

Intellectual Property Alert

USPTO Proposes New Rules for Leahy-Smith America Invents Act

February 14, 2012

On February 9, 2012, the United States Patent & Trademark Office (“USPTO”) proposed a number of new rules (“Proposed Rules”) of practice to implement provisions of the Leahy-Smith America Invents Act (the “Act”) in the Federal Register. The Proposed Rules would govern trial practice and procedure for *inter partes* review, post-grant review, derivation proceedings, the transitional program for covered business method patents, and judicial review of Board decisions. The Proposed Rules would add two parts to Title 37 of the Code of Federal Regulations. 37 C.F.R. Parts 42 and 90. Publication of the Proposed Rules in the Federal Register begins the 60-day public comment period, which will conclude on April 10, 2012.

Umbrella Rules

Subpart A of the Proposed Rules provides a consolidated set of rules relating to trial practice before the Patent Trial and Appeal Board (“the Board”). The Board would replace the existing Board of Patent Appeals and Interferences (“BPAI”) and would handle proceedings related to *inter partes* review, post grant review, derivation proceedings, and the transitional program for covered business method patents. In particular, the Proposed Rules set forth trial practice and procedures, including petition and motion practice, testimony and production, oral argument, decision, and settlement. They would additionally “provide limitations for discovery and testimony and, unlike proceedings under the Federal Rules of Civil Procedure, would place the burden of justifying discovery on the party seeking it.” Fed. Reg. Vol. 77, No. 27 at p. 6887 (Feb. 9, 2012). According to the USPTO, “[p]roceedings before the Board differ from most civil litigation in that the proponent of an argument before the Board generally has access to relevant evidence that is comparable to its opponent’s access.” *Id.*

The USPTO noted that exceptions may occur “when the ground of unpatentability arises out of conduct, particularly conduct of a purported inventor.” *Id.* Some routine discovery of exhibits and cross examination of affidavit testimony will be provided without the need to request authorization from the Board, while parties and individuals associated with the parties are required to provide “information that is inconsistent with the petition that is advanced by the patent owner or the petitioner during the course of the proceeding.” *Id.* While the USPTO “recognizes that some parties may be hesitant to use these proceedings because of this requirement, [it believes] the benefit of the requirement outweighs any impact on participation ... [and] does not override legally-recognized privileges such as attorney-client or attorney work product.” *Id.* Additional discovery will be permitted under “an interests-of-justice standard” in *inter partes* review and derivation proceedings, but “is expected to be rare.” *Id.* at 6888. Additional discovery in post-grant reviews will be permitted under a slightly lower “good cause standard,” which requires the party seeking discovery to show a specific factual reason to justify the needed discovery. *Id.*



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Inter Partes Review

Subpart B of the Proposed Rules sets forth procedures for *inter partes* review proceedings, which would replace *inter partes* reexaminations. The Proposed Rules include adoption of a “broadest reasonable construction in light of the specification” standard, timeliness requirements, fees, and petitions’ content. 37 C.F.R. 42.100 *et seq.* Specifically, *inter partes* review proceedings, which will take effect on September 16, 2012, cannot be filed until (a) nine months after the date the patent is granted (or the issuance date of the reissue) or (b) the date of termination of a post-grant review, if post-grant review is instituted, whichever is later. 37 C.F.R. 42.102. Furthermore, the *inter partes* petition must identify each claim being challenged, the specific grounds on which each claim is to be challenged, how the claims are to be construed, why the claims are unpatentable based on that construction, and the evidence relied upon to support the challenge. 37 C.F.R. 42.104(b). Once the petition is granted a filing date, the patent owner is given two months to file a preliminary response setting forth reasons why no *inter partes* review should be instituted, but is generally prohibited from presenting any “new testimony evidence” such as expert witness testimony on patentability. 37 C.F.R. 42.107(c). In certain instances, a patent owner may be granted additional discovery before filing a preliminary response and may be permitted to submit any testimonial evidence obtained through that discovery. *Id.* The patent owner may seek a shortened period for determination by filing the preliminary response early, or by filing a paper stating that no such response will be filed. *Id.*

If the Director of the USPTO (“Director”) determines that the information in the petition, and any preliminary patent owner response, show that there is a reasonable likelihood of success that the petitioner would prevail with respect to at least one of the claims challenged in the petition, 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. 37 C.F.R. 42.108. The Board will identify which of the grounds the review will proceed upon on a claim-by-claim basis. 37 C.F.R. 42.108(a). Any claim or issue not included in the authorization for review will not be part of the review. *Id.* Accordingly, the Proposed Rules authorize the Board to deny some or all grounds of unpatentability on some or all of the challenged claims prior to the institution of any review. *Id.*

The proposed fees for the filing of a petition for *inter partes* review range from \$27,200 (for review of 20 claims or fewer), up to \$68,000 (for review of 51 to 60 claims), and an additional \$27,200 to request review of additional groups of 10 claims. The rules also set a one-year time for administering the proceeding after institution, with up to a six-month extension for good cause. 37 C.F.R. 42.101(c).

Post-Grant Review

Subpart C of the Proposed Rules sets forth similar regulations for post-grant review, with a few notable exceptions. For example, more grounds for seeking post-grant review would be available as compared with *inter partes* review. Like *inter partes* review, post-grant review can be sought based on 35 U.S.C. 102 or 103, including prior art consisting of patent or printed publications. However, the Proposed Rules additionally allow for post-grant review based on 35 U.S.C. 101 and 112, with the exception of compliance with the best mode requirement.

The Proposed Rules further allow the patent owner to file a preliminary response to a petition for post-grant review, giving the patent owner an opportunity to set forth the reasons why no review should be initiated. Within three months after the patent owner’s response (or waiver/expiration of the response period), the USPTO will determine whether to grant review and institute a trial. Notably, the post-grant review provisions will apply only to patents issued from applications with an effective filing date on or after March 16, 2013.

Similar to the fees proposed for *inter partes* review, the proposed fees for filing post-grant review are based on the number of claims to be reviewed. Specifically, the proposed fees for filing a petition for post-grant review range from \$35,800 (for review of 20 claims or fewer) to \$89,500 (for review of 51 to 60 claims), with an additional \$35,800 to request review of additional groups of 10 claims.

Transitional Post-Grant Review of Covered Business Method Patents

Subpart D sets forth rules specific to implementing a transitional program for covered business method patents. Section 18 of the Act provides that the Director may institute a transitional proceeding only for a patent that is a covered business method patent. Tracking the statute, the Proposed Rules define “a covered business method patent” as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management in a financial product or service, except that the term does not include patents for technological inventions.” 37 C.F.R. 42.301(a). The Proposed Rules define a “technological invention” as one which is determined “on a case-by-case basis: whether the claimed subject matter as a whole (1) recites a technological feature that is novel and unobvious over the prior art; and (2) solves a technological problem using a technical solution.” 37 C.F.R. 42.301(b).

As dictated by the Act, the Proposed Rules provide that a petitioner may not file a petition to institute a covered business method patent review unless the petitioner (or the petitioner’s real party in interest or a privy of the petitioner) has been sued for or charged with infringement of the patent. 37 C.F.R. 42.302(b). Significantly, the rules in Subpart D are set to take effect on September 16, 2012 and will be repealed on September 16, 2020.

Derivation Proceedings

Subpart E to the Proposed Rules sets forth the procedures for which the Board will conduct derivation proceedings. Derivation proceedings were created to ensure that the first person to file the application is the true inventor of the claimed subject matter. Derivation proceedings would be treated as a trial subject to the rules set forth in Subpart A. The Proposed Rules set forth the requirements for a derivation petition, including identifying the precise relief requested, providing sufficient information to identify the application or patent subject to a derivation proceeding, demonstrating that the claimed invention in the subject application or patent was derived from an inventor named in the petitioner’s application, and showing why the claim is not patentably distinct from the invention disclosed to the respondent. 37 C.F.R. 42.4.05(b). The Proposed Rules also provide for arbitration of derivation proceedings, and permit an administrative patent judge to decline to institute or continue a derivation proceeding between an application and a patent or another application that are commonly owned. *Id.* at 42.409, 411.

Judicial Review

Proposed 37 C.F.R. Part 90 sets forth a consolidated set of procedures for judicial review of Board decisions on *inter partes* reviews, post-grant reviews, covered business method patent reviews, and derivation proceedings. The Proposed Rules provide for the scope of judicial review, and address notice and service requirements associated with notices of appeal and civil actions seeking judicial review of Board decisions. The Proposed Rules also address the time for filing a notice of appeal or a civil action seeking judicial review by extending the period for filing to 63 days.

The Proposed Rules are available on the USPTO website:

- [Proposed Rule of Practice for Trials before the PTAB \(77 Fed. Reg. 6879, Feb. 9, 2012\)](#)
- [Proposed Trial Practice Guide \(77 Fed. Reg. 6868, Feb. 9, 2012\)](#)
- [Proposed Rules for *Inter Partes* Review \(77 Fed. Reg. 7041, February 10, 2012\)](#)
- [Proposed Rules for Post Grant Review \(77 Fed. Reg. 7060, February 10, 2012\)](#)
- [Proposed Rules for the Transitional Program for Covered Business Methods \(77 Fed. Reg. 7080, February 10, 2012\)](#)

- [Proposed Rule for the Technological Invention Definition \(77 Fed. Reg. 7095, February 10, 2012\)](#)
- [Proposed Rule for Derivation Proceedings \(77 Fed. Reg. 7028, February 10, 2012\)](#)

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