

Before the
United States Patent and Trademark Office
Alexandria, VA

In re

Patent Trial and Appeal Board Rules of Practice: Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence

Docket No. PTO-P-2019-0024

**COMMENTS OF
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION**

On May 27, 2020, the United States Patent and Trademark Office (“the Office”) requested comments on its proposed changes (“the Proposed Rule”).¹ The Computer & Communications Industry Association (“CCIA”)² submits the following comments.

I. Summary

The Office’s notice contains three proposed rules. CCIA supports the first proposal, amending the regulations to comply with the Supreme Court’s *SAS* decision. CCIA suggests one clarification. The Office should clearly state that no negative presumption towards institution attaches simply because a claim exists where a reasonable likelihood of success has not been shown, so long as at least one claim has a reasonable likelihood of success.

CCIA also supports the second proposal regarding sur-replies and replies, codifying the existing practices of the Patent Trial and Appeal Board (“the Board”).

With respect to the Office’s third proposal, CCIA believes that there are significant flaws with the rulemaking and that it cannot proceed under its current posture. First and foremost, the proposed rule would violate the Office’s obligation to provide procedural due process to petitioners within AIA trials. Further, the Office has offered insufficient rationale and evidence to retreat from its previous rule, which was well-supported, and offered no explanation whatsoever for how it intends to overcome the difficulties it previously identified as requiring the presumption. The present rule is instead justified based on a mischaracterization of the record in an America Invents Act (“AIA”) trial.³ Such trials do not include the required procedural

¹ 85 Fed. Reg. 31728 (May 27, 2020) (“Notice”).

² CCIA is an international nonprofit membership organization representing companies in the computer, Internet, information technology, and telecommunications industries. Together, CCIA’s members employ nearly one million workers and generate approximately a quarter of a trillion dollars in annual revenue. CCIA promotes open markets, open systems, open networks, and full, fair, and open competition in the computer, telecommunications, and Internet industries. A complete list of CCIA members is available at <http://www.ccianet.org/members>.

³ See *Hulu, LLC v. Sound View Innovations, LLC*, IPR2018-01039, Paper 29 (Dec. 20, 2019).

safeguards for Administrative Procedure Act (“APA”) rulemaking. Beyond this, the proposed rule creates significant legal and policy concerns. The rulemaking also fails to comply with the procedural requirements imposed by the APA and Executive Order 12,866 which provide adequate procedural due process in rulemaking processes.⁴ For all of these reasons, the Office must rescind the proposed change to the pre-institution presumption.

II. The Proposed Rule Violates Procedural Due Process Requirements

As proposed, the rule would permit patent owners to submit testimonial evidence. Petitioners must then seek leave to file any response. The existing rules do not provide for any cross-examination of declarants prior to institution⁵ and the proposed rule does not appear to provide any such opportunity. Based on this unexamined evidence, the Office may decide not to institute, a decision which is completely unappealable. In other words, based on testimonial evidence to which a petitioner has no right of response and where a petitioner has no ability whatsoever to cross-examine the testifying individual, a petitioner may have its ability to access AIA trial procedures extirpated.⁶

In “almost every setting where important decisions turn on questions of fact, **due process requires** an opportunity to confront and cross-examine adverse witnesses.”⁷ An inability to cross-examine adverse witnesses prior to a final determination is the type of omission found to be “fatal to the constitutional adequacy of the protections.”⁸ That is true even where a right of appeal may exist. In the present situation, no appeal is available.

This Constitutional infirmity is mitigated in the present rules by ensuring that any testimony that is disputed is weighted in favor of the petitioner. Only if there is no reasonable way to rebut the evidence will it be treated as conclusive in rendering a final and non-appealable decision of non-institution. But if the proposed rule is implemented, this protection will be eliminated, leaving only a situation in which petitioners are deprived of their right to petition without any opportunity to meaningfully interrogate the evidence against them.

The proposed rule is thus fundamentally unconstitutional, failing to provide sufficient due process to petitioners, and cannot be implemented as written. The Office should thus retract this portion of the proposed rule entirely.

III. The Proposed Rule Overturns the Office’s Existing Rule Citing Justifications Which Lack Any Evidentiary Basis

In 2016, the Office adopted the present presumption that disputed factual evidence will be viewed in the light most favorable to the petitioner. In doing so, the Office stated:

The Office understands the concern that a petition should not be denied based on testimony that supports a finding of fact in favor of the patent owner when the

⁴ Exec. Order No. 12,866 § 6(a)(1), 58 Fed. Reg. 51735, 51740 (Oct. 4, 1993) (“E.O. 12,866”).

⁵ See USPTO, Consolidated Trial Practice Guide at 49 (Nov. 2019) (“If a trial is instituted, the parties also will have opportunities to cross-examine any opposing declarants”), available at <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf>.

⁶ Cf. *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 428 (1982) (“a cause of action is a species of property protected by the Fourteenth Amendment’s Due Process Clause”).

⁷ *Goldberg v. Kelly*, 397 U.S. 254, 269 (1970) (emphasis added).

⁸ *Id.* at 268.

petitioner has not had an opportunity to cross-examine the declarant. For that reason, the Office will resolve a genuine issue of fact created by patent owner’s testimonial evidence in favor of the petitioner solely for purposes of institution.⁹

The Office proceeded to elaborate on this issue, stating:

A presumption in favor of petitioner for disputed facts, which may be fully vetted during a trial when cross-examination of declarants is available, is appropriate given the effect of denial of a petition.¹⁰

The Office was correct in 2016 when it made these statements, and has not—indeed, cannot—offer a sufficient rationale for its complete reversal on this topic. Instead, it alleges unspecified confusion in an unrelated proceeding which was not publicly noticed and a concern that patent owners might be discouraged from filing testimonial evidence at the pre-institution stage.¹¹ The Office has identified one such instance of confusion since the presumption was put into place over four years ago, representing a single trial across approximately 6000 AIA trials.¹² And patent owners frequently file new testimonial evidence, suggesting that there is no reason they are discouraged from filing. The justifications offered are thus completely baseless.

Further, even if the justifications had any merit, neither justification would be sufficient to overcome the serious issue of denial based on evidence that has not been cross-examined that the Office identified when creating the presumption. In fact, the Office has previously stated that such a denial is “inappropriate” and “contrary to the statutory framework for AIA review.”¹³

A. *The Hulu AIA Trial*

The first concern the Office identifies is that, in the *Hulu inter partes* review,¹⁴ there was some confusion over whether the presumption regarding testimonial evidence introduced by patent owners also applied to the question of whether a reference was a printed publication. In particular, the Office points to four *amicus* briefs—one from the patent owner, one from AIPLA, one from Canon, and one from Google. None of these briefs exhibit confusion regarding the presumption.

The patent owner’s brief correctly notes that the presumption only applies “to testimonial evidence presented in a patent owner preliminary response.”¹⁵ The application of a clear legal rule to a situation not previously ruled upon is not confusion. The remaining *amicus* briefs—from AIPLA, Canon, and Google—all express support for a broader presumption regarding any disputed evidence. To the extent there is any confusion, it is that these *amici* supported a broader presumption, not that they thought it ought to be removed. There is no evidence of record supporting a removal of the presumption, rendering the Office’s stated justification for opening this rulemaking non-existent.

⁹ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board (Final Rule), 81 Fed. Reg. 18750, 18756 (Apr. 1, 2016).

¹⁰ *Id.*

¹¹ See Proposed Rule at 31729-30.

¹² See *id.*; cf. USPTO, Trial Statistics (May 31, 2020) (showing an average of approximately 1500 trials per calendar year), available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200531.pdf.

¹³ *Id.*

¹⁴ *Hulu, LLC v. Sound View Innovations, LLC*, Case IPR2018-01039.

¹⁵ IPR2018-01039, Paper 25 at 3.

Further, to the extent that there is occasional confusion regarding the application of the presumption, it is precisely the type of question for which the Office has created the Precedential Opinion Panel procedure. The explication of how a broad rule, such as the presumption, applies in specific circumstances is already addressed via that process. Given the lack of confusion and the availability of a process for remedying any remaining confusion, the justification for this rule fails entirely.

B. Patent Owner Discouragement

The Office states, without providing any evidence, that patent owners might be discouraged from filing new testimonial evidence pre-institution due to the presumption. However, according to the Office's own data, this justification lacks any support.

Prior to institution, patent owners are offered the ability to file a preliminary response identifying any flaws in the petitioner's case that would justify denying institution.¹⁶ Approximately 85% of patent owners file such a preliminary response.¹⁷ Of that 85%, approximately 40% already file new evidence.¹⁸ In other words, around 33% of patent owners already file new testimonial evidence, suggesting there's no widespread perception of any barrier or reason not to file evidence at that stage.

And because testimonial evidence at this stage is only permissible if it sets forth reasons why the AIA trial should not be instituted,¹⁹ the decision not to file testimonial evidence is reasonable in many cases. When the rule permitting new testimonial evidence was introduced, it was not expected that such evidence would be filed in every case. Where no evidence exists as to, for example, time bar issues, privity issues, or other such issues that would bar institution, a patent owner is unlikely to file testimonial evidence. The rate is reflective of the realities of AIA trials, not any discouragement of patent owners from filing where evidence exists.

Given the lack of evidence for discouragement of patent owner filing, based on the approximately 33% of patent owners who currently file new testimonial evidence, this rationale for overturning the Office's previous position does not appear to have any evidentiary basis and must be rejected.

IV. The Proposed Rule and Rulemaking Process Continue the Office's Pattern of Ignoring Its Obligations Under the APA and Executive Order 12,866

Over the past few years, the Office has regularly proposed rules that, at a minimum, raise significant concerns about the appropriateness of the rulemaking process.²⁰ Further, in at least one instance, the Office has misidentified a rule as not significant which was later identified by

¹⁶ 35 U.S.C. § 313.

¹⁷ See USPTO PTAB AIA Trials Statistics, April 2018 (Apr. 30, 2018), available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf.

¹⁸ *Id.*

¹⁹ See 37 C.F.R. § 42.107.

²⁰ See, e.g., CCIA Comments on USPTO Docket No. PTO-P-2019-0011 (Dec. 23, 2019) (discussing the PTO's arbitrary reversal of its previous position without sufficient rationale); CCIA Comments on USPTO Docket No. PTO-P-2018-0062 (Dec. 21, 2018) (discussing the USPTO's creation of a pilot program that changes the rules used for all IPRs without undertaking rulemaking and discussing the USPTO's change of rule without having addressed the factual underpinning of the previous rule); see also n. 21 *infra*.

the Office of Information and Regulatory Affairs (“OIRA”) as significant.²¹ This rulemaking presents similar issues, failing to comply with E.O. 12,866’s requirements for rulemaking and identifying the rule as not significant despite the creation of novel legal and policy issues and significant likely impacts on the economy.

A. The Office’s Proposed Rulemaking Is Significant Under E.O. 12,866

The Office has identified this rule as not significant under E.O. 12,866.²² However, the proposed rule presents novel legal and policy issues which are completely unaddressed by the proposed rule or in the Office’s public rationale for the rule.

In particular, by creating a situation in which a patent owner may present testimonial evidence in a procedural posture in which the petitioner is neither legally nor practically able to cross-examine the individual who gave testimony, potentially leading to a final and non-appealable ruling against the petitioner,²³ the Office proposes a rule that violates American due process norms and Constitutional requirements. Further, the proposal, combined with the existing statutory requirements on timing of institution decisions, is likely to impose significant practical burdens on petitioners and the Board.

As described above, the proposed rule has significant legal questions regarding whether it complies with due process. CCIA is not aware of any situation in which a final and non-appealable administrative decision is made based on testimonial evidence not subject to cross-examination, and the Office has not identified any such circumstance. The question of whether such a process could meet due process considerations would thus be a novel legal question. This alone would render it significant under E.O. 12,866.

But in addition, the proposed rule creates significant policy concerns.

The Board is required to issue an institution decision within 3 months after a patent owner files a preliminary response, which would include any testimonial evidence affected by this rule. Petitioners are not entitled to reply to patent owner preliminary responses, but must instead seek leave to file a response.²⁴ Unlike the limited circumstances in which such replies have presently been authorized, where the issue tends to be a narrow legal issue, responses to testimonial evidence will likely require significant legal and technical analysis.

While the Board has operated under compressed reply and sur-reply schedules in the past, those schedules will be impossible for petitioners who seek to provide sufficient response to testimonial evidence when petitioners are unable to either cross-examine the testifying individual or to introduce their own testimony in response. And even if cross-examination were to be available, deposition scheduling within such a tight timeframe is likely to prove extremely difficult for patent owners and petitioners alike. In fact, the Office’s original rule noted that “the time frame for the preliminary phase of an AIA proceeding does not allow for such cross-examination as of right”²⁵ and thus barred pre-institution cross-examination. The Office

²¹ See Proposed Rule, 83 Fed. Reg. 21221, 21222 (May 9, 2018) (“This rulemaking [] is not significant”); OIRA Review in 0651-AD16; Final Rule, 83 Fed. Reg. 51340, 51341 (Oct. 11, 2018) (“This final rule is significant”).

²² See Notice at 31729 (“This rulemaking is not economically significant under Executive Order 12866 (Sept. 30, 1993).”)

²³ See *Thryv Inc. v. Click-to-Call Techs.*, 140 S. Ct. 1367 (2020).

²⁴ 37 C.F.R. § 42.108(c).

²⁵ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, Proposed Rule, 80 Fed. Reg. 50720, 50725 (Aug. 20, 2015).

explained this bar because “[a]llowing for cross-examination as of right prior to the institution of a proceeding would negatively impact the ability of the Office to meet the statutory requirements set out in 35 U.S.C. 314(b) and 324(c), and would result in more cost to the parties before a review is instituted.”²⁶ The Office’s current proposed rule neither appears to allow cross-examination nor explains how this negative impact would be removed if cross-examination were available.

The proposed rule thus leads to a high likelihood of either a lack of due process or to a situation in which the costs to parties will be increased and the Board will be deprived of adequate time to issue a well-reasoned institution decision properly weighing the balance of all evidence, including the new testimonial evidence and the responses to it. The proposed rule also fails to address the likely negative policy impacts on the schedules of petitioners, patent owners, and the Board judges who ultimately must reach a determination. The existing policy permits Board judges adequate time while still allowing them to rely on any undisputed facts introduced in new evidence that might justify non-institution.

Because of these significant policy implications, the Office should retract this portion of the rule. However, at a minimum, the rule is a significant rule under E.O. 12,866 and must be reissued with the proper analysis and justification, if such justification can exist.

B. The Office’s Proposed Rulemaking Is Not Just Significant, But Economically Significant Under E.O. 12,866

The Office has identified this rule as not significant, and thus not economically significant, under E.O. 12,866.²⁷ However, CCIA strongly believes that this rule is likely to “have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities” and thus meets the definition for economic significance. In particular, the Office’s proposed rule justifies the change based on the notion that the presumption discourages the filing of pre-institution testimonial evidence. Thus, under the Office’s rationale for the rule, the removal of a presumption that disputed facts will be weighed in favor of the petitioner at the pre-institution phase is likely to significantly increase the number of such filings.

New testimonial evidence is already filed in approximately 40% of all AIA trials, or roughly 600 trials per year.²⁸ The removal of the presumption would increase the burden on petitioners who would be even more likely to seek to draft and submit pre-institution replies to the new testimonial evidence, as well as to depose the affiant, significantly increasing pre-institution costs to petitioners. (As described above, an inability to cross-examine the affiant would eliminate any semblance of due process for petitioners who would be confronted with testimonial evidence with no ability to cross-examine it.) Patent owners would then likely seek sur-replies, increasing pre-institution costs to patent owners as well.

The proposed rule would also lead to an increase in petitioners seeking replies—though, as noted above, they are not provided with replies as of right—and thus would place additional

²⁶ *Id.*

²⁷ See Notice at 31729 (“This rulemaking is not economically significant under Executive Order 12866 (Sept. 30, 1993).”)

²⁸ See USPTO PTAB AIA Trials Statistics, April 2018 (Apr. 30, 2018), available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf.

legal and financial burden on petitioners as well. It is likely that, faced with the loss of the presumption and the risk of non-appealable denial of institution, petitioners would seek to reply in most cases, including the existing 40% of trials in which new evidence is already introduced.

The Office has provided no analysis of the expense likely to be incurred in these processes, but if additional petitioner replies were sought in 450 trials and additional testimonial evidence presented in 150 trials, it would only require the total additional legal expenses per party to reach \$83,000 per trial in order to meet the threshold for economic significance. Given the cost of preparing testimonial evidence and the significant potential value of many of these patents, such an amount may well be reached just in legal fees and related expenses. The Office has presented no evidence or analysis suggesting that these costs would not reach a significant threshold.

Beyond legal fees, there are other significant economic impacts in the form of illegitimate transfers of wealth from one firm to another and increased costs to U.S. consumers due to patent-enforced lack of competition. The lack of cross-examination and the inability to introduce responsive evidence in rebuttal is likely to lead to the denial of institutions for meritorious petitions. Even a single patent that should have been invalidated that the Office allows to proceed to litigation may lead to significant and undeserved damages. This concern is even more pressing if the patent potentially results in an injunction against a major consumer electronics product or if the patent potentially holds generic competitors to a blockbuster drug off of the market. A delay of as little as a week in the introduction of a generic competitor may be sufficient to reach the economic threshold of \$100 million in impact, as well as potentially implicating public health. And setting aside the potential for delay trials bring, compared to the Office's strict adherence to its statutory timelines, the ability to invalidate a patent at trial is of limited use, as many judges will permit introduction of evidence that the Office chose not to institute review of that patent and jurors are likely to treat that as evidence of the patent's validity.

For these reasons, the Office should recognize the economic significance of this portion of the proposed rule and retract it until the required cost-benefit analysis can be completed.²⁹

V. The Office's Proposed Rulemaking Process Fails to Provide a Meaningful Opportunity to Comment

Administrative rulemaking requires that the public is provided with a meaningful opportunity to comment. By providing only a 30-day comment period, the Office has failed to comply with regulatory rulemaking requirements designed to provide adequate opportunity for the public to comment. E.O. 12,866 requires agencies to "afford the public a meaningful opportunity to comment on any proposed regulation, which in most cases should include a comment period of not less than 60 days."³⁰ The Office's proposed rulemaking provides a 30-day comment period without identifying any rationale for a shorter period given the substantial legal and policy issues created by the proposed change to the pre-institution presumption regarding disputed facts.

²⁹ See E.O. 12,866 § 6(a)(3)(C).

³⁰ *Id.* at § 6(a)(1).

Further, despite the ongoing COVID-19 emergency and the Office’s continuing practice of providing extensions of time for many other aspects of its operations, including petitioning for priority benefits³¹ and repeated grants of relief for filing patent-related documents and paying fees,³² the Office has not only chosen not to extend the comment window for this docket to ensure a meaningful opportunity to comment but has in fact shortened the comment period to 30 days, a departure from its default practice of providing 60 days for comments.³³

Because of its failure to provide a comment period that would be considered sufficient even in normal conditions, much less the present COVID-19 emergency, the rule risks being returned for non-compliance or overturned due to failure to provide a meaningful opportunity to comment. CCIA strongly recommends that the agency rescind the proposed rule and reissue it with a comment period sufficient to meet the statutory and regulatory requirements the Office is bound to operate under, as well as to provide adequate time for entities impacted by COVID-19 to participate.

VI. Conclusion

For the reasons set forth above, the Office should eliminate the proposed change to the presumption and maintain the current presumption that disputed facts will be weighted in favor of the petitioner prior to institution.

Respectfully submitted,

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³¹ See “USPTO announces relief to restore priority or benefit rights for patent applicants”, available at <https://www.uspto.gov/about-us/news-updates/uspto-announces-relief-restore-priority-or-benefit-rights-patent-applicants>.

³² See “USPTO grants further relief for certain patent-related fees and deadlines”, available at <https://www.uspto.gov/about-us/news-updates/uspto-grants-further-relief-certain-patent-related-fees-and-deadlines>; “USPTO extends certain patent and trademark deadlines to June 1”, available at <https://www.uspto.gov/about-us/news-updates/uspto-extends-certain-patent-and-trademark-deadlines-june-1>; “USPTO announces extension of certain patent and trademark-related timing deadlines under the Coronavirus Aid, Relief, and Economic Security Act”, available at <https://www.uspto.gov/about-us/news-updates/uspto-announces-extension-certain-patent-and-trademark-related-timing>.

³³ See, e.g., Docket PTO-P-2019-0019-0001 (60-day window); Docket PTO-P-2019-0033-0001 (60-day window); Docket PTO-P-2019-0011-0001 (60-day window); Docket PTO-P-2018-0031-0001 (60-day window); Docket PTO-P-2018-0036-0001 (60-day window).