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DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2011-0094]

Office Patent Trial Practice Guide

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Notice of practice guide.

SUMMARY: The Leahy-Smith America Invents Act (AIA) establishes several new trial proceedings to be conducted by the Patent Trial and Appeal Board (Board) including *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. In separate rulemakings, the United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement these provisions of the AIA that provide for the trial proceedings before the Board. The Office publishes in this notice a practice guide for the trial final rules to advise the public on the general framework of the regulations, including the structure and times for taking action in each of the new proceedings.

DATES: *Effective Date:* This practice guide applies to *inter partes* review, post-grant review, and covered business method patent review proceedings commencing on or after September 16, 2012, as well as derivation proceedings commencing on or after March 16, 2013.

FOR FURTHER INFORMATION CONTACT: Michael Tierney, Lead Administrative Patent Judge, Board of Patent Appeals and Interferences (will be renamed as Patent Trial and Appeal Board on September 16, 2012), by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:

Executive Summary: The patent trial regulations lay out a framework for conducting the proceedings aimed at streamlining and converging the issues for decision. In doing so, the Office's goal is to conduct proceedings in a timely, fair, and efficient manner. Further, the Office has designed the proceedings to allow each party to determine the preferred manner of putting forward its case, subject to the guidance of judges who determine the needs of a particular case through procedural and substantive rulings throughout the proceedings.

Background: The Leahy-Smith America Invents Act establishes several new trial proceedings to be conducted by the Board including: (1) *Inter partes*

(PGR); (3) a transitional program for covered business method patents (CBM); and (4) derivation proceedings. The AIA requires the Office to promulgate rules for the proceedings, with the PGR, IPR, and CBM rules to be in effect one year after AIA enactment and the derivation rules to be in effect 18 months after AIA enactment.

Consistent with the statute, the Office published a number of notices of proposed rulemaking in February of 2012, and requested written comments on the Office's proposed implementation of the new trial proceedings of the AIA. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules.

Additionally, the Office published a practice guide based on the proposed trial rules in the **Federal Register** to provide the public an opportunity to comment. *Practice Guide for Proposed Trial Rules*, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter "Practice Guide for Proposed Trial Rules" or "Office Patent Trial Practice Guide"). This Office Patent Trial Practice Guide is intended to advise the public on the general framework of the rules, including the structure and times for taking action in each of the new proceedings.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions of written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. In light of the comments, the Office has made modifications to the proposed rules to provide clarity and to balance the interests of the public, patent owners, patent challengers, and other interested parties, in light of the statutory requirements and considerations, such as the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely.

For the implementation of sections 3, 6, 7, and 18 of the AIA that are related to administrative trials and judicial review of Board decisions, the Office is publishing the following final rules in separate notices in the **Federal Register**:

Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions (RIN 0651-AC70); (2) *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents* (RIN 0651-AC71); (3) *Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention* (RIN 0651-AC75); and (4) *Changes to Implement Derivation Proceedings* (RIN 0651-AC74). The Office also provides responses to the public written comments in these final rules in the Response to Comments sections of the notices.

Further, the Office revised the Office Patent Trial Practice Guide based on the final rules. The Office has been working diligently to publish all of the final rules related to the new AIA trial proceedings and the Office Patent Trial Practice Guide in the **Federal Register** concurrently. Due to certain limitations, however, the Office Patent Trial Practice and the specific final rule for derivation proceedings will be published in the **Federal Register** after the other final rules. In particular, the specific rules for derivation, *i.e.*, §§ 42.404 through 42.412, will be published at a later date.

Statutory Requirements: The AIA provides certain minimum requirements for each of the new proceedings. Provided below is a brief overview of these requirements.

Proceedings begin with the filing of a petition to institute a trial. The petition must be filed with the Board consistent with any time period required by statute and be accompanied by the evidence the petitioner seeks to rely upon. *See, e.g.*, 35 U.S.C. 135(a) and 311(c), as amended, and § 42.3 (references to § 42.x or § 1.x refer to title 37 of the Code of Federal Regulations). For IPR, PGR, and CBM, the patent owner is afforded an opportunity to file a preliminary response. 35 U.S.C. 313, as amended, and 35 U.S.C. 323.

The Board acting on behalf of the Director may institute a trial where the petitioner establishes that the standards for instituting the requested trial are met taking into account any preliminary response filed by the patent owner. Conversely, the Board may not authorize a trial where the information presented in the petition, taking into account any patent owner preliminary response, fails to meet the requisite standard for instituting the trial. *See e.g.*, 35 U.S.C. 314, as amended, and 35 U.S.C. 324. Where there are multiple matters in the Office involving the same

D. Mandatory Notices

The rules require that parties to a proceeding provide certain mandatory notices, including identification of the real parties-in-interest, related matters, lead and back-up counsel, and service information. § 42.8. Where there is a change of information, a party must file a revised notice within 21 days of the change. § 42.8(a)(3).

1. **Real Party-in-Interest or Privy: The core functions of the “real party-in-interest” and “privies” requirement to assist members of the Board in identifying potential conflicts, and to assure proper application of the statutory estoppel provisions. The latter, in turn, seeks to protect patent owners from harassment via successive petitions by the same or related parties, to prevent parties from having a “second bite at the apple,” and to protect the integrity of both the USPTO and Federal Courts by assuring that all issues are promptly raised and vetted. Cf. Fed. R. Civ. P. 17(a) (Advisory Committee Note to 1966 Amendment to Rule 17(a)) (“[T]he modern function of the rule in its negative aspect is simply to protect the defendant against a subsequent action by the party actually entitled to recover, and to insure generally that the judgment will have its proper effect as *res judicata*.”). The USPTO will apply traditional common-law principles with these goals in mind and parties will be well-served to factor in these considerations when determining whom to identify.**

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a “real party-in-interest” or “privy” to that proceeding is a highly fact-dependent question. See generally *Taylor v. Sturgell*, 553 U.S. 880 (2008); 18A Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice & Procedure* §§ 4449, 4451 (2d ed. 2011) (hereinafter “Wright & Miller”). Such questions will be handled by the Office on a case-by-case basis taking into consideration how courts have viewed the terms “real party-in-interest” and “privy.” See, e.g., *Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). Courts invoke the terms “real party-in-interest” and “privy” to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion. Accordingly, courts have avoided rigid definitions or recitation of necessary factors. Similarly, multiple Federal Rules

define them or what factors trigger their application. See, e.g., Fed. R. Civ. P. 17; Fed. Cir. R. 47.4.

The typical common-law expression of the “real party-in-interest” (the party “who, according to the governing substantive law, is entitled to enforce the right”) does not fit directly into the AIA trial context. See 6A Charles Alan Wright, Arthur R. Miller, Mary Kay Kane, & Richard L. Marcus, *Federal Practice & Procedure Civil* section 1543 (3d ed. 2011) (discussing Fed. R. Civ. P. 17). That notion reflects standing concepts, but no such requirement exists in the IPR or PGR context, although it exists in the CBM context. In an IPR or PGR proceeding, there is no “right” being enforced since any entity (other than the patent owner) may file an IPR or PGR petition. However, the spirit of that formulation as to IPR and PGR proceedings means that, at a general level, the “real party-in-interest” is the party that desires review of the patent. Thus, the “real party-in-interest” may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed. In this regard, the Office’s prior application of similar principles in the *inter partes* reexamination context offers additional guidance. See generally *In re Guan et al. Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008). Similar considerations apply to CBM proceedings, although the statute governing those proceedings also requires that the party seeking the proceeding, or its real party-in-interest or privy, have been sued for infringing the subject patent, or been charged with infringement under that patent.

The notion of “privy” is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a “real party-in-interest.” The Office intends to evaluate what parties constitute “privies” in a manner consistent with the flexible and equitable considerations established under federal caselaw. Ultimately, that analysis seeks to determine whether the relationship between the purported “privy” and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels. This approach is consistent with the legislative history of the AIA, which indicates that Congress included “privies” within the parties subject to the statutory estoppel provisions in an effort to capture “the doctrine’s practical and equitable nature,” in a manner akin to collateral estoppel. In that regard, the legislative history endorsed the expression of

The word “privy” has acquired an expanded meaning. The courts, in the interest of justice and to prevent expensive litigation, are striving to give effect to judgments by extending “privies” beyond the classical description. The emphasis is not on the concept of identity of parties, but on the practical situation. Privy is essentially a shorthand statement that collateral estoppel is to be applied in a given case; there is no universally applicable definition of privy. The concept refers to a relationship between the party to be estopped and the unsuccessful party in the prior litigation which is sufficiently close so as to justify application of the doctrine of collateral estoppel.

154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (citing *Cal. Physicians’ Serv. v. Aoki Diabetes Research Inst.*, 163 Cal.App.4th 1506 (Cal. App. 2008)); see also 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (incorporating prior 2008 statement). Subsequent legislative history expanded on the prior discussion of “privy” by noting that “privy is an equitable rule that takes into account the ‘practical situation,’ and should extend to parties to transactions and other activities relating to the property in question.” 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

There are multiple factors relevant to the question of whether a non-party may be recognized as a “real party-in-interest” or “privy.” See, e.g., *Taylor*, 553 U.S. at 893–895 and 893 n.6 (noting that “[t]he list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy”). A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding. See, e.g., *id.* at 895; see generally Wright & Miller section 4451. The concept of control generally means that “it should be enough that the nonparty has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” Wright & Miller § 4451. Courts and commentators agree, however, that there is no “bright-line test” for determining the necessary quantity or degree of participation to qualify as a “real party-in-interest” or “privy” based on the control concept. *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994). See also Wright & Miller section 4451 (“The measure of control by a nonparty that justifies preclusion cannot be defined rigidly.”). Accordingly, the rules do not enumerate particular factors regarding a “control” theory of “real party-in-interest” or “privy” under the statute.

Additionally, many of the same considerations that apply in the context

“real party-in-interest” or “privy” contexts. See *Gonzalez*, 27 F.3d at 759; see generally Wright & Miller section 4451. Other considerations may also apply in the unique context of statutory estoppel. See generally, e.g., *In re Arviv Reexamination Proceeding*, Control No. 95/001,526, Decision Dismissing section 1.182 and section 1.183 Petitions, at 6 (Apr. 18, 2011); *In re Beierbach Reexamination Proceeding*, Control No. 95/000,407, Decision on section 1.182 and section 1.183 Petitions, at 6 (July 28, 2010); *In re Schlecht Inter Partes Reexamination Proceeding*, Control No. 95/001,206, Decision Dismissing Petition, at 5 (June 22, 2010); *In re Guan Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date, at 8 (Aug. 25, 2008).

The Office has received requests to state whether particular facts will qualify a party as a “real party-in-interest” or “privy.” Some fact-combinations will generally justify applying the “real party-in-interest” or “privy” label. For example, a party that funds and directs and controls an IPR or PGR petition or proceeding constitutes a “real party-in-interest,” even if that party is not a “privy” of the petitioner. But whether something less than complete funding and control suffices to justify similarly treating the party requires consideration of the pertinent facts. See, e.g., *Cal. Physicians*, 163 Cal.App.4th at 1523–25 (discussing the role of control in the “privy” analysis, and observing that “preclusion can apply even in the absence of such control”). The Office will handle such questions on a case-by-case basis taking into consideration how courts have viewed the terms. Similarly, while generally a party does not become a “real party-in-interest” or a “privy” of the petitioner merely through association with another party in an unrelated endeavor, slight alterations in the facts, as well as consideration of other facts, might result in a different conclusion. So, for example, if Trade Association X files an IPR petition, Party A does not become a “real party-in-interest” or a “privy” of the Association simply based on its membership in the Association. Similarly, if Party A is part of a Joint Defense Group with Party B in a patent infringement suit, and Party B files a PGR petition, Party A is not a “real party-in-interest” or a “privy” for the purposes of the PGR petition based solely on its participation in that Group. That is not to say that Party A’s membership in Trade Association X, or

scenarios is irrelevant to the determination; deeper consideration of the facts in the particular case is necessary to determine whether Party A is a “real party-in-interest” or a “privy” of the petitioner. Relevant factors include: Party A’s relationship with the petitioner; Party A’s relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition. In short, because rarely will one fact, standing alone, be determinative of the inquiry, the Office cannot prejudge the impact of a particular fact on whether a party is a “real party-in-interest” or “privy” of the petitioner.

2. *Related Matters*: Parties to a proceeding are to identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding. Judicial matters include actions involving the patent in federal court. Administrative matters include every application and patent claiming, or which may claim, the benefit of the priority of the filing date of the party’s involved patent or application as well as any *ex parte* and *inter partes* reexaminations for an involved patent.

3. *Identification of Service Information*: Parties are required to identify service information to allow for efficient communication between the Board and the parties. § 42.8. Additionally, while the Board is authorized to provide notice by means other than mailing to the correspondence address of record, it is ultimately the responsibility of the applicant or patent owner to maintain a proper correspondence address in the record. *Ray v. Lehman*, 55 F.3d 606, 610 (Fed. Cir. 1995).

Under § 42.6(e), service may be made electronically upon agreement of the parties. For example, the parties could agree that electronic filing with the Board of a document constitutes electronic service.

E. Public Availability and Confidentiality

The rules aim to strike a balance between the public’s interest in maintaining a complete and understandable file history and the parties’ interest in protecting truly sensitive information.

1. *Public Availability*: The record of a proceeding, including documents and things, shall be made available to the public, except as otherwise ordered. § 42.14. Accordingly, a document or thing will be made publicly available, unless a party files a motion to seal that

2. *Confidential information*: The rules identify confidential information in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information. § 42.54.

3. *Motion To Seal*: A party intending a document or thing to be sealed may file a motion to seal concurrent with the filing of the document or thing. § 42.14. The document or thing will be provisionally sealed on receipt of the motion and remain so pending the outcome of the decision on motion.

4. *Protective Orders*: A party may file a motion to seal where the motion contains a proposed protective order, such as the default protective order in Appendix B. § 42.54. Specifically, protective orders may be issued for good cause by the Board to protect a party from disclosing confidential information. § 42.54. Guidelines on proposing a protective order in a motion to seal, including a Standing Protective Order, are provided in Appendix B. The document or thing will be protected on receipt of the motion and remain so, pending the outcome of the decision on motion.

5. *Confidential Information in a Petition*: A petitioner filing confidential information with a petition may, concurrent with the filing of the petition, file a motion to seal with a proposed protective order as to the confidential information. A petitioner filing information under seal with a petition is not required to serve the confidential information. § 42.55.

A petitioner may seek entry of the default protective order in Appendix B or may seek entry of an alternative protective order. Where the petitioner seeks entry of the default protective order, the patent owner will be given access to the confidential information prior to institution of the trial by agreeing to the terms of a default order. § 42.55(a). The Board anticipates that a patent owner may use the Board’s electronic filing system to agree to the default protective order and would, upon confirmation of the agreement by the Board, be given access to the provisionally sealed information.

Where a petitioner files a motion to seal with the petition that seeks entry of a protective order other than the default protective order, a patent owner may only access the sealed confidential information prior to the institution of the trial by:

(1) Agreeing to the terms of the protective order requested by the