatentable, and the Board makes that determination. So, we'll determine if—if there is greater than 50 percent chance that the claim is unpatentable, then we'll go ahead and go forward and institute a trial.

LAUREN PAFUMI: Okay. Next question is, "If an inter partes review or post-grant review is instituted, can the patent owner amend the claims during the review?"

JUDGE MEDLEY: The answer is, yes. It's sort of a hybrid type proceeding, so we are not re—you know, we are not in the process of re-examination, so that's not—we are not examiners. We are running this trial, but it's different than a district court proceeding in that the patent owner has this opportunity to amend their claims. So, yes, during the proceeding a patent owner, if we go forward and we institute a trial, they will have an opportunity to amend their claims or cancel claims.

LAUREN PAFUMI: Okay, great. "How will the Board handle multiple proceedings for the same patent, such as two or more post-grant reviews on the same patent?"

JUDGE MEDLEY: Well, our rules allow for us to consider merging—merging cases together, so we'll take a look at that and see if it's appropriate in a given situation. Of course, it's based on the facts of a particular case, but, certainly, if you have several—one or two reviews that are for the same exact patent, it might make sense for us to merge those two proceedings, so we'll take a look at that. So, yes, we do have that authority from the AIA to look at that and determine if we should proceed that way.

LAUREN PAFUMI: Okay. "When amending claims, must you substitute claims or can you merely add new claims?"

JUDGE MEDLEY: Well, when we have that initial conference call we are going to discuss patent owner's proposed amended claims, so you can substitute claims, so you can—you know, one for one. If you have one, you can substitute another. So, if the question is, can you substitute? Yes, AIA provides that. Can you merely add? Well, again, we have to see what the facts of the case are, talking about strategy and that sort of thing during the initial conference call, and I anticipate that the judge will give much guidance on the format for amending, substituting, cancelling claims at that point.

LAUREN PAFUMI: Okay.

"Does counsel have to be a registered practitioner with the USPTO in order to represent a party in one of the new AIA proceedings?"

JUDGE MEDLEY: No. I did cover that in my—in my slide sets. If you look back on that, we will look at—if someone wants to be admitted pro hac vice for a particular case, we will consider the facts of that person, why they feel like they should be in the case and determine whether or not to grant a motion for pro hac vice admission. So we do have a provision for that. However, I will just say that lead counsel must be a registered practitioner. So, if you are going to file a motion for a pro hac vice request, you have to have—at least the lead counsel has to be a registered practitioner.

LAUREN PAFUMI: Okay. Just a couple

more questions that we have here. The next question is, "How long will an inter partes review or post-grant review take?"

JUDGE MEDLEY: Well, when we institute—if we institute, it's going to be a year, and then, of course, we can extend, but—up to six months beyond that year, so it could conceivably be 18 months, but we don't anticipate that happening. Prior to institution, you know, you have the—the petition comes in, then the patent owner has three months to respond ordinarily and then the Board—we have to, per statute, come in three months after the patent owner response—preliminary response to determine whether to institute or not. So that takes, you know, three, six months at least, or on average six months. So, six months prior to institution and then 12 months after institution.

LAUREN PAFUMI: Okay, and I think this is the final question that we have received, so, "After the Board renders a final decision in a post-grant review, do any estoppels apply against the patent owner?"

JUDGE MEDLEY: Yes, they do. As I

had mentioned I think in the last slide set—or

the last slide up here, yes, patent owner estoppel, it does apply, and that's per rule. You won't find that in the statute, but the statute does allow us to make these types of regulations. Patent owner is precluded from taking action inconsistent with the adverse judgment. So, as you can see on that slide that quotes the following. So, yes. The answer is yes.

LAUREN PAFUMI: Okay, great. Well, I think, actually, that's all the questions that we have, which means that we are about right on time, so we'll just get ready to conclude the webinar.

So, thank you to everyone and thank you very much to Judge Medley, and, on behalf of the FLC Education and strange Committee, thank you for sharing your expertise and time with us and also thank you to everyone who participated.

You'll be able to find the recordings online within 24 to 48 hours and we hope that before you leave us today you'll take a few moments to answer the survey questions that will appear.

We hope you have enjoyed the America Invents Act webinar series and we'll keep you posted on our next series.