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Via Federal eRulemaking Portal at www.regulations.gov Docket No. PTO-P-2023-0048

Attn: Thomas Krause, Director Review Executive; Kalyan Deshpande, Vice Chief Administrative Patent Judge; and Amanda Wieker, Acting Vice Chief Administrative Patent Judge

Re: Comments on Proposed Rulemaking re: Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement

The PTAB Bar Association ("Association") hereby respectfully responds to the request by the United States Patent and Trademark Office ("the Office") for public comments in response to the Office's Notice of Proposed Rulemaking for Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement ("NPRM"), published at 89 Fed. Reg. 28,693 (PTO-P-2023-0048, Apr. 19, 2024).

The Association is a voluntary bar association of over 700 members engaged in private and corporate practice and in government service. Members represent a broad spectrum of individuals, companies, and institutions involved in practice before the Patent Trial and Appeal Board ("PTAB" or "Board") and in patent, administrative and appellate law more generally. Per its bylaws, the Association is dedicated to helping secure the just, speedy, and inexpensive resolution of every PTAB proceeding. Accordingly, the Association strives to present a neutral perspective representing all parties with an interest in PTAB proceedings. However, the Association also represents diverse constituencies with sometimes competing perspectives. Towards that end, we surface these different perspectives in the belief that the PTAB will benefit from a better understanding of the issues. Finally, the Association expresses its appreciation to the Office for engaging in rulemaking on these topics, which provides greater clarity and leads to greater efficiencies for all parties.

The Association provides the following comments on the various proposed rules in the NPRM. Although the Association has endeavored to comment on several of the proposed rules in the NPRM, to the extent any proposed rule is not specifically addressed below, such silence should not be construed as support for that proposed rule, nor construed as an indication that such proposed rule is noncontroversial.

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I. Comments on Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement

A. §§ 42.107 and 42.207—Separate Briefing on Motions for Discretionary Denial

Proposed §§ 42.107(b)(1) and 42.207(b)(1) provide that a "patent owner may file a *single request* for discretionary denial of the petition" that addresses all "applicable discretionary institution issues and factors, other than those involving parallel petitions under § 42.108(d)."¹ Proposed §§ 42.107(b)(2) and 42.207(b)(2) provide the due dates for the parties' briefing on the request: The patent owner's request is due "no later than two months after" the Notice of Filing Date Accorded—effectively one month before the patent owner's preliminary response to the petition; a petitioner's opposition is due "no later than one month after" the request—effectively the same day as the preliminary response; and patent owner's reply is due two weeks after the opposition. And proposed § 42.24(e) provide page limits for briefing on those requests for discretionary denial: 10 pages for the request and opposition, and 5 pages for the reply.

As noted in the Association's June 2023 Comments on the Office's 2023 Advanced Notice of Proposed Rulemaking ("ANPRM"),² we generally support permitting separate briefing of discretionary denial issues. However, the Association submits that the proposed "single request for discretionary denial" in conjunction with the 10-page limit for such requests may unduly limit the parties' presentation of the issues. Additionally, the Association proposes the following changes to the rules as proposed in the NPRM.

1. Additional pages (or words) when the request presents multiple grounds for discretionary denial

§ 42.24(e) Requests for discretionary denial.

The following page limits apply to briefing in connection with a patent owner request for discretionary denial but do not include a table of contents; a table of authorities; a listing of facts that are admitted, denied, or cannot be admitted or denied; a certificate of service; or an appendix of exhibits:

- (1) Patent owner request: 10 pages.
- (2) Petitioner opposition: 10 pages.
- (3) Patent owner reply: 5 pages.
- (4) Where a patent owner's request for discretionary denial addresses multiple grounds for discretionary denial under the applicable discretionary institution issues enumerated in § 42.107(b)(1) or § 42.207(b)(1), then each of the page limits in paragraphs (e)(1) through (e)(3) are increased by 5 pages.

As an initial matter, the Association favors modifying *all* page count limits under § 42.24 to use word count limits. For example, for every 5 pages of briefing that a current or proposed rule authorizes, a commensurate word count would allow 1000–1250 words (i.e., a 10-page brief would allow up to 2000–2500 words). Notwithstanding this proposal, we express our comments on this NPRM in terms of the proposed page count limits.

Proposed §§ 42.107(b)(1) and 42.207(b)(1) would permit only a *single* request to address any and all discretionary institution issues and their subsidiary factors, such as those specified under the new rules, "Institution factors for serial petitions" (§§ 42.108(e), 42.208(f)) and "Discretion based on previously presented art or arguments" (§§ 42.108(f), 42.208(g)). The single request would also address any other "issue that the patent owner believes, based on Office rules, precedent, or guidance, warrants discretionary denial of the petition." The *Fintiv* precedent (together with its later guidance), for cases involving parallel district court litigation, is a notable example of such "precedent[] or guidance" on other discretionary denial issues.

Each of these three, nonexclusive, categories of discretion involve complex, multi-factor analyses mandated by the proposed rules and Board precedent:

- The "Serial petition" analysis (§§ 42.108(e), 42.208(f)) requires satisfying the definition of a "serial petition" in the new definition proposed in § 42.2—itself a multi-element definition that relies on "common-law concepts of real party in interest and privity" with their own "body of case law" to draw upon, *see* NPRM at 28,696—and analyzing four additional factors, which originate from the *General Plastic* precedent (factors 2–5);
- The "Discretion based on previously presented art or arguments" analysis (§§ 42.108(f), 42.208(g)) in accordance with 35 U.S.C. § 325(d) requires analysis of four factors, drawn from the *Advanced Bionics* framework; and
- The *Fintiv* precedent requires analysis of at least five factors.

Even if most proceedings do not present *all* these issues, many present more than one. For example, the Board instituted a *parallel* petition (as that term is defined in this NPRM) in *Prollenium US Inc. v. Allergan Industrie, SAS*, IPR2019-01632, Paper 18 (PTAB Mar. 31, 2020), where it declined to exercise its discretion under *both* § 314(a) (analyzing the *General Plastic* factors) and § 325(d) (analyzing the Becton Dickinson factors) as requested by the patent owner. And (at least in part) because the institution predated the precedential designation of *Apple v. Fintiv*, denial based on the parallel district court litigation was apparently not even raised by the parties. *See id.* at 3 (identifying litigation filing date that was more than one year before institution decision).

So although the Association agrees that that an appropriate word or page limit must be implemented, we submit that limiting the parties to only 10 pages in principal briefs to address *all* discretionary denial issues and factors (excepting parallel petitions) may unduly restrict their ability to present the issues as required by the rules and precedent. The Association accordingly favors a modest increase in pages allowed where the patent owner raises *multiple* discretionary denial issues in its request.

To the extent the Office declines to adopt this proposed amendment, the Association asks the Office to provide express guidance—in another rule, comments to the final rulemaking, or

¹ All emphasis in quotations in this letter is added unless otherwise indicated.

² Advance Notice of Proposed Rulemaking on Changes under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. 24,503 (Apr. 21, 2023), Docket No. PTO-P-2020-0022.

otherwise—that where a patent owner's request under \S 42.107(b)(1) or 42.207(b)(1) will present multiple categories of discretionary issues, it may constitute "good cause" to grant additional pages under \S 42.5(b).

Members also asked for clarification as to whether parties would be permitted to submit evidence with the request for discretionary denial, the opposition to the request, or the reply to the opposition. Under current practice, discretionary denial arguments are commonly supported by evidence submitted with the petition, preliminary response, or other pre-institution briefing. For example, parties commonly rely on district court scheduling orders and median time-to-trial statistics to support arguments under the *Fintiv* factors or rely on expert testimony relevant to factual inquiries underlying a 325(d) analysis. In their current form, the proposed rules do not appear to address whether supporting evidence will be permitted with the discretionary denial papers, which stands in contrast with provisions that explicitly permit supporting evidence to be submitted with the preliminary response. *Compare* 37 C.F.R. § 42.107(a)(1) (preliminary response "can include supporting evidence") with § 42.107(b)(1) (omitting similar language regarding supporting evidence). Some members suggested that the rules should be clarified to recognize that supporting evidence could be submitted with both the request for discretionary denial.

Some members asked that the rules specify that factors can be given different weights. While the Board systemically identifies whether a given factor applies to a given dispute, members noted that some panels do not appear to assign relative weights to each of these factors. These members requested that the rules provide explicit language authorizing the panels to assign different weights to each of the considered factors. Such a record would allow all parties to better understand a rationale for a decision and aid parties in evaluating whether to seek Director Review.

2. The request should be due at the same time as the preliminary response

§§ 42.107(b)(2) and 42.207(b)(2):

A request for discretionary denial must be filed <u>on the same date set forth in</u> § 42.107(a)(2) [for post-grant review, "§ 42.207(a)(2)"] for filing a patent owner preliminary response. An opposition to the request for discretionary denial must be filed no later than <u>three weeks</u> after the filing of the request for discretionary denial. A reply in support of the request must be filed no later than <u>one week</u> after the filing of the opposition.

Proposed §§ 42.107(b)(2) and 42.207(b)(2) presently would require a patent owner to present its entire discretionary denial argument two months after the Notice of Filing Date Accorded and one month *before* its preliminary response, with a petitioner's opposition effectively due on the same date as the preliminary response. This proposal raises several challenges for both parties.

In some cases, a patent owner may not be able to retain counsel until some number of weeks after service of the petition. That delay cuts into the patent owner's time and ability to prepare a request for discretionary denial that, as discussed above, may require complex multifactorial analyses.

And some discretionary denial issues and factors are intertwined with the merits of the petition and preliminary response—as recognized by the Office's NPRM. But the NPRM's suggestion that the parties "direct the Board's attention to the petition and patent owner preliminary response for discussion of the merits as contained in those documents" when "relevant to discretionary denial," NPRM at 28,696–97, is in tension with existing rules and guidance expressly prohibiting incorporating arguments by reference from one document to another. 37 C.F.R. § 42.6(a)(3); Patent Trial and Appeal Board Consolidated Trial Practice Guide, 35, 39 (Nov. 2019).³

Thus the Association favors contemporaneous filing of any patent owner preliminary response *and* request for discretionary denial. This benefits both parties by allowing them to develop arguments and responses in view of the merits arguments in the principal briefs, which both parties will have equal access and visibility to at the time of preparing their respective papers.⁴

The Association recognizes, however, the Director's statutory deadline following the preliminary response date under 35 U.S.C. § 314(b). Thus, we propose modestly compressing the timeframes for the petitioner's opposition and patent owner's reply, as shown above. Under the Association's proposal, briefing on discretionary denial issues would finish four weeks after the preliminary response—only two weeks after the Office's proposed timeframe.

B. § 42.74 Settlement Agreements.

The NPRM proposes revising the rule to provide that a joint motion for termination of a proceeding, filed before or after institution, must be accompanied by any written settlement agreement.

The Association membership includes patent owners and petitioners. Although its membership generally favors clear rules to facilitate predictable decision making, its members' views continue to diverge considerably on whether the Office has the authority to promulgate rules requiring the filing of settlement agreements pre-institution.

Some members support adopting the proposed rule. These members submit that the Office has statutory authority for such a rule under 35 U.S.C. § 316(a)(4) ("establishing and governing inter partes review under this chapter"). These members contend that absent such a rule, certain parties may be willing to include terms in pre-institution settlement agreements they otherwise would not include. For example, if parties know they do not need to file a copy of their pre-institution settlement agreement with the PTAB, then certain for-profit petitioners may demand cash payments from the patent owner, and certain patent owners may be willing to make large and unexplained reverse payments to the petitioner.

³ Available at <u>https://www.uspto.gov/TrialPracticeGuideConsolidated</u>.

⁴ Moreover, to the extent the Office considers adopting the "compelling merits" exception for discretionary denials discussed in Section F below, that issue necessarily relates to the merits of both the petition *and* preliminary response. So that would further militate in favor of aligning discretionary denial requests with the merits briefing.

Other members question the basis for requiring the filing of settlement agreements (or understandings) before the institution of trial. They maintain that the Office should not require parties to file settlement agreements in connection with termination of a proceeding where a review, or "trial" as that term is defined in 37 CFR § 42.2, has not yet been instituted. Those members' positions are reflected below.

As the NPRM acknowledges, the relevant statutes for settlement of Board trial proceedings "do not expressly govern AIA pre-institution settlement." NPRM at 28,697 (citing original 2012 rulemaking). On the contrary, the statutes expressly address only *post-institution* settlement. 35 U.S.C. § 135(e) (providing for termination of "a proceeding *instituted* under subsection (a)"); *id*. § 317 (providing for termination of an "inter partes *review instituted* under this chapter" in subsection (a) and requiring filing of agreements in connection with "termination of an inter partes *review under this section*" in subsection (b)); *id*. § 327 (same for post-grant review).

Both the statutes and rules have been in place for over a decade with no action from Congress to alter them. Moreover, the very fact that Congress only established a requirement for instituted trials should be presumed to be intentional. For example, just as Congress intended PTAB reviews as an efficient alternative to court litigation, Congress could reasonably have intended to foster lower barriers to settlement to parties that agree to settle before institution, thus saving the parties and the PTAB the expense of a trial. Indeed, the NPRM cites data indicating that most terminations due to settlement occur pre-institution. NPRM at 28,697.

The NPRM also asserts that the proposed change would align with the "Executive Order on Promoting Competition in the American Economy," E.O. 14036, 86 Fed. Reg. 36,987 (July 9, 2021), which "encourages government agencies *to cooperate* on policing unfair, anticompetitive practices." NPRM at 28,697. However, the Executive Order's section on "Agency Cooperation" is directed to agencies with "overlapping ... jurisdiction in the policing of anticompetitive conduct and the oversight of mergers." Executive Order Section 3, 86 Fed. Reg. at 36,990. The USPTO does not share "overlapping jurisdiction" with respect to "policing of anticompetitive conduct and the oversight of mergers." And neither the patent laws nor the USPTO (or even the Department of Commerce) are found among the various statutory authorities and "agencies that administer" those authorities related to fair competition and ani-monopolization laws in Section 2 of the Executive Order. *See id.* at 36,989–90 (identifying statutory bases for policy in Sec. 2(a)–(c) and administering "such or similar authorities" in Sec. 2(e)).

Thus, nothing in the Executive Order suggests the USPTO should amend the longstanding rule requiring settlement agreements be filed only for post-institution termination. And the Office points to no alternative source of authority in the Executive Order for the proposed rule. Indeed, the Executive Order does not address these settlements, much less order added paperwork burdens on parties. *Cf.* 44 U.S.C. § 3501 (requiring agencies to minimize Federal information collections). On the contrary, voluntary or sanctioned filings would better conform with the Office's statutory authorities and with the restrictions of the Paperwork Reduction Act.

Finally, even assuming the NPRM's position that there is some benefit to "facilitating a depository for all settlement agreements in connection with contested cases" to "assist" the FTC and DOJ in antitrust enforcement, NPRM at 28,695, this putative benefit effectively shifts

enforcement costs from the United States Government to the parties. Further, the FTC and DOJ can investigate conduct they believe may be anticompetitive and obtain settlement agreements relevant to such allegations using their own jurisdiction and powers, without this Office's assistance. The Office should not void the policy choice Congress already made in drafting the statutes as it did. Stakeholders have an interest in the Office adhering to its authorities and not contravening statutes. An expansion of the settlement-filing requirement must come, if at all, from the Legislative branch.

Some members noted the potential for settlement provisions to be abused as there is minimal guidance as to the circumstances in which settlement agreements might be accessed. These members submit that parties should have a right to be notified if confidential settlement agreements are accessed and also reasons why a settlement agreement might be accessed. These members further asked for an ability to respond to any such notice in order to preemptively address the purported reasons for accessing the settlement agreement.

C. §§ 42.2, 42.108(e), and 42.208(f)—Serial Petitions

The Association generally supports the NPRM's proposed rules on "serial petitions," which "generally adopt the *General Plastic* factors approach." NPRM at 28,699. Those factors have governed practice for over six years since *General Plastic* was designated precedential in 2017.

The Association notes with approval that the proposed rules do not adopt the "substantial relationship" test that the Office discussed in the 2023 ANPRM. ANPRM at 24,507. We further note the recent Director Review decisions in *Ford Motor Co. v. Neo Wireless LLC*, IPR2023-00763, Paper 28 (Mar. 22, 2024), and *American Honda Motor Co, Inc. v. Neo Wireless LLC*, IPR02023-00797, Paper 27 (Mar. 22, 2024), which vacated discretionary denials that improperly extended *General Plastic*'s factor one. The Association approves of these recent clarifications of the *General Plastic* and *Valve* precedents and submits that they better reflect the "established common-law concepts of real party in interest and privity," NPRM at 28,696, as codified in the new rule.

Some members submit that factor 2 (petitioner knew or should have known of asserted prior art) is inherently unfair to petitioners. This factor ostensibly favors the petitioner if it should not have known about the prior art reference at the time of the first petition. But petitioners may only assert publicly accessible prior art references. See 35 U.S.C. § 311(b) (limiting possible IPR grounds to "patents or printed publications"); *Hulu, LLC v. Sound View Innovations, LLC*, No. IPR2018-01039, Paper 29, at 8-11 (PTAB Dec. 20, 2019) (discussing the public accessibility requirement for "printed publications"). The Patent Office has not reconciled how a reference could be publicly accessible and yet should not have been known to a petitioner, and the Association is unaware of a case where factor 2 was disputed and favored the petitioner. Because the accessibility requirement largely, if not entirely, precludes the possibility that a reference should not have been known by a petitioner, this factor is unfair and should not be considered at institution.

D. §§ 42.2, 42.108(d), and 42.208(e)—Parallel Petitions

The NPRM's proposed rules on "parallel petitions" are generally in accord with the Association's positions and proposed factors in our June 2023 Comments on the ANPRM. Accordingly, some members of the Association approve of the proposed rules.

Other members, representing a minority view, contend that the proposed rule improperly places the burden on petitioners to show why a parallel petition should not be discretionarily denied—effectively a sanction against filing multiple petitions challenging a single patent. These members submit that a patent owner's request for discretionary denial (under proposed §§ 42.107(b) and 42.207(b)) should address all discretionary denial issues—not excluding §§ 42.108(d) and 42.208(e) governing parallel petitions. To the extent that the Office were to adopt this recommendation, the appropriate page limits for such arguments should be adjusted to account for the additional issues and factors to be addressed in the request.

Members recognize that the proposed revisions to Sections 42.108(d) and 42.208(e) provide greater clarity to understand those aspects of a dispute that justify parallel petitions.⁵ However, some members felt that the specified criteria were not exhaustive and asked that additional criteria be added to the list of criteria that is considered. For example, the size of a claim, i.e., the number of limitations appearing in a claim is not presently considered. Further, while the fifth-listed factor accounts for "whether there are alternative claim constructions requiring different prior art," the proposed criteria do not explicitly recognize the need to account for two or three claim constructions at issue. This may be the case where a petitioner needs to address constructions from a petitioner, a patent owner and related proceedings. Finally, in isolation from other proposed rules that would grant separate briefing on discretionary denial, the proposed guidance does not presently provide any relief insofar as petitioners remain obligated to address factors at issue in discretionary denial including *Fintiv* factors and *Advanced Bionics*.

E. §§ 42.108(f) and 42.208(g)—Discretion based on previously presented art or arguments

Proposed §§ 42.108(f) and 42.208(g) codify aspects of the Office's *Advanced Bionics* precedent for exercising discretion under 35 U.S.C. § 325(d). The Association generally supports these proposed rules.

Some members further submit that the final rules should expressly provide the same factors to govern the Office's discretion to deny an *ex parte* reexamination request. Section 325(d) applies equally in that context. *See In re Vivint*, 14 F.4th 1342, 1349–50 (Fed. Cir. 2021). To ensure the Office applies the statute uniformly across the Board and the Central Reexamination Unit, some members suggest that the Office codify these discretionary factors in a single location in Title 37 of the Code of Federal Regulations and then cross-reference them in the rules for each type of proceeding.

⁵Various factors relevant to the good cause determination may be considered by the Board, including: (1) a petitioner's ranking of their parallel petitions in the order in which petitioner wishes the Board to consider the merits, (2) an explanation of the differences between parallel petitions, (3) the number of claims challenged by the petitioner and asserted by the patent owner, (4) whether the parties dispute the priority date of the challenged patent, (5) whether there are alternative claim constructions requiring different prior art, (6) whether the petitioner lacked information at the time of filing the petition; and (7) the complexity of the technology in the case, as well as any other information believed to be pertinent to the good cause determination.

F. The Office should provide a "compelling merits" exception to the discretionary denial rules

In the 2023 ANPRM, the Office proposed rules that when a challenge presents "compelling merits," the proceeding would be allowed to proceed even where the petition might otherwise be a candidate for discretionary denial. ANPRM at 24,507. The Office has found that a challenge presents compelling merits when the evidence of record at institution is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence—a standard higher than substantial likelihood. *See OpenSky Indus., LLC v. VLSI Tech. LLC,* IPR2021-01064, Paper 102 at 49 (PTAB Oct. 4, 2022) (Director decision, precedential) (describing compelling merits as those that "plainly lead to a conclusion that one or more claims are unpatentable," and noting that such standard can be met only "if it is highly likely that the petitioner would prevail with respect to at least one challenged claim").

The Association reiterates its support for a rule providing an exception to discretionary denial for all bases except for discretionary denials under § 325(d) where "compelling merits" are established. The Association favors a definition of "compelling merits" consistent with that used in *OpenSky*. This standard should apply, as in *OpenSky*, based on indisputable evidence set forth in the petition (e.g., based on plain disclosure of references, and not subject to issues of claim construction).

The Association submits the "compelling merits" standard would be a critical exception to discretionary denial to serve the public interest and the purpose of the PTAB and the AIA. For example, where discretionary denial might be applicable based on events not involving the petitioner (e.g., where there has been a prior final adjudication in which the petitioner was not a real party-in-interest) and the petitioner is able to present a strong case with "compelling merits," public interest favors instituting the petition.

Some members, however, are not in favor of—or favor limited application of—the "compelling merits" standard. These members submit that it would eliminate discretionary denials where there is an appropriate basis to deny institution. These members consider that this exception would, as applied, raise the evidentiary standard set by Congress for many cases. They are concerned that requiring petitioners to meet a higher standard in the institution phase would create a "trial within a trial," reduce efficiency, and undermine the goals of AIA trials of reducing costly litigation and correcting patents issued by mistake.

As to factual issues raised pre-institution, the Association favors a rule that would provide the compelling merits standard is not met if the patent owner raises a material factual question that cannot be resolved at institution. The existence of such a factual question indicates that the evidence of record does not "plainly lead to a conclusion that one or more claims are unpatentable." Upon the patent owner sufficiently presenting a case that the petition should be discretionarily denied, the presumption should be in favor of the patent owner. The Association thus favors a test whereby, after the PTAB has determined that the petition is a candidate for discretionary denial, (1) the record will be viewed in the light most favorable to the patent owner, and (2) the PTAB will draw all reasonable inferences in favor of patent owner. The petitioner has

the burden of presenting evidence at the institution stage that leaves the PTAB with a firm belief or conviction that the petitioner would be highly likely to prevail with respect to at least one challenged claim.

Finally, the Association favors applying the compelling merits standard as an exception to all bases for discretionary denial except for discretionary denials under 35 U.S.C. § 325(d) for previously addressed prior art or arguments (i.e., under proposed §§ 42.108(f) and 42.208(g) in the NPRM). Under that framework, the petitioner must address, if the same prior art or arguments was previously considered, material error in the previous consideration. Because establishing (or failing to establish) material error essentially goes to the merits of an argument, the exception for "compelling merits" does not appear appropriate here.

II. Conclusion

The Association and its members are committed to improving all aspects of PTAB practice, and we look forward to continuing to work with the Director and the Office to improve PTAB procedures. We appreciate this opportunity to provide feedback on this important issue, and we hope that these comments aid in the development of guidelines and/or regulations.

Submitted on behalf of the PTAB Bar Association, by:

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Monica Grewal, President