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> Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials

Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials

Thank you to the intellectual property community for your feedback thus far about our new administrative trial proposed rules for the inter partes review (IPR), post grant review (PGR), covered business method review, and derivation provisions of the America Invents Act. From the comments we have received, a few issues have surfaced with some regularity. For example, we have received questions and input regarding (i) the standards to trigger inter partes and post grant reviews, (ii) the real party in interest requirement for an IPR/PGR petitioner, (iii) timing for completion of the new trials, (iv) the pro hac vice admission of non-registered practitioners, and (v) the definition of the term "technological invention." I thought it would be helpful to explain more about the Agency's rationale for the structure of the proposed rules on these topics, and hence, we have prepared a "blog extravaganza" for your consideration:

- [Standards to Trigger an Inter Partes Review and Post Grant Review](#)
- [Real Party in Interest](#)
- [Timing to Complete an Inter Partes Review, Post Grant Review, and Covered Business Method Review](#)
- [Pro Hac Vice Admission to Practice before the Board for New Administrative Patent Trial](#)
- [Technological Invention Definition](#)

Lastly, please note that the comment period for the new administrative trial proposed rules closes on April 9 and 10, 2012. I encourage you to submit your positive feedback and constructive suggestions to the Agency by then; we are eager to hear from you.

Standards to Trigger an Inter Partes Review and Post Grant Review

The Director statutorily may institute an inter partes review (IPR) and post grant review (PGR) proceeding where a petitioner meets the threshold requirements. For an IPR, the petitioner must demonstrate a **reasonable likelihood** that he/she would prevail as to at least one of the claims challenged. 35 U.S.C. 314(a). In contrast, for a PGR, the petitioner must demonstrate that it is **more likely than not** that at least one of the claims challenged is unpatentable. 35 U.S.C. 324(a). Additionally, for a PGR, the petitioner may show a novel or unsettled legal question that is important to other patents or patent applications. 35 U.S.C. 324(b).

Comparing the two standards, the "reasonable likelihood" standard is lower than the "more likely than not" standard. The reasonable likelihood standard allows for the exercise of discretion but encompasses a 50/50 chance whereas the "more likely than not" standard requires greater than a 50% chance of prevailing.

Petitioners are encouraged to clearly set forth the best ground of unpatentability as to each challenged claims to facilitate early resolution of the issues. In instituting an IPR or PGR, the Board may take into account whether the same or substantially same prior art or arguments previously were presented to the Office. 35 U.S.C. 315(d) and 325(d). Additionally, the Board may also go forward on challenged claims that are unpatentable based on obviousness where challenge is based on anticipation.

Real Party in Interest

The Office proposed that the petitioner in one of the new administrative trial proceedings of inter partes review, post grant review, and covered business method review must identify the real party in interest. Identification of the real party in interest is necessary for a couple different reasons.

First, it enables the Board to identify potential conflicts of interests. A conflict typically would arise when an official has an investment in a company with a direct interest in an administrative trial proceeding. Such a conflict can be avoided only if the parties promptly provide information necessary to identify potential conflicts.

Second, identification of the real party in interest alerts the Board of potential statutory bars to the proceeding. For inter partes review (IPR) and post-grant review (PGR) proceedings, the petitioner (including any real party in interest or privy of the petitioner) is estopped by statute from re-litigating any ground that was raised or reasonably could have been raised in an earlier proceeding. See 35 U.S.C. 315(e)(1) and 325(e)(1). Thus, the petitioner must establish that he/she or its privy has not previously raised or had the opportunity to raise the ground in dispute in a previous IPR or PGR proceeding.

To that end, the Office proposes that the petitioner must certify at the time of filing a petition that he/she is not estopped from requesting an IPR or PGR of the patent. In turn, the Office proposes that the patent owner may file a preliminary patent owner response within two months from the docketing date of the petition setting forth reasons why no IPR or PGR should be instituted. Normally, the patent owner would not be allowed to present new testimony evidence in his/her preliminary response. However, where patent owner raises sufficient concerns regarding the petitioner's certification of standing, the patent owner may be granted additional discovery before filing the preliminary response and may submit any testimonial evidence obtained through the discovery.

Who constitutes a real party in interest or privy is a highly fact-dependent question, especially on the issue of whether a party who is not a named participant in a given proceeding nonetheless constitutes a "real party in interest" or "privy" to that proceeding. Courts and commentators agree that there is no "bright-line test" for determining the necessary quantity or degree of participation to qualify as a "real party in interest" or "privy" based on the control concept. See *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994); see also *Wright & Miller* § 44512 ("The measure of control by a nonparty that justifies preclusion cannot be defined rigidly."). Accordingly, the Office has not enumerated particular factors regarding a "control" theory of "real party in interest" or "privy" in the proposed rules. Instead, to resolve a real party in interest or privy dispute that may arise during a proceeding, the Board plans to consider each case on its specific facts.

In sum, the USPTO believes the proposed rules provide (i) petitioners the ability to establish standing; (ii) patent owners the opportunity to challenge the petitioner's standing in appropriate situations; and (iii) the Board the flexibility to consider the specific facts and relevant case law in resolving a standing dispute.

Timing to Complete an Inter Partes Review, Post Grant Review, and Covered Business Method Review

The USPTO is statutorily required to complete an inter partes review, post grant review, and covered business method review within one year from the date that the proceeding is instituted, except that the time may be extended up to six months for good cause. See, e.g., 35 U.S.C. 316(a)(11). The USPTO also is required to consider the effect of any regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete proceedings in a timely manner. 35 U.S.C. 316(b) and 326(b).

The proposed rules lay out a framework for conducting the proceedings in such a way to streamline and converge the issues for decision within the one year statutory period. Generally, the proceedings begin with the filing of a petition that identifies all of the claims challenged and the grounds and supporting evidence on a claim-by-claim basis. Within two months of notification of a filing date, the patent owner may file a preliminary response to the petition, including a simple statement that patent owner elects not to respond to the petition prior to the institution of a review. The patent owner may not present new testimony evidence in the preliminary response, and no discovery would be permitted, except in rare situations. The two-month time period balances the overall timeliness of the proceeding with the patent owner's needs to prepare a preliminary response.

Within statutory time period of three months from the date the patent owner's preliminary response was due or was filed, whichever is first, the Board will determine whether to institute the requested proceeding. See, e.g., 35 U.S.C. 314(b). The Board will enter a Scheduling Order concurrent with the decision to institute the proceeding. The Scheduling Order will set due dates for the proceeding taking into account the complexity of the proceeding but ensuring that the trial is completed within one year of institution. A representative timeline is provided below:

The representative timeline allocates four months for the patent owner to file a response to the Board's decision on the petition and motion to amend claims. This time frame balances the need to complete the proceeding in a timely manner with the patent owner's needs to prepare of a response supported by factual evidence and expert opinions. The remaining shorter time frames reflect the intended convergence of the issues. After reviewing the decision to institute and Scheduling Order, the parties would have an opportunity to request adjustments. An initial conference call will be held about one month from the date of institution to discuss the motions that the parties intend to file and to determine if any adjustment needs to be made to the Scheduling Order.

The USPTO believes that the proposed rules, consistent with the statutory mandates, would also provide cheaper and faster alternatives to patent infringement litigation.

Pro Hac Vice Admission to Practice before the Board for New Administrative Patent Trial

The Office has proposed to allow for pro hac vice representation for non-registered practitioners before the Board in any of the four new administrative trial proceedings of inter partes review, post grant review, covered business method review, and derivation. In particular, the Board may recognize counsel pro hac vice during an administrative trial proceeding upon a showing of good cause, subject to conditions that the Board may impose, such as agreeing to be bound by the Office's Code of Professional Responsibility. The Office has proposed to permit pro hac vice admission for non-registered practitioners in the new administrative trial proceedings for a few different reasons.

First, the Board currently permits pro hac vice admission in matters before it. From the Board's experience, parties have found it helpful in certain circumstances to have a counsel that is experienced in handling expert testimony, cross examination, and other aspects of discovery.

Second, where a party has selected a non-registered practitioner to represent him/her in a patent infringement action and has expended significant financial or other resources in that infringement action, the Office recognizes that the party may wish to continue using the non-registered practitioner as one of the counsels in the new administrative trial proceedings.

Lastly, the Office proposes that the grant of a motion to appear pro hac vice be a discretionary action taking into account the specifics of the proceedings. In making this determination, the Board will consider the impact of granting pro hac vice admission on a party's ability to timely complete the trial proceeding, if instituted, within the statutory twelve month window and to effectively participate in the proceeding. Similarly, the Office proposes that the revocation of pro hac vice admission be a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Rules of Professional Conduct, and incivility.

Accordingly, for these reasons, the Office believes that pro hac vice admission for non-registered patent practitioners in the new administrative trial proceedings balances the needs of clients to select their counsel against the desire for adequate safeguards for the USPTO, the profession, and the public.

Technological Invention Definition

Section 18 of the Leahy-Smith America Invents Act (AIA) provides that the Director may institute a transitional proceeding only for a patent that is a "covered business method patent." Section 18(d)(1) of the AIA specifies that a "covered business method patent" is a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions. Section 18(d)(2) of the AIA provides that the Director will issue regulations for determining whether a patent is for a technological invention.

Pursuant to § 18(d)(2) of AIA, the Office proposes that the following will be considered on a case-by-case basis to determine if a patent is for a "technological invention" solely for purposes of the transitional program for covered business method patents:

whether the claimed subject matter as a whole



(1) recites a technological feature that is novel and unobvious over the prior art;

and

(2) solves a technical problem using a technical solution.

Case-by-case means Board will consider specific facts presented with no one specific fact necessarily being dispositive. This is consistent with *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), which recognized that there is no single test for patent eligibility under 35 U.S.C. 101. Further, the two identified factors (1) and (2) are consistent with the legislative history. See statements of Rep. Smith, 157 Cong. Rec. H4497 (daily ed. June 23, 2011); Sen. Schumer, 157 Cong. Rec. S1363-64 (daily ed. Mar. 8, 2011); and Sen. Kyl, 157 Cong. Rec. S1368, S1379 (daily ed. Mar. 8, 2011).

We are looking forward to the feedback from the patent community on this provision.

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