temporary deviation. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Dated: March 10, 2016.

**Eric A. Washburn,**

*Bridge Administrator, Western Rivers.*

[FR Doc. 2016–07439 Filed 3–31–16; 8:45 am]

**BILLING CODE 9110–04–P**

## DEPARTMENT OF HOMELAND SECURITY

### Coast Guard

### 33 CFR Part 117

**[Docket No. USCG–2016–0232]**

### Drawbridge Operation Regulation; Shark River (South Channel), Avon, NJ

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of deviation from drawbridge regulation.

**SUMMARY:** The Coast Guard has issued a temporary deviation from the operating schedule that governs the Railroad Bridge (NJT) across the Shark River (South Channel), mile 0.9, at Avon, NJ. This deviation is necessary to perform urgent bridge repairs. This deviation allows the bridge to remain in the closed-to-navigation position.

**DATES:** This deviation is effective from 7 a.m. to 6 p.m. on April 9, 2016.

**ADDRESSES:** The docket for this deviation, [USCG–2016–0232] is available at *http://www.regulations.gov.* Type the docket number in the ''SEARCH'' box and click ''SEARCH''. Click on Open Docket Folder on the line associated with this deviation.

**FOR FURTHER INFORMATION CONTACT:** If you have questions on this temporary deviation, call or email Mr. Hal R. Pitts, Bridge Administration Branch Fifth District, Coast Guard, telephone 757–398–6222, email *Hal.R.Pitts@uscg.mil.*

**SUPPLEMENTARY INFORMATION:** New Jersey Transit (NJT), that owns and operates the Railroad Bridge (NJT), has requested a temporary deviation from the current operating regulations to perform urgent repairs to the buffers which protect the bridge locks from damage during opening and closing movements. The bridge is a single bascule draw bridge and has a vertical clearance in the closed position of 8 feet above mean high water.

The current operating schedule is set out in 33 CFR 117.751. Under this temporary deviation, the bridge will remain in the closed-to-navigation position from 7 a.m. to 6 p.m. on April 9, 2016 and will open-to-navigation with at least one hour advance notice.

The Shark River is used by a variety of vessels including small U.S. government and public vessels, small commercial vessels, tug and barge, and recreational vessels. The Coast Guard has carefully considered the nature and volume of vessel traffic on the waterway in publishing this temporary deviation.

Vessels able to pass through the bridge in the closed position may do so at anytime. The bridge will be able to open for emergencies with at least one hour advance notice and there is no immediate alternate route for vessels to pass. The Coast Guard will also inform the users of the waterways through our Local and Broadcast Notices to Mariners of the change in operating schedule for the bridge so that vessel operators can arrange their transit to minimize any impact caused by the temporary deviation.

In accordance with 33 CFR 117.35(e), the drawbridge must return to its regular operating schedule immediately at the end of the effective period of this temporary deviation. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Dated: March 24, 2016.

**Hal R. Pitts,**

*Bridge Program Manager, Fifth Coast Guard District.*

[FR Doc. 2016–07357 Filed 3–31–16; 8:45 am]

**BILLING CODE 9110–04–P**

## DEPARTMENT OF COMMERCE

### Patent and Trademark Office

### 37 CFR Part 42

**[Docket No. PTO–P–2015–0053]**

**RIN 0651–AD01**

### Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board

**AGENCY:** United States Patent and Trademark Office, Commerce.

**ACTION:** Final rule.

**SUMMARY:** This final rule amends the existing consolidated set of rules relating to the United States Patent and Trademark Office (Office or USPTO) trial practice for *inter partes* review (''IPR''), post-grant review (''PGR''), the transitional program for covered business method patents (''CBM''), and derivation proceedings that implemented provisions of the Leahy-Smith America Invents Act (''AIA'') providing for trials before the Office.

**DATES:** *Effective Date:* This rule is effective May 2, 2016 and applies to all AIA petitions filed on or after the effective date and to any ongoing AIA preliminary proceeding or trial before the Office.

**FOR FURTHER INFORMATION CONTACT:** Susan L. C. Mitchell, Lead Administrative Patent Judge, by telephone at (571) 272–9797.

**SUPPLEMENTARY INFORMATION:**

*Executive Summary: Purpose:* This final rule amends the existing consolidated set of rules relating to the United States Patent and Trademark Office (Office or USPTO) trial practice for IPR, PGR, CBM, and derivation proceedings that implemented provisions of the AIA providing for trials before the Office, by allowing new testimonial evidence to be submitted with a patent owner's preliminary response, adding a Rule 11-type certification for papers filed in a proceeding, allowing a claim construction approach that emulates the approach used by a district court following *Phillips* v. *AWH Corp.,* 415 F.3d 1303 (Fed. Cir. 2005) (hereinafter ''a *Phillips*-type or district court-type construction approach'') for claims of patents that will expire before entry of a final written decision, and replacing the current page limit with a word count limit for major briefing.

*Summary of Major Provisions:* In an effort to gauge the effectiveness of the rules governing AIA trials, the Office conducted a nationwide listening tour in April and May of 2014, and in June 2014, published a **Federal Register** Notice asking for public feedback about the AIA trial proceedings. The Office has reviewed carefully the comments and, in response to public input, already has issued a first, final rule, which was published on May 19, 2015. That final rule addressed issues concerning the patent owner's motion to amend, the petitioner's reply brief, and other various changes. For instance, the final rule provided ten additional pages for a patent owner's motion to amend, allowed a claims appendix for a motion to amend, and provided ten additional pages for a petitioner's reply brief, in addition to other changes to conform the rules to the Office's established practices in handling AIA proceedings.

The Office published a second, proposed rule on August 20, 2015, which addressed more significant proposed changes to the rules and proposed revisions to the Office Patent Trial Practice Guide. The Office received comments from the public on these proposed rules, and presents in this **Federal Register** document the following final rules to address the claim construction standard for AIA

trials involving soon-to-be expired patents, new testimonial evidence submitted with a patent owner's preliminary response, Rule 11-type certification, and word count for major briefing. The Office will also amend its Office Patent Trial Practice Guide to comport with these rules changes and to reflect developments in practice before the Office concerning how the Office handles additional discovery, live testimony, and confidential information.

The Office anticipates that it will continue to refine the rules governing AIA trials to continue to ensure fairness and efficiency while meeting all congressional mandates. Therefore, the Office continues to encourage comments concerning how the rules may be refined to achieve this goal.

Also, the Office is continuing to proactively seek ways to enhance its operations and explore alternative approaches that might improve its handling of post grant administrative trials. As part of this process, the Office published in the **Federal Register** a Request for Comments on a Proposed Pilot Program pertaining to the institution and conduct of the post grant administrative trials by a single judge to provide the public an opportunity to comment on the proposal. Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews, 80 FR 51540 (Aug. 25, 2015) (''Proposed Pilot Program''). The Office currently has a panel of three administrative patent judges (APJs) decide whether to institute a trial, and then typically has the same three-APJ panel conduct the trial, if instituted. The Office sought comments on whether to conduct a pilot program under which the determination of whether to institute a trial would be made by a single APJ, with two additional APJs being assigned if a trial was instituted. This public announcement of the proposed pilot program sought to elicit comments, including whether a single APJ institution could potentially improve efficiency while providing high quality decisions and fairness to all sides.

In response to the Request for Comments, the Office received eighteen written submissions from intellectual property organizations, associations, businesses, law firms, patent practitioners, and others. The majority of comments opposed the proposed pilot program; however, several comments supported modified pilot programs. The Office appreciates receiving the comments, and has considered and analyzed them. Taking into account the comments received, the Office has decided not to go forward with the proposed pilot program at this time.

*Costs and Benefits:* This rulemaking is not economically significant, and is not significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

**Background**

*Development of the Final Rules*

On September 16, 2011, the AIA was enacted into law (Pub. L. 112–29, 125 Stat. 284 (2011)), and within one year, the Office implemented rules to govern Office trial practice for AIA trials, including IPR, PGR, CBM, and derivation proceedings pursuant to 35 U.S.C. 135, 316 and 326 and AIA 18(d)(2). *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612 (Aug. 14, 2012); Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012); Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 FR 48734 (Aug. 14, 2012). Additionally, the Office published a Patent Trial Practice Guide for the 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. *See* Office Patent Trial Practice Guide, 77 FR 48756 (Aug. 14, 2012).

In an effort to gauge the effectiveness of these rules governing AIA trials, the Office conducted a nationwide listening tour in April and May of 2014. During the listening tour, the Office solicited feedback on how to make the trial proceedings more fair and effective by adjusting the rules and guidance where necessary. To elicit even more input, in June of 2014, the Office published a Request for Comments in the **Federal Register** and, at stakeholder request, extended the period for receiving comments to October 16, 2014. *See* Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 FR 36474 (June 27, 2014). The Office addressed all public comments that involved changes to the page limitations for a patent owner's motion to amend or a petitioner's reply brief in a first, final rulemaking. *See* Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 FR 28561 (May 19, 2015). The Office addressed the remaining comments in the second, proposed rulemaking. *See* Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 FR 50720 (Aug. 20, 2015).

In the second, proposed rulemaking, the Office sought comments on the proposed rules involving the application of a *Phillips*-type claim construction for patents expiring during a proceeding, the ability to submit new testimonial evidence in the patent owner preliminary response, a Rule 11-type certification for papers filed in a proceeding, and word count for major briefing. The Office received twenty-eight comments from bar associations, corporations, law firms, and individuals addressing the proposed rules. Many of the comments supported application of a *Phillips*-type construction for claims of a patent that will expire during an AIA proceeding, a patent owner's ability to submit new testimonial evidence in its preliminary response, word count for major briefing, and a Rule-11 type certification. The Office appreciates the thoughtful comments provided by the public, which are available on the USPTO Web site: *http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/comments-amendments-rules-practice-trials.* The Office addresses all of the comments on the proposed rules below.

*Claim Construction Standard*

In the proposed rules, the Office noted that the application of a *Phillips*-type claim construction for claims of a patent that will expire prior to the issuance of a final written decision is appropriate. 80 FR at 50722. For these patents, the Office proposed to apply a *Phillips*-type standard during the proceeding. *Id.* The Office asked a series of questions to elicit comments concerning when to apply a *Phillips*-type construction. For instance, the Office asked: Should the Office set forth guidelines where a petitioner may determine, before filing a petition, which claim construction approach will be applied by the Office based on the relevant facts? Should the petitioner who believes that the subject patent will expire prior to issuance of a final written decision be required to submit claim interpretation analysis under both a *Phillips*-type and broadest reasonable interpretation approaches or state that either approach yields the same result? Should the Office entertain briefing after a petition is filed, but before a patent owner preliminary response is filed, concerning what standard should be applied? *Id.* The Office also invited

comments on any workable and efficient solutions for scenarios where the patent owner chooses to forgo the right to amend claims in an AIA proceeding. *Id.*

The Office has considered carefully the comments and determined to permit either party to request by motion a *Phillips*-type construction if a party certifies that the patent will expire within eighteen months from the entry of the Notice of Filing Date Accorded to Petition. A request by either party for a *Phillips*-type construction must be done by motion, triggering a conference call with the panel to discuss the request to resolve whether such a motion is appropriate under the circumstances and whether any other briefing is necessary for each party to be able to address adequately the appropriate construction standard. For instance, petitioner may be afforded an opportunity to address a *Phillips*-type construction analysis before patent owner is required to file its preliminary response.

*Comment 1:* As to the claim construction standard the Office uses generally in AIA trial proceedings, many commenters support the Office's continued application of the broadest reasonable interpretation standard to ensure higher quality patents by encouraging more definitive claim drafting, clarifying intended claim scope, and providing a better notice function to the public. Other commenters asserted that because a small number of motions to amend have been granted, the Office should apply a *Phillips*-type construction in all AIA proceedings. These commenters stated that AIA proceedings are meant to be adjudicative; therefore, a differing standard akin to a district court claim construction analysis is appropriate and in the interest of justice. These commenters also assert that neither the difference between ''patentability'' and ''validity,'' nor the canon of construction calling for preservation of validity as applied in district court, necessitates the application of a broadest reasonable interpretation standard in an AIA proceeding. Also, these commenters asserted that because the majority of patents involved in *inter partes* reviews are also in parallel litigation with a route of appeal to the same reviewing court, using a differing standard for claim construction could lead to inconsistent outcomes, and therefore, is inappropriate.

*Response:* The Office continues to agree with the comments that stated that applying the broadest reasonable interpretation for a claim is consistent with the Office's long-standing practice in post-issuance proceedings and encourages clear and unambiguous claim drafting. The Office notes that this standard also promotes consistency across all reexaminations, reissues, and AIA proceedings involving the same patent or family of patents before the Office. The Office disagrees that no reasonable opportunity to amend exists, as some comments argued based solely on the number of amendments permitted to date. The Federal Circuit has stated, ''[a]lthough the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available,'' and specifically addressed the prohibition on post-issuance broadening of claims at issue in the case, further stating that at least this restriction on motions to amend ''does not distinguish pre-IPR processes or undermine the inferred congressional authorization of the broadest reasonable interpretation standard in IPRs.'' *In re Cuozzo Speed Techs., LLC,* 793 F.3d 1268, 1278 (Fed. Cir. July 8, 2015), *cert. granted sub nom., Cuozzo Speed Techs. LLC.* v. *Lee,* 136 S. Ct. 890 (mem.) (2016). Also, the Office does not agree that using differing standards for claim construction in different tribunals presents a scenario where inconsistencies are inappropriate. *See In re Swanson,* 540 F.3d 1368, 1377 (Fed. Cir. 2008) (citing *Ethicon, Inc.* v. *Quigg,* 849 F.3d 1422, 1429 & n.3 (Fed. Cir. 1988)) (stating inconsistent findings concerning validity in different proceedings may be appropriate). Appropriate rationales exist to apply the broadest reasonable interpretation claim construction standard when there is an ability to clarify claim scope and to apply a *Phillips* construction when no opportunity to amend exists and claims should be construed to preserve validity if possible.

Applying the broadest reasonable interpretation standard in the proceedings serves an important patent quality assurance function. Therefore, the Office agrees with comments that the application of the broadest reasonable interpretation for claims furthers the congressional goal of providing ''a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.'' H.R. Rep. No. 112–98(I) at 48 (2011), *reprinted in,* 2011 USCCAN 67, 78 (discussing post-grant proceedings). Finally, the Office notes that because issued patents can return to the Office through a number of different avenues in addition to AIA trials, it should follow the same claim construction approach in all of its proceedings. Inconsistent results could become an issue if the Office adopted a standard of claim construction other than the broadest reasonable interpretation for post-grant reviews. Specifically, the AIA contemplates that there will be multiple proceedings in the Office, and thus requires the Office to establish rules concerning the relationships between the various proceedings. For example, there may be an *inter partes* review of a patent that is also subject to an *ex parte* reexamination, where the patent is part of a family of co-pending applications all employing the same claim terminology. Difficulties could arise where the Office is handling multiple proceedings with different claim construction standards applicable.

*Comment 2:* Several comments offered input on the timing and procedure for briefing the issue of the appropriate claim construction approach. One commenter offered that the Office should promulgate guidelines for when petitioner should offer a *Phillips*-type construction in a petition, but not penalize a petitioner for applying an incorrect construction standard, and other commenters asserted that petitioners should not be required to submit both a broadest reasonable interpretation and a *Phillips*-type construction in the petition because it presents too great a burden for petitioner. Some commenters suggested that additional briefing could be provided prior to the patent owner response addressing which standard of claim construction should apply. Some commenters asked that the Office set forth clear rules as to when each standard of claim construction applies so that there is no increase of cost or duration of the proceeding due to contesting which approach should apply.

Several commenters offered a bright-line rule of a fixed period of time to determine when to apply a *Phillips*-type construction. Under this bright-line rule, if a patent expires during the fixed time period, a *Phillips*-type construction approach will apply, and if the patent does not expire during the fixed time period, a broadest reasonable interpretation approach will apply. Some commenters requested a three or four year fixed period of time for which a *Phillips*-type construction would be applied for patents that expire within the time period to account for any appeal to the Federal Circuit and possible remand. One commenter pointed to *Institute Pasteur* v. *Focarino,* 738 F.3d 1337 (Fed. Cir. 2015), to support a three-year, bright-line rule for applying a *Phillips*-type construction, arguing that such a length of time is necessary because the Federal Circuit recognized that no opportunity existed

to amend claims in a patent that expired two months after issuance of the Office decision on appeal. Other commenters suggested a bright line rule of applying a *Phillips*-type construction if a petition is filed less than eighteen months before the patent's expiration date because it takes into account the potential time to complete both the preliminary proceeding and trial phases of an AIA proceeding. Others proposed that if a patent expires within two years from the filing of a petition, a *Phillips*-type construction should apply to take into account any possible six-month extension of the proceeding due to good cause. One commenter suggested a flexible approach where a *Phillips*-type construction should be applied if the parties agree to such a construction.

*Response:* The Office agrees that procedures to determine which claim construction standard applies to a patent that may expire before the conclusion of a proceeding should minimize the cost and burden to the parties, and also offer a full and fair opportunity for each party to present its case under the appropriate approach. The Office agrees that it is too burdensome to require a petitioner to submit in its petition a construction under both a broadest reasonable construction and a *Phillips*-type construction if the petitioner determines that the challenged patent may expire before the end of the proceeding. Application of a bright-line rule applying a specific time period during which, if a patent expires, a *Phillips*-type construction should be applied, is problematic because it does not address the actual question of whether a patent has expired before an AIA proceeding is completed. There is no disagreement that an expired patent cannot be amended; if a patent does not expire during an AIA proceeding, however, it is equally true that it is subject to amendment. The Office declines to speculate as to what may happen after an AIA proceeding has been concluded to determine an appropriate course of action to take during the proceeding as the Office cannot presume that all final written decisions will be appealed.

The Office believes that the best approach to determine when a particular patent will expire is to allow either party to request by motion that a *Phillips*-type construction be applied in the proceeding after certifying that the patent will expire within eighteen months of the filing of the Notice of Filing Date Accorded. This procedure provides a panel with flexibility to address any factual scenario presented by a particular case. The Office agrees with commenters that a motions practice in which the petitioner may be able to brief an alternative construction before patent owner files its preliminary response may be an efficient way to proceed, but such choice is left to the discretion of the panel. Ever mindful of the statutory deadlines that exist in AIA proceedings, such a procedure provides the panel with a way to manage efficiently a proceeding where the claim construction may differ from what a petitioner has presented in its petition.

*Comment 3:* One commenter suggested that a *Markman*-type proceeding may be held after institution of a trial, but before a patent owner has to file its patent owner response.

*Response:* Although the timing in some cases may require that the applicable claim construction must be briefed or determined after institution, the Office prefers to resolve the applicable claim construction standard before institution, and ideally, before the patent owner preliminary response deadline has passed. The earlier that the appropriate standard for claim construction may be determined, the more guidance the Office may provide in its institution decision for the parties to conduct the trial, including discovery, appropriately and efficiently, and in some cases, the Office may decide to deny institution when applying the appropriate standard.

*Comment 4:* One commenter asserted that where claim terms in dispute in an AIA review proceeding have been construed in a final, non-appealable court decision involving the same parties or their privies, the Office should adopt that claim construction as a matter of issue preclusion and to avoid inconsistent results.

*Response:* Parties can and have asserted in AIA proceedings that a previous claim construction issued in a court decision controls. The Office has reviewed such assertions in light of the facts of each particular case, and has adopted district court constructions when appropriate. *See, e.g., Google Inc.* v. *Simpleair Inc.,* CBM2014–00054, slip op. at 7 (PTAB May 13, 2014) (Paper 19) (adopting district court's constructions, which both parties asserted should be applied in the AIA proceeding, as consistent with the broadest reasonable construction); *Kyocera Corp.* v. *Softview, LLC,* IPR2013–0004, IPR2013–00257, slip op. at 5 (PTAB March 21, 2014) (Paper 53) (same). A *per se* rule applying issue preclusion to avoid inconsistencies between two fora's claims constructions, however, is not appropriate in light of the fact specific nature of the application of issue preclusion, the differing construction approaches applied in the district court and the Office, and patent owner's opportunity to amend its challenged claims in an AIA proceeding to conform to a prior district court construction.

*Comment 5:* One commenter sought a rule that claim amendments will not be permitted in situations where the patent will expire during the statutory time allowed for the completion of the *inter partes* review proceeding. The commenter noted that a patent must have some enforceable life after a proceeding for an amendment to be meaningful, otherwise, the amendment is tantamount to a cancelation of the original claim. The commenter also noted that the Office can ensure that a patent will expire during the proceeding by issuing a final written decision after expiration of the patent at issue.

*Response:* The Office appreciates the comments and recognizes that the amendment process may not be effective if the patent is expiring or near expiration during the pendency of an AIA proceeding. The Office, however, does not believe that a rule change is necessary to address such a situation because the current rules offer the panel the ability to address such situations when they arise.

*Comment 6:* Commenters suggested that allowing a patent owner to forgo an opportunity to amend claims in its patent to receive a *Phillips*-type construction is unworkable and unfair to petitioner. Also, one commenter noted that to allow a patent owner to forgo amendment also raises an issue as to whether other proceedings before the Office with the same patent would also be subject to patent owner's choice to forgo the opportunity to amend. The commenter opined that a patent owner may forgo amendment and ensure a *Phillips*-type construction by terminally disclaiming the term of its patent before an AIA proceeding is filed. The commenter noted that generally a patent owner has asserted its patent before an AIA proceeding is filed, and thus has the opportunity to file a terminal disclaimer before a petition is filed.

*Response:* The Office agrees that allowing a patent owner to disclaim the term of its patent during an AIA proceeding to ensure a *Phillips*-type construction may be unworkable. Providing a petitioner with a full and fair opportunity to address claim construction under the appropriate approach would be difficult if a patent owner were able to disclaim patent term late in a proceeding. Also, whether a patent owner chooses to file a terminal disclaimer or simply forgoes the opportunity to file a motion to amend, the opportunity to amend was available to the patent owner, but the patent

owner chose not to avail itself of the opportunity. It is this opportunity to amend claims to clarify their scope and to notify the public of what is encompassed by a claim that forms, at least in part, the Office's application of the broadest reasonable interpretation standard.

*Comment 7:* Commenters suggested that the Office must consider prosecution history in claim construction.

*Response:* The Office appreciates the comment and agrees that relevant prosecution history should be considered when specifically cited, explained, and relied upon by the parties. *See Microsoft Corp.* v. *Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015).

*Patent Owner's Motions To Amend*

In the Notice of Proposed Rulemaking, the Office noted that AIA proceedings are neither *ex parte* patent prosecution of a patent application nor patent reexamination or reissue. The Board does not conduct a prior art search to evaluate the patentability of the proposed substitute claims, and any such requirement would be impractical given the statutory structure of AIA proceedings. If a motion to amend is granted, the substitute claims become part of an issued patent, without any further examination by the Office. Because of this constraint, the Office has set forth rules for motions to amend that account for the absence of an independent examination by the Office where a prior art search is performed as would be done during prosecution of a patent application, reexamination, or reissue.

The Office stated in *Idle Free Systems, Inc.* v. *Bergstrom, Inc.,* Case IPR2012–00027 (PTAB June 11, 2013) (Paper 26) (informative), that in a motion to amend, ''[t]he burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the *prior art of record* and also *prior art known to the patent owner.'' Id.* at 7 (emphasis added). The Office subsequently clarified this statement, and specifically, addressed the meaning of the terms ''prior art of record'' and ''prior art known to the patent owner,'' and how the burden of production shifts to the petitioner once the patent owner has made its *prima facie* case for patentability of the amendment. *See MasterImage 3D, Inc.* v. *RealD Inc.,* Case IPR2015–00040, slip op. at 1–3 (PTAB July 15, 2015) (Paper 42). This decision clarifies that a patent owner must argue for the patentability of the proposed substitute claims over the prior art of record, which includes the following: (a.) Any material art in the prosecution history of the patent; (b.) any material art of record in the current proceeding, including art asserted in grounds on which the Board did not institute review; and (c.) any material art of record in any other proceeding before the Office involving the patent. *Id.* at 2. The Patent Owner must also distinguish over any art provided in light of a patent owner's duty of candor, and any other prior art or arguments supplied by the petitioner, in conjunction with the requirement that the proposed substitute claims be narrower than the claims that are being replaced. *Id.* at 3.

In addition, the Office stated in the Notice of Proposed Rulemaking that the decision in *MasterImage* clarified how the burden of production shifts between the parties with regard to a motion to amend. ''With respect to a motion to amend, once Patent Owner has set forth a *prima facie* case of patentability of narrower substitute claims over the prior art of record, the burden of production shifts to Petitioner. In its opposition, Petitioner may explain why Patent Owner did not make out a *prima facie* case of patentability, or attempt to rebut that *prima facie* case, by addressing Patent Owner's evidence and arguments and/or by identifying and applying additional prior art against proposed substitute claims. Patent Owner has an opportunity to respond in its reply. The ultimate burden of persuasion remains with Patent Owner, the movant, to demonstrate the patentability of the amended claims.'' *MasterImage,* slip op. at 3 (citing *Microsoft Corp.* v. *Proxyconn, Inc.,* 789 F.3d 1292, 1307 (Fed. Cir. 2015)). The Office also stated in the Notice of Proposed Rulemaking that it currently does not contemplate a change in rules or practice to shift the ultimate burden of persuasion on patentability of proposed substitute claims from the patent owner to the petitioner. Depending on the amendment, a petitioner may not have an interest in challenging patentability of any substitute claims. Therefore, to ensure patent quality and to protect the public interest, the ultimate burden of persuasion on patent owner's motion to amend remains best situated with the patent owner, to ensure that there is a clear demonstration on the record that the proposed substitute claims are patentable, given that there is no opportunity for separate examination of these newly proposed substitute claims in these adjudicatory-style AIA proceedings. *See Microsoft,* 789 F.3d at 1307 (stating ultimate burden of persuasion remains with the patent owner, the movant, to demonstrate the patentability of the substitute claims).

The Office received a spectrum of comments that ranged from approval of the Office's current motion to amend practice to those seeking significant changes to that practice. The Office addresses these additional comments below.

*Comment 1:* Commenters stated that patent owners should have the burden to establish a *prima facie* case of patentability of narrower substitute claims only over the prior art involved in grounds upon which the trial was instituted or at least the prior art of record in the AIA proceeding. Such a proposal, one commenter asserted, promotes efficiency by not requiring consideration of prior art that a petitioner has not asserted establishes unpatentability, and does not change the ultimate burden of persuasion from the patent owner. Another commenter stated that placing a burden on the patent owner to establish patentability over prior art not of record in the AIA proceeding inappropriately extends the burden imposed by 37 CFR 42.20(c), contrary to statements made in *Microsoft* v. *Proxyconn.* Another commenter suggested that the Office cannot require by decision any showing beyond what is required by 37 CFR 42.121.

*Response:* Although the Office appreciates that other procedures would streamline presenting a motion to amend, the Office remains concerned that if such a motion to amend were granted, the substitute claims become part of an issued patent without any further examination by the Office. To account appropriately for this lack of independent examination of substitute claims, the Office has required the patent owner to show in its motion to amend patentability over: (a.) Any material art in the prosecution history of the patent; (b.) any material art of record in the current proceeding, including art asserted in grounds on which the Board did not institute review; and (c.) any material art of record in any other proceeding before the Office involving the patent, in addition to showing patentability over prior art of record in the proceeding. The Office agrees with one commenter that such a requirement does not place an onerous or undue burden on patent owner. Also, such a requirement is not inconsistent with 37 CFR 42.20(c) or *Microsoft* v. *Proxyconn.* In a motion to amend, the patent owner is asking the Office to enter new claims in an issued patent that were not examined. The patent owner as the movant has the burden to show

patentability. *See Microsoft,* 789 F.3d at 1307 (''The Board has reasonably interpreted these provisions [35 U.S.C. 318(b) and 37 CFR 42.20(c)] as requiring the patentee to show that its substitute claims are patentable over the prior art of record, at least in circumstances in this case.''). The Federal Circuit also confirmed in *Microsoft* that the Office appropriately relies on prior art to determine patentability of substitute claims when the patent owner is given adequate notice and opportunity to present arguments distinguishing that reference. *Microsoft,* 789 F.2d at 1307–08; *see Nike, Inc.* v. *Adidas AG,* No. 2014–1719, 2016 WL 537609, at *3–5 (Fed. Cir. 2016); *Prolitec, Inc.* v. *Scentair Techs., Inc.,* 807 F.3d 1353, 1363–64 (Fed. Cir. 2015). The Federal Circuit also confirmed that 37 CFR 42.121 does not provide an exhaustive list of grounds upon which the Office can deny a motion to amend, *id.* at 1306, and choosing adjudication over rulemaking for motions to amend is not abusing the PTO's discretion. *Id.* at 1307.

*Comment 2:* Several commenters expressed concern about the consistency in application of decisions that are not deemed precedential, suggesting a standing order specifying which informative decisions govern a motion to amend may ensure such consistency.

*Response:* The Office appreciates the comments and will consider further how best to ensure uniformity in the application of requirements for motions to amend. Currently, the rules require that a party must confer with the panel before filing a motion to amend, during which the panel provides guidance for such a motion. 37 CFR 42.121(a) and 42.221(a). The Office will further consider ways to promote uniformity in the requirements for a motion to amend, such as by designating opinions precedential, issuing a standing order setting forth what requirements govern a proceeding for motions to amend, or other means.

*Comment 3:* Commenters suggested that the Office provide more guidance on the requirements that a patent owner must meet to establish patentability of substitute claims in a motion to amend such as the method and scope of a prior art search, whether a patent owner should specify the most relevant prior art in an affidavit, or what constitutes an acceptable definition of a key term in a motion to amend.

*Response:* The Office will endeavor to provide guidance through its adjudicatory process including evaluating whether decisions providing guidance should be made precedential.

*Comment 4:* A few commenters suggested using examiners to ensure patentability of proposed substitute claims in a motion to amend.

*Response:* As the Office stated in the Notice of Proposed Rulemaking, it does not contemplate seeking assistance from the Examining Corps for review of motions to amend, but will continue to evaluate the best way to improve the practice.

*Patent Owner's Preliminary Response*

In the Notice of Proposed Rulemaking, the Office proposed amending the rules to allow the patent owner to file new testimonial evidence without any limit on scope with its preliminary response. Because the time frame for the preliminary phase of an AIA proceeding does not allow generally for cross-examination of a declarant before institution as of right, nor for the petitioner to file a reply brief as of right, the Office is amending the rules to provide that any factual dispute created by testimonial evidence that is material to the institution decision will be resolved in favor of the petitioner solely for purposes of determining whether to institute a trial. This presumption was proposed, among other reasons, to preserve petitioner's right to challenge statements made by the patent owner's declarant, which may be done as of right during a trial.

Commenters who favored allowing patent owner to present new testimonial evidence at the pre-institution stage expressed two areas of concern with the proposed changes to allow new testimonial evidence to be submitted with patent owner's preliminary response: (1) The presumption in favor of petitioner for resolving factual disputes; and (2) the availability of a reply. The Office addresses these comments below in the responses to Comment 4 and Comment 5.

*Comment 1:* Many commenters support allowing patent owner to submit new testimonial evidence at the pre-institution stage, asserting that it presents a better balance of the opportunity to present evidence for both sides, thus leveling the playing field and encouraging full disclosure of rebuttal evidence by patent owner, and provides the Office with the best available information to decide whether to institute a trial. Others posited that allowing patent owner to submit new testimonial evidence in the patent owner preliminary response may also lead to settlement or other early disposition of the proceeding resulting in reduced expense and judicial economy. One commenter noted that capping the number of declarations that a patent owner may submit with its preliminary response may prevent presentation of too many factual disputes that cannot be resolved prior to institution. Another commenter sought assurance that the Office will not draw a negative inference from a decision to forgo submitting new testimonial evidence.

*Response:* The Office appreciates these comments and amends the rule to allow a patent owner to submit new testimonial evidence with its preliminary response, with the caveat that, if a genuine issue of material fact is created by testimonial evidence, the issue will be resolved in favor of petitioner solely for institution purposes so that petitioner will have an opportunity to cross-examine the declarant during the trial. The Office does not believe that any express restriction on the number of declarations that a patent owner may submit with its preliminary response is necessary at this time. Also, just as the Office places no negative inference on patent owner's choice to forgo an opportunity to file a preliminary response, no negative inference will be drawn if a patent owner decides not to present new testimonial evidence with a preliminary response.

*Comment 2:* Some commenters disagreed with the proposal to allow patent owners to submit new testimonial evidence with a preliminary response because such a rule may cause petitions to be denied without petitioner having the opportunity to cross examine a declarant or to reply to the new evidence. These commenters asserted that because a decision on institution is not appealable, a denial based on new testimonial evidence, without the safeguards of the procedures at trial that provide an opportunity for cross-examination of declarants and for a petitioner reply, is problematic. Also, these commenters noted that to apply such procedures prior to institution to alleviate these concerns also is problematic because it creates a trial-before-a-trial scenario when the institution decision should remain focused on the sufficiency of the petition. These commenters suggest that patent owner, on the other hand, would not be prejudiced by having to wait until filing its response to submit new testimonial evidence because there is an opportunity to fully develop the record post-institution, making the current rules fair to all parties. Several commenters expressed concern that allowing patent owner to present new testimonial evidence prior to institution of a trial will increase its costs with no substantive gain. Patent owners now

may point out deficiencies in the petition, but permitting new testimonial evidence will only create factual disputes for which the Office would apply the presumption in favor of petitioner and institute.

*Response:* 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 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. In appropriate circumstances, a panel, in its discretion, may order some limited discovery, including cross-examination of witnesses, before institution. It is premature to assess the effect of allowing patent owner to present new testimonial evidence at the preliminary stage, but as it is not mandatory to submit such evidence, the patent owner will have to assess the value of submitting such evidence based on the particular case. The Office does not agree that patent owner's submission of new testimonial evidence necessarily creates a factual dispute that may not be resolved pre-institution. As the Federal Circuit has recognized, ''[t]he mere existence in the record of dueling expert testimony does not necessarily raise a genuine issue of material fact.'' *Mortgage Grader, Inc.* v. *First Choice Loan Servs.,* No. 2015–1415, 2016 WL 362415, at * 8 (Fed. Cir. Jan. 20, 2016) (citing *KTEC, Inc.* v. *Vita-Mix Corp.,* 696 F.3d 1364, 1374–76 (Fed. Cir. 2012) (affirming grant of summary judgment that design patent was not analogous art, despite contrary opinion in expert report); *Minkin* v. *Gibbons, P.C.,* 680 F.3d 1341, 1351–52 (Fed. Cir. 2012) (indicating that summary judgment of invalidity may be available notwithstanding expert report supporting validity)).

*Comment 3:* One commenter questioned the weight to be given to new testimonial evidence presented with the preliminary response when reaching the final written decision. The commenter also asked how the scope of discovery post-institution would be modified where testimonial evidence was presented pre-institution.

*Response:* The Office will resolve these issues on a case-by-case basis. In general, a party has the opportunity to cross-examine affidavit testimony submitted by another party unless the Board orders otherwise. 37 CFR 42.51(b)(1)(ii). If expert testimony presented by the patent owner at the preliminary stage is relied on at the trial stage, the rule would apply unless the panel decides otherwise. For example, if the testimony is withdrawn at the trial stage, the Board would have to consider whether cross-examination falls within the scope of additional discovery. *See* 35 U.S.C. 316(a)(5), 326(a)(5); 37 CFR 42.51(b)(2).

*Comment 4:* Commenters favor the presumption for petitioner for factual disputes created by new testimonial evidence submitted by patent owner with its preliminary response as a mere factual contradiction from the patent owner should not prevent institution without cross-examination. One commenter wanted immediate cross-examination of patent owner's new testimonial evidence to test its veracity. Other commenters suggested that a presumption in favor of petitioner for any factual issue is counter to the statute and unfair to patent owners, and may discourage presentation of new testimonial evidence, because petitioner bears the burden at all stages of an AIA proceeding and the presumption is contrary to the presumption of validity. One commenter suggested that the presumption should weigh in favor of patent owner. Weighing evidence in favor of petitioner is inconsistent with petitioner's burden, these commenters asserted, and the inability to cross-examine witnesses is the same for all parties at the pre-institution stage, negating a need for this presumption because the parties are on equal footing. One commenter suggested that the availability of a pre-institution reply by petitioner negates any need for this presumption. Another commenter, however, stated that the presumption is appropriate in view of the statutory scheme where a preliminary response exists to point out the failure of a petition to meet any requirement for institution. Also, commenters asserted that the presumption as drafted in the Notice of Proposed Rulemaking is overly broad and 37 CFR 42.108(c) and 42.208(c) should be amended to limit expressly the application of any presumptions in favor of the petitioner to only disputed issues of material fact where the dispute is created by the introduction of the patent owner's unchallenged testimonial evidence.

*Response:* In light of the comments, the Office clarifies in this final rule that the presumption applies only when a genuine issue of material fact is created by patent owner's testimonial evidence. As previously stated, the Office also agrees that not every factual contradiction rises to the level of a genuine issue of material fact that would preclude a decision on the factual issue at the preliminary stage of a proceeding to assess whether petitioner has met the threshold burden for institution of a trial. The Office declines to adopt a presumption in favor of the patent owner for disputed facts at the institution stage, as the patent owner will have another opportunity to submit evidence during the trial. Additionally, because a denial of institution is a final, non-appealable decision, deciding disputed factual issues in favor of the patent owner when a petitioner has not had the opportunity to cross-examine patent owner's declarant is inappropriate and contrary to the statutory framework for AIA review. *See, e.g.,* 35 U.S.C. 316(a)(5), 326(a)(5). That both parties are in the same position at the preliminary stage, where generally there is no time for cross-examination of witnesses, does not support the view that no presumption should exist for either party because it is only through the trial process that each party is afforded a full and fair opportunity to cross-examine declarants. 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.

*Comment 5:* Several commenters asserted that petitioner should have a reply as of right when patent owner submits new testimonial evidence with its preliminary response, and one commenter advocated a reply of right for petitioner at the pre-institution stage regardless of whether patent owner submits new testimonial evidence and asserted such a reply is critical to ensure that the Office decides institution based on consideration of the full merits of each party's arguments. These commenters suggested that the lack of a reply as of right may be appropriate if the Office is prepared to liberally grant petitioners a reply to address patent owner arguments that petitioner could not have anticipated. These commenters requested that the Office clarify under what circumstances a reply would be warranted. For instance, in addition to allowing petitioner to respond to arguments that it could not have anticipated, several commenters asserted that a right to reply should be granted when any threshold issues are addressed by the new testimonial evidence such as CBM-eligibility, proper identification of real parties-in-interest, and statutory bar issues under 35 U.S.C. 315(b). Another commenter sought clarification as to the standard to be applied for granting a reply, such as interest of justice or good cause. One commenter asserted that a petitioner's

reply is unnecessary at the preliminary stage because it can anticipate the patent owner's response to arguments from patent owner's positions taken in parallel litigation. One commenter wanted more guidance on the timing and content of a reply, such as limiting it to a response to the new testimonial evidence, and whether allowing a reply would affect the timing of institution or the final decision.

*Response:* The Office believes that although submission of patent owner testimonial evidence at the preliminary stage may warrant granting petitioner a reply to such evidence, the decision concerning whether petitioner will be afforded a reply and the appropriate scope of such a reply rests best with the panel deciding the proceeding to take into account the specific facts of the particular case.

*Additional Discovery*

In the Notice of Proposed Rulemaking, the Office stated that it will continue to apply several factors on a case-by-case basis when considering whether additional discovery in an *inter partes* review is necessary in the interest of justice, as follows:

1. More Than A Possibility And Mere Allegation. The mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient. Thus, the party requesting discovery already should be in possession of a threshold amount of evidence or reasoning tending to show beyond speculation that something useful will be uncovered. ''Useful'' does not mean merely ''relevant'' or ''admissible,'' but rather means favorable in substantive value to a contention of the party moving for discovery.

2. Litigation Positions And Underlying Basis. Asking for the other party's litigation positions and the underlying basis for those positions is not necessarily in the interest of justice.

3. Ability To Generate Equivalent Information By Other Means. Discovery of information a party reasonably can figure out, generate, obtain, or assemble without a discovery request would not be in the interest of justice.

4. Easily Understandable Instructions. The requests themselves should be easily understandable. For example, ten pages of complex instructions are prima facie unclear.

5. Requests Not Overly Burdensome To Answer. The Board considers financial burden, burden on human resources, and burden on meeting the time schedule of the review. Requests should be sensible and responsibly tailored according to a genuine need.

*Garmin Int'l, Inc.* v. *Cuozzo Speed Techs. LLC,* Case IPR2012–00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (informative). The Office also applies similar factors in post-grant reviews and covered business method patent reviews when deciding whether the requested additional discovery is supported by a good cause showing and ''limited to evidence directly related to factual assertions advanced'' by a party. *See* 37 CFR 42.224; *Bloomberg Inc.* v. *Markets-Alert Pty Ltd,* Case CBM2013–00005, slip op. at 3–5 (PTAB May 29, 2013) (Paper 32). The Office also noted that as discovery disputes are highly fact dependent, the Office decides each issue on a case-by-case basis, taking account of the specific facts of the proceeding. *See, e.g., Bloomberg,* Case CBM2013–00005, slip op. at 6–7 (granting a specific and narrowly tailored request seeking information considered by an expert witness in connection with the preparation of his declaration filed in the proceeding). Also, parties are encouraged to raise discovery issues, and confer with each other regarding such issues, as soon as they arise in a proceeding.

In the Notice of Proposed Rulemaking, the Office also noted that it has provided guidance on its Web site, *see, e.g., http://www.uspto.gov/blog/aia/entry/message_from_administrative_patent_judges,* in response to comments generated from these questions, and will revise the Office Patent Trial Practice Guide to reflect this guidance.

*Comment 1:* Several commenters expressed agreement with the application of the *Garmin* factors on a case-by-case basis. Commenters noted that application of the *Garmin* factors in deciding whether to grant additional discovery helps control costs, allows completion of a trial within the one-year time period avoiding a trial within a trial, and avoids discovery pitfalls found in district court litigation. Other commenters applauded the requirement of highly targeted and limited discovery requests to ensure that discovery is not overly burdensome. For instance, requiring a showing of nexus between the alleged objective indicia of non-obviousness and the claimed invention is appropriate before granting additional discovery of a party's products.

*Response:* The Office agrees with these comments. Application of the *Garmin* factors provides a flexible approach to address each motion's unique set of facts, which necessitates a case-by-case approach.

*Comment 2:* One commenter requested that the Office relax the application of the first *Garmin* factor to require only ''a reasonable basis that the non-moving party has evidence relevant to an issue'' when juxtaposed with the fifth factor considering the burdensome nature of the requests.

*Response:* The Office appreciates the comment, but does not believe that it is necessary to relax the application of the first *Garmin* factor as the Office resolves the factors on a case-by-case basis.

*Comment 3:* One commenter urged consistency in the application of the *Garmin* factors in determining whether to grant additional discovery and asks for precedential decisions for guidance.

*Response:* The Office agrees that panels should strive for consistency when addressing motions for additional discovery that present similar facts. The Office also does review opinions in an effort to identify ones that should be designated as precedential, and notes that the public may also ask the Office to consider designating a particular opinion as precedential. Resolving discovery issues, however, is so highly dependent on the facts of the particular case that precedents often are not helpful.

*Comment 4:* One commenter asked that if a discovery request addresses a standing issue, it should be liberally granted.

*Response:* The nature of the issue to be resolved in discovery disputes is taken into account when assessing the *Garmin* factors. The *Garmin* factors are appropriate and adequate to resolve whether discovery should be granted for information relating to standing issues in addition to any other issue for which a party seeks discovery.

*Comment 5:* A commenter urged the Office to add the following additional factors to the *Garmin* factors for consideration by a panel: (1) Whether the information is solely within the possession of the other party; (2) whether the information already has been produced in a related matter; and (3) whether the discovery sought relates to jurisdictional issues under 35 U.S.C. 315 and 325.

*Response: Garmin* sets forth a flexible and representative framework for providing helpful guidance to the parties, and assisting the Office to decide whether additional discovery requested in an *inter partes* review is necessary in the interest of justice, consistent with 35 U.S.C. 316(a)(5), or whether additional discovery in a post-grant review is supported by a good cause showing, consistent with 35 U.S.C. 326(a)(5). The list of factors set forth in *Garmin* is not exhaustive. The Office applies the factors on a case-by-case basis, considering the particular facts of each discovery request,

including the particular arguments raised by a party seeking additional discovery. Under this flexible approach, parties are permitted to present their arguments using different factors including those suggested in the comments. In fact, the suggested additional factors are subsumed effectively already under the *Garmin* factors, and have been considered by the Office in deciding whether to grant additional discovery requests. *See, e.g., Int'l Sec. Exch., LLC* v. *Chi. Bd. Options Exch., Inc.,* Case IPR2014–00097 (PTAB July 14, 2014) (Paper 20) (granting a specific, narrowly tailored, and reasonable request for additional discovery of information that Patent Owner could not have obtained reasonably without a discovery request).

*Comment 6:* Several comments indicated that, although the *Garmin* factors are appropriate, they sometimes are being applied incorrectly to require the moving party to have the actual evidence being sought.

*Response:* As explained in *Garmin,* the moving party, who is seeking additional discovery, should present a threshold amount of evidence or reasoning tending to show beyond speculation that something useful will be uncovered. *Garmin,* Case IPR2012–00001, slip op. at 7–8. This factor ensures that the opposing party is not overly burdened, and the proceeding not unnecessarily delayed, by speculative requests where discovery is not warranted. The Office, however, does not require the moving party to have any actual evidence of the type being sought.

*Additional Discovery on Evidence Relating to Obviousness*

In the Notice of Proposed Rulemaking, the Office stated that the *Garmin* factors currently provide appropriate and sufficient guidance for how to handle requests for additional discovery, such as for evidence of commercial success for a product of the petitioner, which the Office will continue to decide on a case-by-case basis. In the Notice of Proposed Rulemaking, the Office also encouraged parties to confer and reach an agreement on the information to exchange early in the proceeding, resolving discovery issues promptly and efficiently. *See* 37 CFR 42.51(a). The Office, however, will continue to seek feedback as the case law develops as to whether a more specific rule for this type of discovery is warranted or needed. In the Notice of Proposed Rulemaking, the Office also stated that the *Garmin* factors provide helpful guidance to the parties and assist the Office to achieve the appropriate balance, permitting meaningful discovery, while securing the just, speedy, and inexpensive resolution of every proceeding. The Office also plans to add further discussion as to how the *Garmin* factors have been applied in the Office Patent Trial Practice Guide.

In the Notice of Proposed Rulemaking, the Office recognized that it is important to provide a patent owner a full and fair opportunity to develop arguments regarding secondary considerations. Evidence of many secondary considerations (*e.g.,* long-felt need, industry praise, commercial success of patent owner's patented product, widespread licensing) is available to patent owners without discovery. When patent owners seek additional discovery on such issues, however, the Office agreed that a conclusive showing of nexus between the claimed invention and the information being sought through discovery is not required at the time the patent owner requests the additional discovery. Nonetheless, some showing of nexus is required to ensure that additional discovery is necessary in the interest of justice, in an *inter partes* review, or is supported by a good cause showing, in a post-grant review. *See* 35 U.S.C. 316(a)(5) and 326(a)(5); 37 CFR 42.51(b)(2) and 42.224. Notably, as explained in *Garmin* concerning Factor 1, the mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient to demonstrate that the requested discovery is necessary in the interest of justice. *Garmin,* slip op. at 6. A patent owner seeking secondary consideration evidence from a petitioner should present a threshold amount of evidence *or reasoning* tending to show beyond speculation that something useful will be uncovered. A mere infringement contention or allegation that the claims reasonably could be read to cover the petitioner's product is generally insufficient, because such a contention or allegation, for example, does not show necessarily that the alleged commercial success derives from the claimed feature. Nor does it account for other desirable features of the petitioner's product or market position that could have contributed to the alleged commercial success. *See e.g., In re DBC,* 545 F.3d 1373, 1384 (Fed. Cir. 2008) (finding no nexus absent evidence that ''the driving force behind [the allegedly successful product's sales] was the claimed combination''); *John's Lone Star Distrib., Inc.* v. *Thermolife Int'l, LLC,* IPR2014–01201 (PTAB May 13, 2015) (Paper 30). The Office plans to add further discussion on this issue to the Office Patent Trial Practice Guide.

*Comment 1:* Although commenters agreed with the use of the *Garmin* factors as providing appropriate and sufficient guidance for deciding motions for additional discovery, and agreed with a case-by-case approach, one commenter questioned the case-by-case approach and stated that proof of a nexus between secondary consideration evidence and the claimed invention before authorizing discovery places too high a burden on the patent owner. Another commenter stated that a strong nexus showing should be required and infringement contentions do not by themselves show such nexus.

*Response:* The scope of discovery in AIA proceedings differs significantly from the scope of discovery available under the Federal Rules of Civil Procedure in district court proceedings. Because Congress intended AIA proceedings to be a quick and cost-effective alternative to litigation, the statute provides only limited discovery in trial proceedings before the Office. *See* 35 U.S.C. 316(a)(5) and 326(a)(5); 37 CFR 42.51(b)(2) and 42.224. Some showing of nexus is required to ensure that the additional discovery is necessary in the interest of justice, in an *inter partes* review, or is supported by a good cause showing, in a post-grant review

*Real Party-in-Interest*

The Office noted in the Notice of Proposed Rulemaking that it is important to resolve real party-in-interest and privity issues as early as possible, preferably in the preliminary stage of the proceeding prior to institution, to avoid unnecessary delays and to minimize cost and burden on the parties and the resources of the Office. In most cases, the patent owner also recognizes the benefit of raising a real party-in-interest or privity challenge early in the proceeding, before or with the filing of its preliminary response, to avoid the cost and burden of a trial if the challenge is successful.

The Office also noted that to balance efficiency with fairness, the Office, in general, will permit a patent owner to raise a challenge regarding a real party-in-interest or privity at any time during a trial proceeding. Such a position is consistent with the final rule notice. *See* Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule, 77 FR 48680, 48695 (Aug. 14, 2012) (''After institution, standing issues may still be raised during trial. A patent owner may seek authority from

the Board to take pertinent discovery or to file a motion to challenge the petitioner's standing.''). With respect to a late challenge that reasonably could have been raised earlier in the proceeding, the Office will consider the impact of such a delay on a case-by-case basis, including whether the delay is unwarranted or prejudicial. The Office also will consider that impact when deciding whether to grant a motion for additional discovery based on a real party-in-interest or privity issue. The Office plans to add further discussion on this issue to the Office Patent Trial Practice Guide.

*Comment 1:* Most commenters agreed that a real party-in-interest issue can be raised at any time in the proceeding provided that it is raised as soon as possible, preferably by the time that the preliminary response is filed, so that it may be decided at the institution stage, and patent owner has not delayed in raising the issue. Commenters also encouraged the Office to grant liberally requests for additional discovery to resolve real party-in-interest disputes early in a proceeding. Other commenters sought more clarity and certainty when a late challenge to a real party-in-interest designation would be permitted, such as whether patent owner should show that the issue could not have been raised earlier, whether patent owner has good cause to raise it late, or whether addressing a real party-in-interest challenge is in the interests of justice.

*Response:* The Office agrees that resolving any real party-in-interest issues early in the case is preferred to provide finality on the issue and settled expectations to the parties. The Office believes, however, that especially when a challenge to a real party-in-interest designation is made later in the case, the panel is in the best position to review all the circumstances surrounding any failure to name appropriately all real parties-in-interest and to resolve this issue. Certainly, the factors mentioned by the commenter, such as whether patent owner can show that the issue could not have been raised earlier, whether patent owner has good cause to raise it later in the proceeding, or whether addressing a real party-in-interest challenge is in the interests of justice, are considerations for the panel in making a determination as to whether patent owner should be allowed additional discovery on the issue. The Office does not believe that special discovery rules or procedures are necessitated by challenges to real party-in-interest.

*Comment 2:* Commenters assert that a petitioner should be allowed to amend its real party-in-interest designation without losing the filing date of the petition when in the interests of justice and in the absence of fraud.

*Response:* The Office appreciates the comment and is evaluating alternative approaches to permit parties to amend their real party-in-interest designations.

*Multiple Proceedings*

The Office asked a series of questions relating to how multiple proceedings, such as an AIA trial, reexamination, or reissue proceeding, before the Office involving the same patent should be coordinated, including whether one proceeding should be stayed, transferred, consolidated, or terminated in favor of another. In response to comments answering these questions, the Office noted in the Notice of Proposed Rulemaking that the current rules provide sufficient flexibility to address the unique factual scenarios presented to handle efficiently and fairly related proceedings before the Office on a case-by-case basis, and that the Office will continue to take into account the interests of justice and fairness to both petitioners and patent owners where multiple proceedings involving the same patent claims are before the Office. Although the Office proposed no new rule involving multiple proceedings, it indicated plans to add further discussion on what factors the Office considers when determining whether to stay, transfer, consolidate, or terminate a proceeding in the Office Patent Trial Practice Guide.

*Comment 1:* Commenters agreed that AIA trials on the same patent should be consolidated before the same panel, but asserted that the current rules insufficiently protect patent owners from potential harassment through the filing of multiple AIA proceedings. One commenter suggested that sanctions should be imposed against petitioners who file serial petitions to harass patent owners. Other commenters, however, offered that there are many appropriate reasons for a petitioner to file more than one petition, such as a material change in the law, to address additional claims, or to address information raised by a patent owner that could not have been reasonably anticipated. Another commenter suggested that multiple AIA proceedings should be instituted against the same patent if brought by different petitioners that are not real parties-in-interest or in privity with each other.

*Response:* The Office disagrees that insufficient protection exists for patent owners to guard against potential harassment through the filing of multiple petitions. The AIA statutory scheme itself provides such protection. *See* 35 U.S.C. 325(d). Office decisions offering guidance on the application of section 325(d) include the following: *SAS Institute, Inc.* v. *Complementsoft, LLC,* IPR2013–00581 (PTAB Dec. 30, 2013) (Paper No. 15) (denying a petition as to grounds based upon substantially the same prior art and arguments as set forth in a prior IPR petition); *Oracle Corporation* v. *Clouding IP, LLC,* IPR2013–00100 (PTAB May 16, 2013) (Paper No. 8) (granting a petition where new arguments and supporting evidence were presented that shed a different light on references previously considered during prosecution); *Medtronic, Inc* v. *Nuvasive, Inc.,* Case IPR2014–00487 (PTAB Sept. 11, 2014) (Paper 8); *Unified Patents, Inc.* v. *PersonalWeb Techs., LLC,* Case IPR2014–00702 (PTAB July 24, 2014) (Paper 13); *Prism Pharma Co., Ltd.* v. *Choongwae Pharma Corp.,* Case IPR2014–00315 (PTAB July 8, 2014) (Paper 14); *Unilever, Inc.* v. *Procter & Gamble Co.,* Case IPR2014–00506 (PTAB July 7, 2014) (Paper 17); *Medtronic, Inc.* v. *Robert Bosch Healthcare Systems, Inc.,* Case IPR2014–00436 (PTAB May 19, 2014) (Paper 17); *Intelligent Bio-Systems, Inc.* v. *Illumina Cambridge Limited,* Case IPR2013–00324 (PTAB Nov. 21, 2013) (Paper 19); *ZTE Corp.* v. *ContentGuard Holdings, Inc.,* Case IPR2013–00454 (PTAB Sept. 25, 2013) (Paper 12).

*Comment 2:* A commenter asserted that different proceedings involving the same patent have had inconsistent outcomes and suggested that the Office adopt a practice or rule to ensure consistency such as requiring a second panel to address an earlier panel's position to explain why it is adopting an inconsistent opinion or seeking review of a second, inconsistent opinion by the Chief Administrative Patent Judge or other Office official.

*Response:* The Office agrees that consistency among opinions involving the same patent and/or claims is important and strives for such consistency. The Office has procedures for assigning generally the same panel to cases involving the same patent, or to at least have one panel member in common for cases involving the same patent, to ensure consistency. The Office also currently has procedures involving administrative patent judges that are not assigned to a panel to review decisions before they are issued to provide another avenue to ensure consistency by flagging inconsistencies with other opinions for the panel. A party has the opportunity to point out other decisions concerning the same patent and/or claims to a panel and has the opportunity to ask for rehearing if

the party believes that a decision is inconsistent with a previous decision. The Office does not believe that additional procedures or rules need to be promulgated at this time.

*Comment 3:* One commenter asserted that prejudice to the parties and the ability to complete proceedings within the one-year statutory period should be overriding considerations in how to handle multiple proceedings. Other commenters asserted that the interest of a second petitioner in being adequately represented and heard and the efficiency of resolving a dispute and improving patent quality should be considered when deciding whether joinder is appropriate for two AIA proceedings.

*Response:* The Office strives to ensure fairness to all parties in handling multiple proceedings, in addition to considering the efficiencies for the Office in how to handle multiple proceedings.

*Comment 4:* One commenter requested more guidance on the proper timing and procedures for joinder of proceedings when the second petitioner files a substantially-identical petition to an earlier-filed petition. One commenter suggested that the rules be changed to require a default shorter period for a patent owner to file a preliminary response to a ''me too'' petition.

*Response:* The Office appreciates these comments, but believes that the decision concerning whether to shorten the response time for patent owner to submit a preliminary response is best left to the discretion of the panel handling the case. The Office does attempt to consolidate or join proceedings involving the same patent, especially petitions that raise virtually identical issues, to efficiently resolve AIA proceedings involving the same patent. The trial timeline does at times prevent such consolidation or joinder; the closer in time petitions on the same patent are filed, the more likely the Office can consolidate or join the proceedings.

*Comment 5:* One commenter suggests that the Office should consider the evidence submitted during prior prosecution, such as secondary considerations for non-obviousness, and to deny institution where the record was substantially developed.

*Response:* The Office does consider the record evidence from the prosecution history of the patent when presented and relied upon by the parties.

*Extension of One Year Period To Issue a Final Determination*

In the Notice of Proposed Rulemaking, the Office stated that it will continue to strive to meet the one-year statutory time period for trial, and that it does not propose to change the rules pertaining to the one-year pendency from institution-to-decision to provide for specific circumstances under which ''good cause'' may be shown. The Office proposed, however, to revise the Office Patent Trial Practice Guide to provide an exemplary list of instances in which an extension of the one-year statutory period may be warranted. Generally, commenters agree with the Office's approach to handling of the one-year period to issue a final determination. One commenter offered proposed examples of good cause for an extension, such as when one of the parties is prejudiced by circumstances that are unforeseeable and outside of its control or when the case is complex involving multiple proceedings. The Office will consider these suggestions in revising the Office Patent Trial Practice Guide to provide examples where good cause may be shown for extension of the one-year period to issue a final determination in an AIA proceeding.

*Live Testimony in an Oral Hearing*

In the Notice of Proposed Rulemaking, the Office noted that it will continue its present practice of considering requests for presentative of live testimony in an oral hearing on a case-by-case basis, but the Office does not expect that such live testimony will be required in every case where there is conflicting testimony. When requested by the parties, however, and where the panel believes live testimony will be helpful in making a determination, the Office will permit live testimony. The format for presenting live testimony is left to the discretion of the panel, but panels will make clear at the hearing that live testimony is evidence that becomes part of the record. The Office also noted in the Notice of Proposed Rulemaking that it will provide guidance on limiting parties to issues specified in the oral argument request in the FAQs on the PTAB Trials Web site and in the Office Patent Trial Practice Guide. The Office also proposed amending the rules to provide additional days for the parties to exchange and conference on demonstrative exhibits to resolve any disputes among themselves. Generally, commenters agree with the Office's approach to handling live testimony in oral hearings and also agree with the proposed change to the rules to allow more time for parties to resolve objections to demonstratives.

*Rule 11-Type Certification*

In the Notice of Proposed Rulemaking, the Office proposed to amend section 42.11, which prescribes the duty of candor owed to the Office, to include a Rule 11-type certification for papers filed with the Board with a provision for sanctions for noncompliance. The Office received several comments on the proposal and has responded to those comments below. The Office will implement a Rule-11 type certification in the final rule.

*Comment 1:* There were numerous comments on the proposed changes to Rule 42.11 (37 CFR 42.11). Although a number of comments supported adoption of the proposed rule, several comments stated that the proposed rule was unnecessary or redundant of existing rules and should not be adopted.

*Response:* The Office sees the proposed rule as preventative in nature. Although the Office does not expect, based on past experience, that the procedures in the proposed rule will be used often, the deterrent effect of having such a rule has been recognized. *See Raylon, LLC* v. *Complus Data Innovations, Inc.,* 700 F.3d 1361, 1370 (Fed. Cir. 2012). The final rule, by specifically incorporating the requirements of 37 CFR 11.18, provides greater detail on the Office's expectations for counsel and parties participating in post grant proceedings and also provides a procedure for sanctions motions that does not appear in the current rule.

*Comment 2:* Several comments expressed concern that the proposed rule will lead to an increase in investigations by the Office of Enrollment and Discipline (OED). One comment suggested that OED investigations could become ''a matter of course'' in AIA trial proceedings.

*Response:* The Office appreciates the concern raised by the comment. Based on experience, however, the Office does not expect this situation to occur. Requests for sanctions have so far been infrequent in AIA trial proceedings. Moreover, as specifically provided in the final rule, a sanctions motion cannot be filed without Board authorization. Also, the final rule provides a procedure that allows a party to cure an alleged violation before authorization to file a sanctions motion can be requested.

*Comment 3:* Several commenters observed that the proposed rule omits a provision that would allow the ability to plead or aver based on contentions or

denials being likely to have evidentiary support after a reasonable opportunity for further investigation or discovery. A similar comment was directed to denials of factual contentions. These comments noted that such provisions are present in Rule 11 of the Federal Rules of Civil Procedure.

*Response:* These comments are adopted. The suggested provisions have been added to the final rule by incorporating the provisions of 37 CFR 11.18(b)(2). This change, however, should not be construed as an exception to the requirement that the petition include a full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent. 37 CFR 42.22.

*Comment 4:* Several comments suggested that requiring a party to serve written notice to the other party before moving for sanctions may not provide sufficient information to correct the allegedly sanctionable conduct.

*Response:* The comments are adopted. The final rule requires service of a proposed motion on the other party before seeking authorization to file a motion for sanctions. This change does not dispense with the 21-day period to correct or withdraw the challenged paper or claim, or the necessity for authorization by the Board before a sanctions motion is filed.

*Comment 5:* One comment expressed concern that the proposed rule is ambiguous and saw a conflict between the proposed rule and 37 CFR 42.12.

*Response:* The Office does not see any conflict between the proposed rule, which concerns the duty of candor and motions for sanctions, and 37 CFR 42.12. In fact, the proposed rule specifically refers to section 42.12 and requires sanctions to be consistent with that rule.

*Comment 6:* Some comments suggested that the final section of the proposed rule, providing exceptions for disclosures, discovery requests, responses, and objections, is inconsistent with other provisions and should be eliminated.

*Response:* These comments are adopted. In the final rule, paragraph (e) of the proposed rule is eliminated.

*Comment 7:* One comment suggested that the requirements of paragraphs (c)(2), (3), and (4) of the proposed rule be eliminated as unreasonably strict.

*Response:* The comment is not adopted. Similar provisions are present in 37 CFR 11.18(b)(2). The Office believes these provisions provide needed guidance as to what representations are covered by the duty of candor. The final rule, therefore, specifically incorporates Rule 11.18(b)(2).

*Comment 8:* One comment suggested that the sanctions provisions should not apply to law firms.

*Response:* The comment is adopted. The sanctions provision is modified in the final rule to eliminate sanctions on law firms. The Office believes that sanctions directed to practitioners and parties are sufficient deterrents.

*Comment 9:* One comment suggested that § 42.11(d)(4) of the proposed rule be revised to limit the requirement for consistency with 37 CFR 42.12 to sanctions on a party.

*Response:* The comment is not adopted. The Office does not see a basis for a distinguishing between parties, practitioners, and others who might be subject to sanctions.

*Comment 10:* One comment suggested that the Office may not be authorized by statute to sanction pre-institution actions. The same comment suggested that the Office may not be authorized to issue sanctions for behavior other than improper use of the proceeding and suggests eliminating paragraphs (c)(2), (3), and (4) from the final rule for this reason.

*Response:* The comments are not adopted. The proposed rule is consistent with the statute, including provisions which give the Director authority to prescribe regulations ''governing'' *inter partes* reviews and specifically require the Director to prescribe regulations ''prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass and cause delay or an unnecessary increase in the cost of a proceeding.'' 35 U.S.C. 316(a)(4), 316(a)(6). Similar provisions apply to post grant and covered business method patent reviews. 35 U.S.C. 326(a)(4), 326(a)(6). Other pertinent statutory provisions include 35 U.S.C. 316(b) and 326(b) (Director shall consider ''integrity of the patent system'' in prescribing regulations.).

Improper use of the proceeding covers a broad range of prohibited activities including those in paragraphs (c)(2), (3), and (4) of the proposed rule. *See* 37 CFR 42.12. The Office, therefore, does not agree that the statute limits the Office's power to impose sanctions as set forth in the comment.

*Comment 11:* One comment raised due process concerns arising from the risk of inconsistent enforcement by different panels. The comment suggested that the final rule require the Board to consider the sanctions that likely would be provided by federal courts for comparable conduct.

*Response:* The comment is not adopted. The Office believes that the proposed rule and Rule 42.12 (37 CFR 42.12) provide adequate guidance to the Board on sanctions, thereby minimizing risk of inconsistent enforcement by different panels.

*Comment 12:* One comment suggested adding the following at the end of § 42.11(d)(3) of the proposed rule: ''and why a specific sanction by the Board should not be imposed.''

*Response:* The comment is adopted. The final rule includes this addition. However, the Office does not view this addition as restricting the Board's discretion to determine what sanctions might be appropriate after considering the motion.

*Comment 13:* One comment suggested removing the references to ''claims'' and ''defenses'' in the proposed rule because they are unclear.

*Response:* The comment is adopted. The final rule incorporates 37 CFR 11.18(b)(2), which omits the reference to ''claims'' and ''defenses.''

*Comment 14:* One comment suggested that the Office provide, in the final rule, a specific example of improper purpose in filing a petition.

*Response:* The comment is not adopted. Because whether particular circumstances warrant sanctions is a highly fact dependent question, the Office will follow a case-by-case approach. The Office will provide further guidance through its written decisions addressing particular factual scenarios.

*Comment 15:* One comment suggested adding a ''meet and confer'' requirement before filing a motion for sanctions.

*Response:* The comment is not adopted. A specific meet and confer requirement is not necessary, as the Office expects that before a motion for sanctions is filed, the party whose actions are being challenged has received a proposed motion and had 21 days to take corrective action. Before authorizing a motion for sanctions, the Board will ascertain that these procedures, necessitating communications between the parties, have been followed.

*General Topics*

In the Notice of Proposed Rulemaking, the Office proposed using a word count for the petition, patent owner preliminary response, patent owner response, and petitioner's reply brief. For all other briefing, the Office will maintain a page limit. The Office noted that this change will allow the Office to gain administrative efficiencies. For example, with the use of word counts for the main briefings for

AIA proceedings, petitions will no longer be reviewed to determine if any claim charts contain argument, thereby streamlining administrative review of petitions and reducing the number of non-compliant petitions that require correction. In addition to the comments concerning word count for major briefing, the Office received comments on other general topics that will be addressed below.

*Comment 1:* The majority of commenters favor the change to a word count for major briefing, which they agree would be more efficient and promote better advocacy. Some commenters requested that administrative items, such as mandatory notices, be excluded from the word count. Another commenter requested that the parties be able to include a one-page sheet providing definitions of technical terms that would not be included in the word count.

*Response:* The Office agrees in part with the comments and will exclude grounds for standing under 37 CFR 42.104, 42.204, or 42.304, and mandatory notices under 37 CFR 42.8 from the word count for major briefing. The Office does not believe that excluding a definition section from the word count is necessary.

*Comment 2:* Several commenters advocated improvements to the Board's Web site and docketing case system. Suggestions included improving PRPS to be able to search by patent owner, to be able to store more than ten documents without degrading responsiveness, to accurately post the status of cases, and to improve the reliability of PRPS in general.

*Response:* The Office has considered the commenters' suggestions and is working with vendors to develop a new electronic filing system with additional functionality such as searching in the case docketing system.

*Comment 3:* One commenter sought clarification on a party's ability to confer with a witness during the deposition, especially between cross-examination and re-direct, which the commenter asserted encourages rehearsal of testimony for re-direct.

*Response:* The Office appreciates the comment concerning when a party may confer with its witness during a deposition, but believes that the guidance in the Office Patent Trial Practice Guide strikes the correct balance concerning when a party may confer with its witness.

*Comment 4:* One commenter suggested that notice and comment is required for this rulemaking under the APA, and encouraged the Office to continue to subject future rule changes to the notice and comment process.

*Response:* The Office appreciates this comment, but disagrees that notice and comment is required for this rulemaking under the APA. This rule makes changes to the procedural requirements governing practice before the Office. Under current case law, such actions are not considered to be substantive rulemakings, and are exempt from the APA's notice and comment requirements. *See Cooper Techs. Co.* v. *Dudas,* 536 F.3d 1330, 1336–37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), do not require notice and comment rulemaking for ''interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice''). Nevertheless, the Office values public input in its rulemaking actions, and notes that it did provide prior notice and a comment period for this rulemaking, as well as other public outreach in connection with these rule revisions. The Office continues to value public outreach and input from the public in its rulemaking efforts.

*Recognizing Privilege for Communications With Domestic Patent Agents and Foreign Patent Practitioners*

In 2015, the Office launched an outreach initiative to explore various issues associated with confidential communications with patent agents or foreign patent practitioners. The Office published a notice convening a roundtable in February 2015 and requesting public comments. *See* Domestic and International Issues Related to Privileged Communications Between Patent Practitioners and Their Clients, 80 FR 3953 (Jan. 26, 2015). Nineteen parties submitted written comments in response to the **Federal Register** notice, which are available on the USPTO Web site at: *http://www.uspto.gov/learning-and-resources/ip-policy/roundtable-domestic-and-international-issues-related-privileged.* Some of these comments raised the issue of unclear or inconsistent privilege rules for agents and foreign practitioners during discovery in PTAB proceedings.

Consistent with that earlier outreach initiative, the Office sought comments in the Notice of Proposed Rulemaking on the subject of attorney-client privilege or other limitations on discovery in PTAB proceedings, including on whether rules regarding privilege should be issued in connection with PTAB proceedings. The Office noted that such rules could, for example, explicitly recognize privilege for communications between patent applicants or owners and their domestic patent agents or foreign patent practitioners, under the same circumstances as such privilege is recognized for communications between applicants or owners and U.S. attorneys. *See In re Queens University at* Kingston, No 2015–145, slip op. at 26–27 (Fed. Cir. Mar. 7, 2015) (recognizing a patent-agent privilege extending to communications with non-attorney patent agents when those agents are acting within the agent's authorized practice of law before the Patent Office). The Office invited the public to provide any comments on language, scope, or other considerations for creating such a privilege, including possible amendments to any of 37 CFR 42.51, 42.52, 42.55, 42.62, or 42.64 to accomplish this purpose.

The Office appreciates the thoughtful comments that it received in response and will address these comments in a separate notice, if any further action is taken.

**Discussion of Specific Rules**

*Subpart A—Trial Practice and Procedure*

Claim Construction Standard

The Office amends 37 CFR 42.100(b), 42.200(b), and 42.300(b) as follows:

- Amend 37 CFR 42.100(b) to add the phrase ''that will not expire before a final written decision is issued'' after ''an unexpired patent'' and add that a party may request a district court-type claim construction approach be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request must be accompanied by a party's certification, and be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.
- Amend 37 CFR 42.200(b) to add the phrase ''that will not expire before a final written decision is issued'' after ''an unexpired patent'' and add that a party may request a district court-type claim construction approach be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request must be accompanied by a party's certification, and be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.
- Amend 37 CFR 42.300(b) to add the phrase ''that will not expire before a final written decision is issued'' after ''an unexpired patent'' and add that a party may request a district court-type claim construction approach be applied if a party certifies that the involved patent will expire within 18 months

from the entry of Notice of Filing Date Accorded to Petition. The request must be accompanied by a party's certification, and be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

Patent Owner Preliminary Response

The Office amends 37 CFR 42.23(b) by:

• Substituting ''opposition, patent owner preliminary response, or patent owner response'' for ''opposition or patent owner response.''

The Office amends 37 CFR 42.107(a) to indicate that a preliminary response filed by the patent owner is subject to the word count under § 42.24, rather than a page limit.

The Office amends 37 CFR 42.107 to delete paragraph (c).

The Office revises 37 CFR 42.108(c) to indicate that the Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an *inter partes* review. A petitioner may seek leave to file a reply to the preliminary response, but any such request must make a showing of good cause.

The Office revises 37 CFR 42.207(a) to indicate that a preliminary response filed by the patent owner is subject to the word count under § 42.24, rather than a page limit.

The Office amends 37 CFR 42.207 to delete paragraph (c).

The Office revises 37 CFR 42.208(c) to indicate that during post-grant reviews, the Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute a post-grant review. A petitioner may file a reply to the preliminary response, but any such response must make a showing of good cause.

Oral Hearing

The Office amends 37 CFR 42.70(b) to require at least seven, not just five, days before oral argument for exchange of exhibits.

Word Count

The Office amends 37 CFR 42.24 to implement a word count limitation for petitions, patent owner preliminary responses, patent owner responses, and petitioner's replies, by:

• Adding ''Type-volume or'' to the title;

• adding ''word counts or'' before ''page limits''; adding ''word count or'' before ''page limit''; adding ''grounds for standing under §§ 42.104, 42.204, or 42.304, mandatory notices under § 42.8,'' after ''a table of authorities,'' and adding ''or word count'' after ''a certificate of service'' in paragraph (a)(1);

• substituting ''14,000 words'' for ''60 pages'' in (a)(1)(i) and (a)(1)(iv);

• substituting ''18,700 words'' for ''80 pages'' in (a)(1)(ii) and (a)(1)(iii);

• substituting ''word counts'' for the first three instances of ''page limits'' and ''word count'' for the two instances of ''page limit'' in paragraph (a)(2), and adding ''word counts or'' before ''page limits'' in the last sentence;

• adding ''word counts or'' before the ''page limits'' in paragraph (b);

• substituting ''word counts'' for the two instances of ''page limits'' in paragraph (b)(1);

• substituting ''word counts'' for the two instances of ''page limits'' in paragraph (b)(2);

• adding ''word counts or'' before the two instances of ''page limits'' and adding ''or word count'' after ''a certificate of service'' in paragraph (c);

• substituting ''5,600 words'' for ''25 pages'' in paragraph (c)(1);

• adding a new paragraph that implements a requirement for a certification, stating the number of words, for any paper whose length is specified by type-volume limits.

Rule 11-Type Certification

The Office amends 37 CFR 42.11 to add ''signing papers; representations to the Board; sanctions'' to the title of the section, to designate existing text as paragraph (a) and to add a subheading to that paragraph, and to add new paragraphs that implement a signature requirement, as set forth in Rule 11.18(a), for every petition, response, written motion, and other paper filed in a proceeding; provide the representations that an attorney, registered practitioner, or unrepresented party makes when presenting to the Board a petition, response, written motion, or other paper; and set forth the process and conditions under which the Board will impose sanctions if the Board determines that § 41.11(c) has been violated.

**Rulemaking Considerations**

*A. Administrative Procedure Act (APA)*

This final rule revises the consolidated set of rules relating to Office trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents, and derivation proceedings. The changes being adopted in this notice do not change the substantive criteria of patentability. These changes involve rules of agency practice. *See, e.g.,* 35 U.S.C. 316(a)(5), as amended. These rules are procedural and/or interpretive rules. *See Bachow Commc'ns Inc.* v. *F.C.C.,* 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); *Inova Alexandria Hosp.* v. *Shalala,* 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive requirements for reviewing claims); *Nat'l Org. of Veterans' Advocates* v. *Sec'y of Veterans Affairs,* 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive); *JEM Broad. Co.* v. *F.C.C.,* 22 F.3d 320, 328 (D.C. Cir. 1994) (rules are not legislative because they do not ''foreclose effective opportunity to make one's case on the merits'').

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). *See Cooper Techs. Co.* v. *Dudas,* 536 F.3d 1330, 1336–37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), do not require notice and comment rulemaking for ''interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice'') (quoting 5 U.S.C. 553(b)(A)); *U.S.* v. *Gould,* 568 F.3d 459, 476 (4th Cir. 2009) (''The APA also requires publication of any substantive rule at least 30 days before its effective date, 5 U.S.C. 553(d), except where the rule is interpretive * * *.'').

*B. Regulatory Flexibility Act*

For the reasons set forth herein, the Deputy General Counsel for General Law of the United States Patent and Trademark Office has certified to the Chief Counsel for Advocacy of the Small Business Administration that changes adopted in this notice will not have a significant economic impact on a substantial number of small entities. *See* 5 U.S.C. 605(b).

The changes adopted in this document are to revise certain trial practice procedures before the Board. Any requirements resulting from these changes are of minimal or no additional burden to those practicing before the

Board. Specifically, changes pertaining to representations made to the Office would not present any additional burden as the duty of candor and good faith are already requirements under existing Board trial practice (37 CFR 42.11), USPTO rules of professional conduct, and, for those who are attorneys, applicable State bars. Second, changes imposed by converting certain page limits to word counts for petitions and motions are not expected to result in any material change to filings, other than the addition of a certification that the filing is compliant. Finally, the changes pertaining to the inclusion of supporting evidence in a patent owner preliminary response to petition are not required to be filed, but merely available to parties should they choose. Moreover, the Office anticipates that the vast majority of those that will provide such supporting evidence during the petition review stage would have provided such information later anyway, if and when, a trial were instituted.

For the foregoing reasons, the changes in this notice will not have a significant economic impact on a substantial number of small entities.

*C. Executive Order 12866 (Regulatory Planning and Review)*

This rulemaking has been determined to be not significant for purposes of Executive Order 12866 (Sept. 30, 1993).

*D. Executive Order 13563 (Improving Regulation and Regulatory Review)*

The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) Made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector and the public as a whole, and provided on-line access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

*E. Executive Order 13132 (Federalism)*

This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

*F. Executive Order 13175 (Tribal Consultation)*

This rulemaking will not: (1) Have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

*G. Executive Order 13211 (Energy Effects)*

This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

*H. Executive Order 12988 (Civil Justice Reform)*

This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996).

*I. Executive Order 13045 (Protection of Children)*

This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

*J. Executive Order 12630 (Taking of Private Property)*

This rulemaking will not affect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

*K. Congressional Review Act*

Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801 *et seq.*), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this final rule are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. Therefore, this final rule is not a ''major rule'' as defined in 5 U.S.C. 804(2).

*L. Unfunded Mandates Reform Act of 1995*

The changes set forth in this rulemaking do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. *See* 2 U.S.C. 1501 *et seq.*

*M. National Environmental Policy Act*

This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. *See* 42 U.S.C. 4321 *et seq.*

*N. National Technology Transfer and Advancement Act*

The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

*O. Paperwork Reduction Act*

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3549) requires that the Office consider the impact of paperwork and other information collection burdens imposed on the public. This final rule involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3549). This rulemaking does not add any additional information requirements or fees for parties before the Board. Therefore, the Office is not resubmitting information collection packages to OMB for its review and approval because the revisions in this rulemaking do not materially change the information collections approved under OMB control number 0651–0069.

Notwithstanding any other provision of law, no person is required to respond

to, nor shall any person be subject to, a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

**List of Subjects in 37 CFR Part 42**

Administrative practice and procedure, Inventions and patents.

For the reasons set forth in the preamble, the Office amends 37 CFR part 42 as follows:

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

■ 1. The authority citation for 37 CFR part 42 is revised to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321–326; Pub. L. 112–29, 125 Stat. 284; and Pub. L. 112–274, 126 Stat. 2456.

## Subpart A—Trial Practice and Procedure

■ 2. Section 42.11 is revised to read as follows:

### § 42.11 Duty of candor; signing papers; representations to the Board; sanctions.

(a) *Duty of candor.* Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.

(b) *Signature.* Every petition, response, written motion, and other paper filed in a proceeding must comply with the signature requirements set forth in § 11.18(a) of this chapter. The Board may expunge any unsigned submission unless the omission is promptly corrected after being called to the counsel's or party's attention.

(c) *Representations to the Board.* By presenting to the Board a petition, response, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney, registered practitioner, or unrepresented party attests to compliance with the certification requirements under § 11.18(b)(2) of this chapter.

(d) *Sanctions*—(1) *In general.* If, after notice and a reasonable opportunity to respond, the Board determines that paragraph (c) of this section has been violated, the Board may impose an appropriate sanction on any attorney, registered practitioner, or party that violated the rule or is responsible for the violation.

(2) *Motion for sanctions.* A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates paragraph (c) of this section. The motion must be authorized by the Board under § 42.20 prior to filing the motion. At least 21 days prior to seeking authorization to file a motion for sanctions, the moving party must serve the other party with the proposed motion. A motion for sanctions must not be filed or be presented to the Board if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service of such motion or within another time the Board sets. If warranted, the Board may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

(3) *On the Board's initiative.* On its own, the Board may order an attorney, registered practitioner, or party to show cause why conduct specifically described in the order has not violated paragraph (c) of this section and why a specific sanction authorized by the Board should not be imposed.

(4) *Nature of a sanction.* A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12.

(5) *Requirements for an order.* An order imposing a sanction must describe the sanctioned conduct and explain the basis for the sanction.

■ 3. Section 42.23 is amended by revising paragraph (b) to read as follows:

### § 42.23 Oppositions and replies.

* * * * *

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to arguments raised in the corresponding opposition, patent owner preliminary response, or patent owner response.

■ 4. Section 42.24 is revised to read as follows:

### § 42.24 Type-volume or page-limits for petitions, motions, oppositions, and replies.

(a) *Petitions and motions.* (1) The following word counts or page limits for petitions and motions apply and include any statement of material facts to be admitted or denied in support of the petition or motion. The word count or page limit does not include a table of contents, a table of authorities, grounds for standing under § 42.104, § 42.204, or § 42.304, mandatory notices under § 42.8, a certificate of service or word count, or appendix of exhibits or claim listing.

(i) Petition requesting *inter partes* review: 14,000 words.

(ii) Petition requesting post-grant review: 18,700 words.

(iii) Petition requesting covered business method patent review: 18,700 words.

(iv) Petition requesting derivation proceeding: 14,000 words.

(v) Motions (excluding motions to amend): 15 pages.

(vi) Motions to Amend: 25 pages.

(2) Petitions to institute a trial must comply with the stated word counts but may be accompanied by a motion to waive the word counts. The petitioner must show in the motion how a waiver of the word counts is in the interests of justice and must append a copy of proposed petition exceeding the word count to the motion. If the motion is not granted, the proposed petition exceeding the word count may be expunged or returned. Any other motion to waive word counts or page limits must be granted in advance of filing a motion, opposition, or reply for which the waiver is necessary.

(b) *Patent owner responses and oppositions.* The word counts or page limits set forth in this paragraph (b) do not include a listing of facts which are admitted, denied, or cannot be admitted or denied.

(1) The word counts for a patent owner preliminary response to petition are the same as the word counts for the petition.

(2) The word counts for a patent owner response to petition are the same as the word counts for the petition.

(3) The page limits for oppositions are the same as those for corresponding motions.

(c) *Replies.* The following word counts or page limits for replies apply and include any statement of facts in support of the reply. The word counts or page limits do not include a table of contents, a table of authorities, a listing of facts which are admitted, denied, or cannot be admitted or denied, a certificate of service or word count, or appendix of exhibits.

(1) *Replies to patent owner responses to petitions:* 5,600 words.

(2) *Replies to oppositions (excluding replies to oppositions to motions to amend):* 5 pages.

(3) *Replies to oppositions to motions to amend:* 12 pages.

(d) *Certification.* Any paper whose length is specified by type-volume limits must include a certification stating the number of words in the paper. A party may rely on the word count of the word-processing system used to prepare the paper.

■ 5. Section 42.70 is amended by revising paragraph (b) to read as follows:

**§ 42.70 Oral argument.**

* * * * *

(b) Demonstrative exhibits must be served at least seven business days before the oral argument and filed no later than the time of the oral argument.

### Subpart B—Inter Partes Review

■ 6. Section 42.100 is amended by revising paragraph (b) to read as follows:

**§ 42.100 Procedure; pendency.**

* * * * *

(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. A party may request a district court-type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

* * * * *

■ 7. Section 42.107 is amended by revising paragraph (a) and removing and reserving paragraph (c) to read as follows:

**§ 42.107 Preliminary response to petition.**

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no *inter partes* review should be instituted under 35 U.S.C. 314 and can include supporting evidence. The preliminary response is subject to the word count under § 42.24.

* * * * *

(c) [Reserved]

* * * * *

■ 8. Section 42.108 is amended by revising paragraph (c) to read as follows:

**§ 42.108 Institution of inter partes review.**

* * * * *

(c) *Sufficient grounds. Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an *inter partes* review. A petitioner may seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

### Subpart C—Post-Grant Review

■ 9. Section 42.200 is amended by revising paragraph (b) to read as follows:

**§ 42.200 Procedure; pendency.**

* * * * *

(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. A party may request a district court-type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

* * * * *

■ 10. Section 42.207 is amended by revising paragraph (a) and removing and reserving paragraph (c) to read as follows:

**§ 42.207 Preliminary response to petition.**

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no post-grant review should be instituted under 35 U.S.C. 324 and can include supporting evidence. The preliminary response is subject to the word count under § 42.24.

* * * * *

(c) [Reserved]

* * * * *

■ 11. Section 42.208 is amended by revising paragraph (c) to read as follows:

**§ 42.208 Institution of post-grant review.**

* * * * *

(c) *Sufficient grounds.* Post-grant review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute a post-grant review. A petitioner may seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

### Subpart D—Transitional Program for Covered Business Method Patents

■ 12. Section 42.300 is amended by revising paragraph (b) to read as follows:

**§ 42.300 Procedure; pendency.**

* * * * *

(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. A party may a request a district court-type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

* * * * *

Dated: March 28, 2016.

**Michelle K. Lee,**

*Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.*

[FR Doc. 2016–07381 Filed 3–31–16; 8:45 am]

**BILLING CODE 3510–16–P**

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR part 52

**[EPA–R09–OAR–2014–0547; FRL–9939–89–Region 9]**

## Partial Approval and Partial Disapproval of Air Quality State Implementation Plans; California; Infrastructure Requirements for Ozone, Fine Particulate Matter ($PM_{2.5}$), Lead (Pb), Nitrogen Dioxide ($NO_2$), and Sulfur Dioxide ($SO_2$)

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Final rule.

**SUMMARY:** The Environmental Protection Agency (EPA) is partially approving and partially disapproving several State Implementation Plan (SIP) revisions submitted by the State of California pursuant to the requirements of the Clean Air Act (CAA or the Act) for the