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April 9, 2012

Mail Stop Comments – Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Attention: Lead Judge Michael Tierney

RE: Response to PTO Docket Nos. PTO-P-2011-0082 (Practice Before PTO Trial and Appeal Board); PTO-P-2011-0083 (Inter Partes Review) and PTO-P-2011-0084 (Post Grant Review)

Dear Judge Tierney,

Genentech provides the following comments in response to the three notices identified above. Genentech is providing these comments concurrently on the three notices given the interrelatedness of the proceedings that are the subject of the rules, and in view of the common framework each proceeding will proceed under before the PTO Trial and Appeal Board ("PTAB" or "Board").

Genentech supports rules that will ensure that practice in post-grant proceedings is balanced, fair and efficient. The proposed rules provide a solid foundation for the proceedings, but a number of the rules should be reconsidered, revised or dropped to ensure that the proceedings do not impose improper burdens or prejudice on the Board or parties and to ensure that the proceedings will be conducted fairly and efficiently.

I. Comments on Proposed Rules on Rules of Practice for Trials before the Patent Trial and Appeal Board ("Trial Rules") (PTO Docket No. PTO-P-2011-0082)

A. Page Limits (Proposed § 42.24)

Proposed § 42.24(a)(1) would require that petitions (as well as oppositions and replies to petitions) conform to strict page limits. It also provides that all arguments and the required statement of facts must be contained within the petition, opposition or reply, which is subject to these page limits. In addition, as the practice guidelines make clear, if a party wishes to present claim charts correlating specific claim elements to the evidence, those claim charts also will be included in the page limits.

Proposed § 42.24(a)(2) would permit a party to move to waive the page limits. In the case of a petition, this type of motion may be provided with the petition. If the motion for enlargement is not granted, proposed § 42.24(a)(2) specifies that the over-length petition is to be expunged or returned. If denial of the motion occurs after the deadline for filing the petition, the interests of the party filing the petition can be seriously prejudiced.

As the Board has observed in its practice guide to contested proceedings, "...claim charts can streamline the process of identifying key features of a claim and comparing those features with specific evidence." Moreover, the Office is proposing an escalating fee schedule that correlates to the number of contested patent claims. The Office thus recognizes that the complexity of proceedings involving patents, and consequently the length of the pleadings, will escalate in proportion to the number of contested patent claims.

Genentech believes the Office should amend proposed § 42.24 to provide more realistic and predictable standards for page limits.

First, Genentech proposes that claim charts be excluded from the page count of petitions, oppositions and replies, as is done in interference proceedings today. Claim charts can provide substantive value for the Director and the panel, as they correlate and organize the record to permit an efficient review of the issues in the proceeding. Unfortunately, claim charts will increase proportionally in length with the number of claims at issue in the proceeding. Imposing a fixed page limit regardless of the number or nature of the claims being charted can create an unfair and undesirable choice on parties – omit the claim charts (and thereby increase the burdens on the panel), or substantially reduce the facts or argument sections of the pleading. Consequently, Genentech believes proposed § 42.24 should be amended to expressly provide that claim charts will not be counted toward the page limits of petitions, oppositions or replies.

Genentech believes it would be appropriate for the Office to promulgate rules or provide practice guidance that ensures that claim charts do not become a vehicle for bypassing page limits. For example, the Office could specify that claim charts may not include attorney argument or introduce new evidence, and prescribe the form of presentation of the charts. This type of approach would ensure that the claim charts remain a useful and efficient presentation of information, but do not become a vehicle for bypassing page limits for the proceedings.

Second, Genentech proposes relaxing the proposed rules concerning the timing and effects of decisions on motions to waive page limits that accompany a petition to institute a trial. In the situation where a motion to waive page limits is provided with a petition, the denial of a motion could substantially prejudice a party seeking to institute a proceeding (e.g., by denying the motion after a statutory deadline). Consequently, Genentech believes proposed § 42.24(a)(2) should be revised to authorize the Board to permit the filing of an amended petition that conforms to the page limit specified in the rules within a short period after denial of a motion filed with that petition to increase the page limit.

Finally, and as an adjunct to the first two recommendations, Genentech believes that proposed § 42.24(a)(2) should be revised to identify particular types of circumstances that the Board will find sufficient to justify a waiver of an applicable page limit (i.e., proportional increases in the number of allowed pages linked to the number of claims in excess of 20, inclusion of claim charts, etc.). Such a clarification will increase predictability and help avoid prejudice caused by denials of motions to waive page limits.

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B. Requirement for Identification of Inconsistent Positions (Proposed § 42.51(b)(3))

Proposed § 42.51(b)(3) would require parties to certain contested proceedings before the Board to serve "noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding" on their opposing party. Contested proceedings subject to this requirement include inter partes review, post grant review, transitional business methods review proceedings and derivation proceedings. The proposed rule would require a party to either file a motion identifying supplemental information, either in a separately filed motion or as part of a petition, motion, opposition, or other substantive pleading (in which case it would also count against the page limits for that pleading). In addition, the party submitting the information must specify the relevance of the information including how it is pertinent to the claims of the patent.

Genentech recommends that proposed § 42.51(b)(3) be deleted. The proposed rule would create significant additional burdens on the Board and vastly complicate the proceedings before the Board. It would also impose an obligation that is inconsistent with the nature of adversarial proceedings and, ultimately, is unnecessary.

The most significant problem with the proposed rule is that it will spawn an ancillary motion practice analogous to the petitions practice that has plagued the inter partes reexamination system. The rule, by defining an obligation on parties to disclose "inconsistent" information, will become the basis of motions by opponents to compel parties to comply with this obligation, and to sanction them for non-compliance. One can readily imagine that motions to compel adverse information will be pursued by parties seeking to present new evidence and arguments outside the briefing schedule set by the panel in the case, and will lead to unnecessary and ancillary fights over the allegedly inconsistent information. The proposed rule will provide incentivized parties with a vehicle for presenting new information and arguments otherwise prohibited by the schedule or requiring specific authorization. And while this practice will undoubtedly create burdens on the parties to the proceeding, the more profound impact will be to significantly burden the Board with resolution of such matters outside of the structure and schedule the panel has set for each proceeding.

The proposed rule would provide no discernable benefit in the vast majority of cases while providing no material benefit to the conduct or merits of the proceeding. The very nature of contested proceedings provides more than ample incentives for parties to identify and present the most relevant information to the Board. To the extent that the information in question is of marginal relevance or persuasiveness in the proceeding, its non-disclosure will have no realistic effect on the outcome of the proceeding. Conversely, if the information is truly significant, the circumstances in which that information will not come to light in a proceeding will be rare. Thus, the rule will not lead to more efficient or probative inquiries into patentability; it will simply create significant and unnecessary burdens on the Board and the parties.

The proposed rule also suffers from many shortcomings as written. First, it is subjective, requiring determinations of "inconsistency" and "relevance," even as cast in 37 C.F.R. § 1.56(b)(2) (i.e., "unpatentability relied on by the Office" or an assertion of "patentability"). Measuring "inconsistency" will prove exceedingly difficult if not impossible in view of the

nature of legal questions that could arise in the types of proceedings subject to this proposed rule. Second, the proposed rule as written is not limited to information actually known to or relied upon by a party in an earlier proceeding. Instead, it imposes an obligation on parties to provide information, regardless of the materiality of the information, and apparently regardless of whether that information was known to or relied upon by the party in another proceeding. A positive obligation to discover information contrary to one's position is incompatible with an adversarial proceeding, and would impose an unreasonably broad and difficult to satisfy obligation.

Genentech sees no way of remedying the problems with the proposed rule. Consequently, Genentech believes that proposed § 42.51(b)(3) be deleted from the final rules.

C. Estoppel Applied to Patent Owners/Applicants (Proposed § 42.73(d))

Proposed § 42.73(d)(3) would preclude a patent owner or applicant whose claim is canceled from "taking action inconsistent with the adverse judgment, including obtaining in any patent ... (ii) a claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused claim or cancelled claim." The proposed rule thus would impose a broad estoppel arising from an adverse judgment on a patent claim against the patent owner.

Unlike the proposed rules governing estoppels on parties that contest a patent, the proposed estoppel rules concerning the patent owner have no express statutory authority. Thus, to the extent the Office is authorized to promulgate such a rule, it is limited to the estoppel that can arise as a matter of law from the patent owner participating in a contested administrative proceeding. In such a context, the scope of estoppel is far narrower than the scope of circumstances defined in proposed § 42.73(d)(3)(ii). For example, a party that presents a claim in an application that is patentably distinct from a claim previously held to be unpatentable in a post-grant proceeding, by definition, will not present the same legal question or an issue having the same legal relationship to the evidence that may have justified cancellation of the patent claim in the proceeding. Thus, to the extent that the Office chooses to promulgate a rule imposing an estoppel on patent owners following cancellation of a patent claim in a post-grant, inter partes review or derivation proceeding, such a rule must be limited to the narrow circumstances that arise under the common law principle of estoppel. At a minimum, the rule, if retained, must provide that the estoppel is limited to claims that are not patentably distinct from the claims held to be unpatentable in the proceeding. In addition, the estoppel for those claims must be limited to those patentability issues and the particular evidence linked to those patentability issues that were at issue in the post-grant proceeding.

For these reasons, Genentech believes that proposed § 42.73(d)(3)(ii) should be revised and limited to claims that are unpatentable on the same basis (i.e., the same legal issue of patentability and evidence) as the finally refused or cancelled claim. This type of change would ensure that a patent owner is estopped from presenting in subsequent prosecution a claim that is not patentably distinct from a claim held to be unpatentable in the proceeding, but will not foreclose that party from presenting claims to patentably distinct subject matter that does not present the same legal or factual issues as the claim that was canceled or finally refused in the proceeding.

II. Comments on Proposed Rules for Inter Partes (PTO-P-2011-0083) and Post-Grant Review (PTO-P-2011-0084)

A. Patent Owner Response (Proposed § §42.120(b))

Proposed § 42.120(b) establishes a default date of two months for the patent owner to file a response to a petition if the deadline for filing the response is not specified in the Order. Genentech submits that a two-month deadline for filing a response to a petition will frequently prove to be insufficient, and could prejudice the ability of patent owners to respond to challenges to the patent in the proceedings.

Proposed § 42.120(b) should be revised to set as the default a 4-month period for the patent owner to respond to a petition. Unlike a petitioner, the patent owner will not be aware of the challenge until after it has been made. Thus, after being notified of the challenge, a patent owner must rapidly analyze the basis of the challenge and the evidence presented in support of it, and then develop arguments to respond to the challenges. A two-month deadline will often prove insufficient to collect and evaluate evidence, retain and consult with witnesses and prepare declarations, and engage in other necessary fact discovery.

While Genentech anticipates that the Board will ordinarily specify a date for the patent owner response in the Order, the proposed deadline of two months as a "default" deadline may establish a standard that will be followed by the Board in most proceedings. Accordingly, Genentech proposes that the "default" period for filing a patent owner response to a petition be set to be four months in the absence of a date being specified in the Order instituting the proceeding. While this will not restrict the authority of the Board to set the patent owner response date to a shorter period, it will recast the approach to setting the patent owner response deadline to make the shorter period the exception rather than the norm. Additionally, Genentech invites the Director to consider this proposed modification of proposed § 42.120(b) in conjunction with the proposed modification to proposed §§ 42.123 and 42.223 below, which would shorten the period for the petitioner to provide supplemental information in a proceeding.

B. Filing of Supplemental Information (Proposed §§ 42.123 and 42.223)

Proposed §§ 42.123 and 42.223 would authorize a petitioner to request authorization to file a motion identifying "supplemental information" relevant to a ground for which a trial has been instituted provided that motion is made within one month of the date that the trial is instituted.

The proposed rule has the potential to prejudice patent owners involved in *inter partes* or *post grant* review. Specifically, by allowing a petitioner to file supplemental information up to a month after the date a trial is instituted by the Board, the rule will enable procedural gamesmanship that can interfere with the patent owner's ability to conduct discovery and prepare responsive pleadings in a timely manner.

Consequently, Genentech believes the proposed rule should be amended in three respects.

First, the deadline for the filing of a motion to provide supplemental information should be shortened to two weeks after the date of institution of the trial. Genentech observes that petitioners are under no or far less strict deadlines governing the presentation of their initial petitions, and should be reasonably expected to be aware of supplemental information that may be relevant to the proceeding.

Second, the proposed rule does not define a standard for justifying the submission of the supplemental information. Instead, the petitioner should be required to establish some basis for why the information was not presented with the petition. An appropriate standard would be a showing of good cause, such as that the petitioner was not aware of the supplemental information at the time the petition was filed.

Third, the proposed rule should be revised to limit the scope of supplemental information that may be filed to ensure that the supplemental information does not raise issues of patentability not expressly authorized to be addressed during the trial by the Board. This may be achieved by revising the rule to expressly provide that supplemental information may not be provided or used in support of an issue of patentability not expressly authorized to be addressed during the proceeding.

C. Pendency of the Proceeding (Proposed §§ 42.100(c) and 42.200(c))

Proposed §§ 42.100(c) and 42.200(c) specify that inter partes and post grant review proceedings must ordinarily be completed within 12 months of institution of the proceeding. Under the relevant statutory provisions, the PTO may extend this 12-month date for good cause, and may consider as part of the scheduling of the proceeding the existence of concurrent proceedings.

Genentech submits that the Office should provide guidance about how it will apply proposed §§ 42.100(c) and 42.200(c) in order to provide a more transparent and objective basis for when the 12-month deadline for rendering of a written decision in inter partes and post-grant reviews may be extended. For example, in the practice guidelines, the Office could exemplify the circumstances that will justify the extension of the 12-month deadline. Examples that could be provided include: (i) the need to accommodate discovery of necessary witnesses or facts, (ii) the need to accommodate the schedules of multiple proceedings involving the same patent or (iii) situations of exigency that members of the panel may face. By providing examples, the practitioners will have greater clarity about when the 12-month period will be extended.

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Genentech respectfully urges the Office to consider these comments in connection with promulgation of the rules subject to the above notices.

Sincerely,

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Head of Patents, Senior Director
Genentech, Inc.