

**Before the  
United States Patent and Trademark Office  
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**Suggestions Regarding PTAB AIA Trials**

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## I. Introduction

The companies submitting these suggestions are innovators, patent holders, and participants in the post-issuance review proceedings created by the America Invents Act (“AIA”). We appreciate this opportunity to provide suggestions to the Patent and Trademark Office (PTO) concerning the procedures used by the Patent Trial and Appeal Board (PTAB) during *Inter Partes* Review (IPR) proceedings. We share the PTO’s objective that IPR and the other AIA post-issuance review proceedings<sup>1</sup> be as effective and fair as possible in order to fulfill Congress’s mandate for the program. We provide the following input, more fully explained below:

- IPR is a critical and much-needed tool for improving patent quality for the benefit of the economy and innovation. The data on the operation of IPR demonstrates that it is operating fairly and belies any accusation that it has generated a crisis in the patent system.
- Multiple IPR petitions present no cause for further regulation. They occur in a minority of cases, but are often necessary to fully resolve the pertinent validity issues. The Board already has multiple, robust tools that allow it to deny institution of harassing petitions.
- In deciding whether or not to institute full review of a petition, the Board should continue to view issues of fact in the light most favorable to the petitioner. Deciding disputed factual issues at institution, when neither the petitioner nor the Board has had the opportunity to test and evaluate the patent owner’s declarant, is inappropriate and contrary to the goals of IPR to provide a careful review of patent validity.
- In deciding whether to dismiss grounds of a petition as redundant, the Board should consider the efficiency of the entire patent system, including concurrent litigation, in resolving all disputes. The Board should amend the Trial Guide to clarify the relevance of this concern.
- The Board should continue its practice of applying the broadest reasonable interpretation to claims during IPR.

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<sup>1</sup> For brevity, this comment often discusses procedures in the context of IPR, but many of the statements also apply to Post-Grant Review and the Covered Business Method Program.

- The Board should clarify in the Trial Guide how it will give notice of new or changed claim interpretations to the parties and allow additional argument and evidence.
- The Board should end the practice of contingent amendments by requiring that an original claim be canceled for each substitute claim and give petitioners additional time to respond to amended claims.
- The Board should issue guidance on how it will manage remands.
- The Board should provide guidance on how it will give parties a meaningful opportunity to respond when it relies on any grounds not presented by the parties.

## **II. IPR Is Working as Intended to the Benefit of the Economy and Innovation**

Congress enacted the post-issuance reviews proceedings, including IPR, in the AIA to “provide 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, pt.1, at 48 (2011). The PTO receives over half a million patent applications every year, placing a tremendous burden on its examiners and stretching the PTO’s finite resources extremely thin, sometimes resulting in the improper issuance of patents. In recognition of this, a broad range of stakeholders, including the PTO itself, the Federal Trade Commission, the National Academies of Sciences, the American Intellectual Property Law Association, and the Biotechnology Industry Organization, endorsed the creation of an efficient post-grant review system.<sup>2</sup> An important aspect of this system is that it allows the public to assist the PTO in weeding out invalid patents that are the basis of expensive litigation or otherwise significant by bringing prior art and arguments to the Office that it had previously missed and might not find on its own.

To satisfy the Congressional mandate that IPR serve as a meaningful device for the PTO to check and correct its own work, the standards and procedures implementing it must provide an effective adjudication of patentability to achieve the greatest possible beneficial “effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the

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<sup>2</sup> Jeffrey P. Kushan, *The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent and Trademark Office*, 30 *Yale Law & Policy Review* 385 (2012), available at [http://ylpr.yale.edu/sites/default/files/YLPR/kushan\\_30.pdf](http://ylpr.yale.edu/sites/default/files/YLPR/kushan_30.pdf); see also, Robert Armitage, *The Conundrum Confronting Congress: The Patent System Must be Left Untouched While Being Radically Reformed*, 5 *John Marshall Rev. Intell. Prop. L.* 268 (2006) (calling for creation of a comprehensive post-issuance patent revocation procedure), available at <http://repository.jmls.edu/ripl/vol5/iss3/1/>.

ability of the Office to timely complete proceedings.”<sup>3</sup> The rules and procedures governing IPR have largely satisfied these goals. The depth of legal and technical experience among the Administrative Patent Judges is impressive, and they have won praise from the bar for the thoroughness of their preparation in deciding cases and the careful thoughtfulness of the opinions they typically issue.<sup>4</sup> As a result, IPR proceedings have systematically improved patent quality by removing hundreds of invalid patent claims from the system that would otherwise generate uncertainty and stymie innovators. Funds that would otherwise have been spent defending suits on invalid patents in federal courts have been put to better use supporting innovation.

This point is critical to the companies submitting this comment and the industries that they represent. We have been subjected to a costly and harmful explosion in patent litigation brought by patent assertion entities (PAEs) over the past twelve years, much of it involving patents that should have never issued.<sup>5</sup> Although the amount of litigation remains at historically high and unacceptable levels,<sup>6</sup> one area of relief has been the ability to efficiently challenge invalid patents through IPR. Indeed, some PAEs attribute their recent less voracious appetite for litigation to IPR.<sup>7</sup>

We are aware that IPR has come under attack from segments of the bar that do not benefit from a procedure that efficiently eliminates invalid patents and decreases litigation costs. We have also heard the rhetoric of groups that point to potential concerns that never materialize, rather than concrete examples of problems.<sup>8</sup> These critics misuse statistics on institution and

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<sup>3</sup> 35 U.S.C. § 316(b); 35 U.S.C. § 326(b).

<sup>4</sup> Ryan Davis, Fed. Circ.'s Embrace Of PTAB To Fuel More AIA Reviews, Law360 - The Newswire for Business Lawyers (2016), available at <https://www.law360.com/articles/767549>.

<sup>5</sup> Shawn P. Miller, *Where's the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. JL & Tech., 1, 49-50 (2013), available at [http://www.vjolt.net/vol18/issue1/v18i1\\_1-Miller.pdf](http://www.vjolt.net/vol18/issue1/v18i1_1-Miller.pdf).

<sup>6</sup> NPEs continue to find and target companies never before sued by an NPE for patent infringement. The number of defendants sued by NPEs in 2016 was three times higher than in 2005. RPX, RPX Data Update: Patent Litigation Volatility Persists As Strategies Shift, RPXBlog (January 3, 2016), available at <https://www.rpxcorp.com/2017/01/03/rpx-data-update-patent-litigation-volatility-persists-as-strategies-shift/>.

<sup>7</sup> Statement of Erich Spangenberg that “The decline can be attributed to the growth in IPRs....” among other developments. Claire Bushey, Why This Lawyer is Rethinking Patent Lawsuits, Crain’s Chicago Business (June 6, 2015), available at <http://www.chicagobusiness.com/article/20150606/ISSUE01/306069991/why-this-lawyer-is-rethinking-patent-lawsuits>.

<sup>8</sup> The 34 IPR petitions filed by the Coalition for Affordable Drugs and Kyle Bass failed to achieve their stated purpose of lowering patent owner stock prices: the PTAB only invalidated claims in nine cases and upheld the patents or declined to review them in the remaining petitions. See Daniel Fisher, Hard Times

patent invalidation rates as evidence of imbalance in the system, but their vague assertions of imbalance are unfounded. Indeed, the PTAB's affirmance rate on appeal is high.<sup>9</sup>

Moreover, institution and invalidation rates provide no information on whether IPR operates in an efficient, balanced and fair manner. Because IPR was intentionally designed to discourage challenges to valid patents, the institution rate at the PTAB should be high. By design, petitioners bring only what they consider to be strong invalidity cases because if a petition is denied or a claim survives a full IPR proceeding, future reviewers such as a judge or jury may view that patent as more likely valid over the presented art. Indeed, petitioners also risk being estopped in litigation.<sup>10</sup> In addition, the high cost of preparing and filing an IPR discourages baseless challenges.

The available data provides interesting insights on the use and operation of IPR that belie any accusation that the system is in crisis. The percentage of active patents challenged is less than 2/10ths of one percent.<sup>11</sup> Patents challenged in AIA proceedings represent only about 17% of all patents in active litigations, leaving a significant portion of litigation unaffected by any

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For Patent Trolls And Challengers As Courts, Targets Fight Back, *Forbes* (March 24, 2017), <https://www.forbes.com/sites/danielfisher/2017/03/24/hard-times-for-patent-trolls-and-challengers-as-courts-targets-fight-back/#7b6eb8262e7f>; and Matthew Buitman, Hedge Fund Drug Patent Challenges In Doubt After Bass' Test, *Law360* (March 31, 2017), available at [https://www.law360.com/ip/articles/908491/hedge-fund-drug-patent-challenges-in-doubt-after-bass-test?nl\\_pk=c61ec3f8-27d4-4d62-b6dd-d53e5891daa0&utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=ip](https://www.law360.com/ip/articles/908491/hedge-fund-drug-patent-challenges-in-doubt-after-bass-test?nl_pk=c61ec3f8-27d4-4d62-b6dd-d53e5891daa0&utm_source=newsletter&utm_medium=email&utm_campaign=ip).

<sup>9</sup> As of April 1, 2017, the Federal Circuit affirmance rate for PTAB IPR decisions is 78%. David C. Seastrunk et al, Federal Circuit PTAB Appeal Statistics – April 1, 2017, *AIABlog* (April 17, 2017), available at <http://www.aiablog.com/cafc-appeals/federal-circuit-ptab-appeal-statistics-april-1-2017/>.

<sup>10</sup> 35 U.S.C. § 315(e) (2015); *Douglas Dynamics, LLC v. Meyer Products LLC*, 3-14-cv-00886 (WIWD April 18, 2017, Order) (Peterson, J).

<sup>11</sup> “[A]lthough AIA trials attract an outsize degree of attention, only about 4,000 patents have been challenged to date in the proceedings, a tiny percentage of the 2.8 million patents that are currently in force.” Ryan Davis, PTAB’s Reach Isn’t As Broad As Many Think, Chief Says, *Law360 - The Newswire for Business Lawyers* (2017), available at [https://www.law360.com/ip/articles/922820/ptab-s-reach-isn-t-as-broad-as-many-think-chief-says?nl\\_pk=0badba9e-19d3-4bde-885c-6c2682aa9a37&utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=ip](https://www.law360.com/ip/articles/922820/ptab-s-reach-isn-t-as-broad-as-many-think-chief-says?nl_pk=0badba9e-19d3-4bde-885c-6c2682aa9a37&utm_source=newsletter&utm_medium=email&utm_campaign=ip); Statista, Number of Patents in Force in the United States from 2004 to 2015, Statista (2016), available at <https://www.statista.com/statistics/256738/number-of-patents-in-force-in-the-us/>; USPTO, Patent Trial and Appeal Board Statistics, 3/31/2017, available at [https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics\\_March2017.pdf](https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf).

PTAB challenge.<sup>12</sup> In all IPR petitions terminated to date, the Board has instituted on only 47% of challenged claims and invalidated only 24%.<sup>13</sup>

It is significant that patentees win before the PTAB on validity issues more often than they do in federal court. As of March 31, 2017, the Board has rendered decisions on the merits of petitions in 2894 cases. Of those, it denied institution on the merits in 1317 cases (45%) and rendered a final written decision on the merits in 1577 cases. In only 1029 cases, or 35.5% of the time, did the Board find that all challenged claims were unpatentable.<sup>14</sup> In contrast, patentees lose on validity in federal court 42% of the time.<sup>15</sup> Far from indicating that IPRs make it too easy to invalidate patents, the statistics indicate the need for careful scrutiny of the underlying quality problems in asserted patents that give rise to successful invalidity challenges.

The large majority of AIA petitions filed involve electrical, computer, business method and mechanical technology--81% so far in fiscal year 2017. These are also the technologies most likely to be the subject of NPE litigation. NPEs were the respondents in approximately 65% of 2016 petitions.<sup>16</sup> On the other hand, only 11% of AIA petitions involve bio and pharmaceutical patents. These petitions are instituted less frequently than other technology areas, and when the Board does reach a final written decision, it finds biotech and pharma claims valid more often than it finds those claims invalid. In fact, the PTAB upholds biotech and pharma claims two and half times more often than it upholds electrical and computer claims and almost four times more often than it upholds mechanical and business method claims.<sup>17</sup>

IPR, as implemented by the PTO, is largely working as intended by Congress to improve patent quality to the benefit of the economy, innovation, and the integrity of the patent system,

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<sup>12</sup> RPX Data Update: Patent Litigation Volatility Persists as Strategies Shift, (Jan. 3, 2017), *available at* <https://www.rpxcorp.com/2017/01/03/rpx-data-update-patent-litigation-volatility-persists-as-strategies-shift/>.

<sup>13</sup> USPTO, Patent Trial and Appeal Board Statistics, 3/31/2017, *available at* [https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics\\_March2017.pdf](https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf) (showing 70060 claims challenged in IPR, 32777 claims instituted and 16688 claims invalidated).

<sup>14</sup> *Id.*

<sup>15</sup> John R. Allison et al, *Our Divided Patent System*, 82 U. of Chicago L.R. 1100, 1073-1154 (2015) (an evaluation of all court decisions made between 2009 and 2013 on patent cases filed in 2008 and 2009).

<sup>16</sup> Unified Patents, 2016 Annual Patent Dispute Report, (Jan. 1, 2017), *available at* <https://www.unifiedpatents.com/news/2016/12/28/2016-annual-patent-dispute-report>.

<sup>17</sup> For instituted biotech/pharma claims, PTAB found 36% unpatentable and 39% patentable. For instituted electrical/computer claims it found 55% unpatentable and 14% patentable. For instituted mechanical/business method claims it found 47% unpatentable and 10% patentable. USPTO, Patent Trial and Appeal Board Statistics, 3/31/2017, *available at* [https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics\\_March2017.pdf](https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf).

and it is doing so with greater efficiency than district court challenges. As the data shows, IPR is a crucial tool in addressing wasteful litigation involving invalid patents that otherwise erodes public confidence in the system. At the same time, its impact is limited to a relative handful of patents, and the PTAB has demonstrated repeatedly that it rejects spurious challenges of invalid claims.

### **III. Multiple Petitions Present no Cause for Further Regulation**

The PTO specifically requested comment on whether additional regulation of multiple petitions filed against one patent is needed. The answer is no. The majority of challenged patents (68%) have only one petition filed against them, and the large majority (88%) face only one or two petitions.<sup>18</sup> There is no data demonstrating a widespread or systemic problem with the filing of multiple petitions. As explained below, when multiple petitions do occur, petitioners are generally using IPR in an appropriate manner consistent with the goals of the program. In the circumstance for which that is not the case, the PTAB already has the necessary tools and authority not to institute the petition and has used those tools.

#### **A. Multiple Petitions Filed by the Same Petitioner**

Petitioners sometimes find it necessary to submit more than one petition when challenging the validity of a patent in IPR. Given the significant filing fees for IPR and the high legal fees associated with preparing a petition and advocating through trial, this is not a step that a petitioner takes lightly.<sup>19</sup>

The breadth and complexity of issues raised by the patentee during concurrent litigation and the fact that many issues will remain unfocused and undecided at the time the petitioner must file its IPR request to avoid the one-year time bar<sup>20</sup> means that the 14,000 word limit<sup>21</sup> is sometimes insufficient to explicate the multiple arguments that would resolve the litigation and provide the thorough information that the Board needs to accurately evaluate validity. For

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<sup>18</sup> Michelle Lee, Director, USPTO, Remarks at George Washington Law School 2017 Symposium on Intellectual Property (May 16, 2017), available at <https://www.uspto.gov/about-us/news-updates/remarks-director-michelle-k-lee-george-washington-university-school-law> (reporting that 68% of patents challenged in IPR face only one petition and 88% face one or two petitions).

<sup>19</sup> See Am. Intell. Prop. L. Ass'n, 2015 Report of the Economic Survey 38 (June 2015) (estimating costs of \$200,000 to \$350,000 per inter partes review), available at <http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf>.

<sup>20</sup> 35 U.S.C. § 315(b).

<sup>21</sup> 37 C.F.R. § 42.24.

instance, the patentee may not yet have narrowed the number of claims at issue or taken positions on claim constructions or infringement contentions, and the district court may not have rendered a decision on claim construction. The contested claims may have contested priority allegations, thus opening up different timeframes for relevant prior art. For any of these reasons, the petitioner may thus need to assert multiple grounds for invalidity based on different prior art. Allowing separate petitions that address different groups of claims, different grounds of invalidity, or different claim constructions will focus each petition so that it can provide a more fulsome explanation to the Board that facilitates its decision-making.<sup>22</sup> The Board's practice of dismissing multiple grounds in one petition as redundant without a substantive review also creates the need for petitioners to file multiple petitions to obtain review of the critical issues as it appears the Board is more willing to consider multiple grounds if filed in multiple petitions.<sup>23</sup>

Petitioners may also file a second petition when, for instance, the first petition was dismissed on procedural grounds<sup>24</sup> and the Board never reached the merits, or when a patent owner asserts additional claims in concurrent litigation beyond what it asserted when the first petition was filed. When a patentee necessitates a follow-on petition by asserting additional claims more than one year after filing the complaint, the Board should continue to allow the later petition to join a timely filed petition under 35 U.S.C. § 315(c), as it has done in the past. Refusing to do so would only encourage patentees to game the system by withholding claims in litigation until the one-year bar has run.<sup>25</sup>

The PTAB has the tools, authority and discretion to manage related petitions in an efficient and fair manner, and it has exercised that discretion vigorously. The Board has discretion to stay, consolidate, transfer or terminate multiple proceedings related to a single

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<sup>22</sup> “We are not persuaded that it would be a prudent exercise of the discretion granted by § 325(d) to truncate the ability of a petitioner to make full use of the one-year window Congress expressly provided through § 315(b).” *Silicon Lab., Inc. v. Cresta Tech. Corp.*, IPR2015-00615, Paper 9 at 25 (PTAB, Decision Granting Institution, Aug. 14, 2015) (allowing additional petitions in light of the narrow window for filing an IPR).

<sup>23</sup> See *Liberty Mutual Insurance Co. v. Progressive Casualty Insurance Co.*, CBM2012-00003, Paper 7, (PTAB, Oct. 25, 2012) (PTAB, Order on Institution, designated as a “representative order” denying institution based on redundant grounds); *Shaw Industries v. ACS*, 817 F.3d 1293 (Fed. Cir. 2016) (upholding discretion of PTAB to deny petitions on grounds of redundancy).

<sup>24</sup> See, e.g., *JP Morgan Chase v. Maxim Integrated Products, Inc.*, CBM 2014-00180, Paper 14 (PTAB, Decision Granting Institution, Feb. 20, 2015) (allowing second petition when first petition was dismissed due to time bar applied to co-petitioner).

<sup>25</sup> See *Zhongshan Broad Ocean Motor Co. v. Nidec Motor Corp.*, IPR2015-00762, Paper 16 (PTAB Oct. 5, 2015) (allowing joinder).

patent.<sup>26</sup> If an earlier petition has reached final decision, the petitioner may be estopped from raising additional arguments.<sup>27</sup> The AIA explicitly gives the Board the power to deny a petition where “the same or substantially the same prior art or arguments previously were presented to the Office.”<sup>28</sup> But the Board has also claimed that any decision to institute an IPR is discretionary under 35 U.S.C. § 314(a)<sup>29</sup> and 37 C.F.R. § 42.108(a)<sup>30</sup> and, therefore, it has the authority to deny institution.

The Board has exercised this authority of “discretionary non-institution” in many cases to refuse to institute in light of an earlier petition filed by the same petitioner, citing to the finite resources of the Board and the requirement that it issue a final decision within one year of institution.<sup>31</sup> In denying institution, the Board carefully considered whether serial IPR petitions could force patent owners to continually defend against repetitive challenges and result in harassment.<sup>32</sup> The Board has also considered whether a petitioner is using a decision denying institution as a roadmap to address deficiencies with an earlier petition and denied the subsequent

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<sup>26</sup> 35 U.S.C. § 315(d).

<sup>27</sup> 35 U.S.C. § 315(e).

<sup>28</sup> 35 U.S.C. § 325(d). *See, e.g., Praxair Distribution Inc. v. Ino Therapeutics, LLC*, IPR2016-000781, Paper 10 (PTAB, Aug. 25, 2016) (denying second petition based on estoppel and similarity of arguments in earlier petition even though different prior art was cited); *Unilever v. Procter & Gamble*, IPR2014-00506, Paper 16 (PTAB, July 7, 2014) (denying institution of follow-on petition because there was “no argument or evidence that the seven newly cited references were not known or available to it at the time of the filing of the [first petition].”).

<sup>29</sup> “The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petitions.” 35 U.S.C. § 314(a).

<sup>30</sup> “When instituting inter partes review, the Board *may* authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.” 37 C.F.R. § 42.108(a) (emphasis added).

<sup>31</sup> *See, e.g., Xactware Solutions, Inc. v. Eagle View Tech., Inc.*, IPR2017-00034, Paper 9 (PTAB April 13, 2017); *Int’l Business Machines Corp. v. ZitoVault, LLC*, IPR2016-01851, Paper 7 at 5 (PTAB March 20, 2017); *NVIDIA Corp. v. Samsung Electronics Co.*, IPR2016-00134, Paper 9 at 6-7 (PTAB May 4, 2016); *LG Electronics Inc. v. Core Wireless Licensing S.A.R.L.*, IPR2016-00986, Paper 12 at 7 (PTAB August 22, 2016); *Great West Casualty Co. v. Intellectual Ventures II LLC*, IPR2016-00453, Paper 12 at 8 (PTAB June 9, 2016); *Medtronic Xomed, Inc. v. Neurovision Medical Products, Inc.*, IPR2016-01405, Paper 12 at 7 (PTAB December 29, 2016).

<sup>32</sup> *See Butamax Advance Biofuels LLC v. Gevo, Inc.*, IPR2014-00581, Paper 8 at 13 (PTAB, Decision Denying Institution, Oct. 14, 2014) (“Allowing similar, serial challenges to the same patent, by the same petitioner, risks harassment of patent owners and frustration of Congress’s intent in enacting the Leahy-Smith America Invents Act.”); *Unilever v. Procter & Gamble*, IPR2014-00506, Paper 16 (PTAB, July 7, 2014); *Square, Inc. v. Think Computer Corp.*, CBM2015-00067, Paper 14 (PTAB, Decision Denying Institution, July 2, 2015).

petition.<sup>33</sup> While the focus should be less on timing and more on abuse and whether the petition shows a reasonable likelihood of unpatentability, the Board evaluates potential abuse by weighing five case-specific factors in making the institution determination for a follow-on petition:

- (a) whether the same petitioner previously filed a petition directed to the same claims of the same patent;
- (b) whether the petitioner knew or should have known of the prior art asserted in the later petition when it filed its earlier petition;
- (c) whether at the time of filing of the later petition, the petitioner already received the patent owner's preliminary response to the first petition or received the PTAB's decision on whether to institute review in the earlier petition;
- (d) the length of time that elapsed between when the petitioner had the patent owner's or PTAB's analysis on the earlier petition and when petitioner filed the later petition; and
- (e) whether the petitioner provides adequate explanation why the PTAB should permit another attack on the same claims of the same patent.<sup>34</sup>

When properly applied, this approach is balanced and fair to patentees and petitioners. It allows the Board to evaluate the particular facts of each case and render a decision that promotes the goals of IPR to improve patent quality, the integrity of the patent system and the efficiency of the Office. No additional regulation beyond the already existing framework is needed.

Additional regulation and bright-line rules limiting multiple petitions would risk injustice and unintended consequences by tying the Board's hands unnecessarily. From the patentee's perspective, allowing multiple petitions and instituting on multiple grounds creates a broader range of estoppel that prevents the petitioner from raising similar arguments in district court or future proceedings in the PTO.<sup>35</sup> Moreover, it would be unjust to arbitrarily bar petitioners from filing additional petitions as needed to make a complete case because they may be estopped from

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<sup>33</sup> See, e.g., *Unilever, Inc. v. The Procter & Gamble Company*, IPR2014-00506, Paper 17 at 8 (PTAB July 7, 2014).

<sup>34</sup> See, e.g., *Xactware Solutions, Inc. v. Eagle View Tech., Inc.*, IPR2017-00034, Paper 9 (PTAB April 13, 2017).

<sup>35</sup> Allowing multiple petitions in part because "Once a Final Decision issues in this proceeding, the Petitioner. . . will be estopped from "request[ing] or maintain[ing] a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review. 35 U.S.C. § 315(e)." *Oxford Nanopore Tech. Ltd. v. Univ. of Washington*, IPR2015-00057, Paper 28 at 21 (PTAB, Decision Granting Institution, April 27, 2015).

raising any other arguments in further proceedings before the Office or in district court.<sup>36</sup> It would also undermine the ability of IPR to fully resolve questions of validity and eliminate the need for further litigation, destroying the efficiency that IPR was designed to bring to the patent system.

## **B. Multiple Petitions Filed by Different Petitioners**

Patentees occasionally face multiple petitions filed by different petitioners against a single patent because that patentee has sued multiple defendants in different lawsuits. This is especially true when the patentee is an NPE conducting a litigation “campaign,” which can target up to 100 defendants.<sup>37</sup> The mean number of defendants sued on a patent challenged in IPR is three, although the number of defendants can reach an order of magnitude higher.<sup>38</sup> Thus, it is no surprise that some patentees face multiple IPR petitions by different petitioners.

The different defendants each have the right to file a petition challenging validity. Other stakeholders who have not been sued directly, such as a manufacturer seeking to protect its customers from suit, may also have a legitimate interest in whether the patent is valid and wish to exercise their right to file a petition.<sup>39</sup> A multi-party petition is often not an acceptable substitute because PTAB treats the multiple petitioners as a single party required to choose one attorney and speak with one voice before the Board.<sup>40</sup> If the potential petitioners are unable to retain the same attorney due to conflicts of interest, they must file separate petitions rather than watching

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<sup>36</sup> 35 U.S.C § 315(e) (petitioner . . . may not maintain a proceeding before the Office or assert a claim in district court on “any ground that the petitioner raised or reasonably could have raised during that inter partes review.”); *Douglas Dynamics, LLC v. Meyer Products LLC*, 14-CV-0886 (W.D. Wis. Apr. 18, 2017) (estoppel applied to “non-petitioned grounds . . . defendant chose not to present”); *Great West Casualty Co. v. Intellectual Ventures II LLC*, IPR2016-01534, Paper 13 (Feb. 15, 2017) (“[A] petitioner makes an affirmative choice to avail itself of Inter Partes Review only on certain grounds. That choice, however, comes with consequences, most prominently, that grounds petitioner elects not to raise in its petition for Inter Partes Review may be subject to the consequences of Section 315(e)(1).”)

<sup>37</sup> RPX Data Update: Patent Litigation Volatility Persists As Strategies Shift, RPX Blog (January 3, 2017), available at <http://www.rpxcorp.com/2017/01/03/rpx-data-update-patent-litigation-volatility-persists-as-strategies-shift/> (The four most prolific NPEs of 2016 filed cases against more than 100 defendants; the top NPE filed against 414 defendants).

<sup>38</sup> Saurabh Vishnubhakat, Arti K. Rai, and Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 66 (2016), available at <http://scholarship.law.berkeley.edu/btlj/vol31/iss1/4>.

<sup>39</sup> Dennis Crouch, *Again with the Redundancy: Although MPHJ’s claim might be obvious, HP can’t pursue that argument*, Patently O, April 5, 2016, available at <https://patentlyo.com/patent/2016/04/redundancy-although-argument.html> (copier manufacturer challenging validity of patent asserted by NPE who had sued users of scanning/email function).

<sup>40</sup> *Agilysys, Inc. v. Ameranth, Inc.*, CBM2014-00016, Paper 11 (PTAB Feb. 11, 2014).

the IPR unfold from the sideline while hoping for the best. Petitioners and patent owners can and often do settle their differences during an IPR, dismissing the case. In that situation, another defendant or stakeholder may be prevented by the one-year time bar from bringing its own IPR challenge if it had not already filed its own petition. Importantly, the multiple petitions filed in this scenario often challenge the same claims on the same grounds as the original petition and, therefore, present no additional burden for the patentee or the Board.<sup>41</sup>

Multiple petitions filed by different petitioners must be allowed and should not be arbitrarily curtailed through regulation. Doing so would prevent IPR from providing a robust mechanism for improving patent quality and unfairly force petitioners into litigation on invalid patents that IPR would otherwise remove from the system. In addition, the PTAB should continue its practice of reviewing motions to join a petition previously filed by another under 35 U.S.C § 315(c) on a case-by-case basis. Joinder can be an efficient mechanism for petitioners to protect their interests in having the Board evaluate validity should the original petitioner settle. And the Board's practice of evaluating each case allows it to exercise its discretion by weighing the efficiency of the proceedings, the importance of patent quality to the integrity of the patent system and potential prejudice to the patentee. Current regulation under 37 C.F.R. § 42.122 prohibiting a motion for joinder that is filed more than one month after institution of the original petition protects against delay of the proceedings and prejudice to the patentee. No further bright lines are needed.

It has long been the case that successfully withstanding a validity challenge in court from one defendant does not protect the patentee from a similar challenge by another defendant.<sup>42</sup> In district court proceedings, each defendant is entitled to put forward its own defense, including challenging the validity of the patent. The Board should not seek to make changes that would take away a party's right to contest the validity of a patent through IPR merely because of poor strategy or execution by an unrelated party that preceded it with a petition on the same patent.

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<sup>41</sup> Saurabh Vishnubhakat, Arti K. Rai, and Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 46-48 (2016), available at <http://scholarship.law.berkeley.edu/btlj/vol31/iss1/4> (describing IPR in which multiple defendants filed nearly identical petitions, which the Board joined together, but a subsequent petition went forward after the lead petitioner settled).

<sup>42</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971).

#### **IV. Decisions to Institute**

##### **A. The Board Should View Issues of Fact in the Light Most Favorable to Petitioner at Institution**

In 2016, the Office amended its regulations to allow a patent owner to submit testimonial evidence with its preliminary response to a petition to institute.<sup>43</sup> But the Office added the caveat, and current regulations require, that in rendering a decision on institution, the Board must take into account a patent owner's preliminary response and testimonial evidence, but it will view any issues of material fact created by that testimonial evidence in the light most favorable to the petitioner.<sup>44</sup> This is the only feasible and fair approach that the Board could apply in the institution phase, and the current regulation should not be altered.

The compressed time frame for reaching an institution decision does not generally allow for cross-examination of a declarant or for a petitioner to file a reply brief as a matter of right.<sup>45</sup> Without cross-examination or a reply, the Board cannot have the full vetting of the issues it would need to resolve factual disputes in a short time frame. Moreover, because denial of institution is a final, non-appealable decision, deciding disputed factual issues when neither the petitioner nor the Board has had the opportunity to test and evaluate patent owner's declarant is inappropriate and contrary to the goals of IPR to provide a careful review of patent validity. On the other hand, if the Board does decide to institute, the patent owner will have another opportunity to submit evidence during the trial, and the petitioner can conduct discovery and cross-examination, and the Board will have a fuller record upon which to make a determination.

##### **B. In Dismissing Grounds of the Petition as Redundant, the Board Should Consider the Efficiency of the Entire Patent System in Resolving all Disputes**

PTO regulations allow the Board to institute an IPR proceeding on some patentability grounds, but deny institution on another subset of the grounds raised in the petition.<sup>46</sup> For instance, the Board might allow an obviousness challenge to go forward on some but not all of the prior art references discussed, or it might institute an assertion that the patent is anticipated but not allow an assertion of obviousness without making any substantive determination

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<sup>43</sup> 37 C.F.R. § 42.107; 81 Fed. Reg. 18750, 18756 (Apr. 1, 2016).

<sup>44</sup> 37 C.F.R. § 42.108(c).

<sup>45</sup> 81 Fed. Reg. 18750, 18755-57 (Apr. 1, 2016).

<sup>46</sup> 37 C.F.R. § 42.108.

concerning the dismissed grounds.<sup>47</sup> The Federal Circuit has held that it has no ability to review this practice, but has noted its concerns.<sup>48</sup>

The Board presumably dismisses grounds as redundant in order to streamline the IPR procedure, focus the Board's decision making and lessen the burden on patentees. While these are worthwhile goals, they are not the only goals, or even the primary goals, that should animate the Board's decision on this topic. The efficiency of the operation of the entire system for resolving patent validity disputes should also be part of the calculus for the Board in deciding on which grounds to institute.<sup>49</sup> One way that the Board can do this is to weigh the additional burden that the Board would face were it to institute on multiple grounds against the potential that the instituted IPR may not resolve key patentability issues that would then need to be resolved in district court litigation.<sup>50</sup>

For instance, the Board should avoid the scenario in which it institutes based on a subset of prior art references in the petition and later upholds the patent because the instituted references lacked an element that a non-instituted reference discloses. In such a case, the additional burden of bringing the non-instituted art into the IPR trial proceeding would have been small compared to the burden and delay faced by both parties and the judiciary, which must then resolve patentability issues including the non-instituted art. In another example, the closely related issues of anticipation under Section 102 and obviousness under Section 103 present a similar calculation. If the Board decides to institute on the grounds that a patent is anticipated, the additional burden to the Board of also instituting on Section 103 grounds is likely to be small compared to the burden on the entire system should one element be found to be missing from the

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<sup>47</sup> *Shaw Industries v. ACS*, 817 F.3d 1293, 1298-99 (Fed. Cir. 2016) (discussing that PTAB denied institution of grounds based on reference that petitioner claimed disclosed missing elements); Dennis Crouch, *Again with the Redundancy: Although MPHJ's claim might be obvious, HP can't pursue that argument*, Patently O, April 5, 2016, available at <https://patentlyo.com/patent/2016/04/redundancy-although-argument.html> (discussing PTAB dismissal of obviousness grounds as redundant).

<sup>48</sup> "We cannot say we agree with the PTO's handling of Shaw's petition." *Shaw Industries*, 817 F.3d at 1299 (upholding discretion of PTAB to deny some grounds as redundant); *see also, id.* at 1303-05 (Renya, J., *concurring*) (describing concerns with redundancy practice).

<sup>49</sup> *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1324 (Fed. Cir. 2016) (J. Newman, dissenting) (allowing the Board to pick and choose which grounds it will adjudicate creates an "absence of finality that negates the AIA's purpose of providing an alternative and efficient forum for resolving patent validity issues.").

<sup>50</sup> The Federal Circuit has held that a petitioner would not be estopped under 35 U.S.C. § 315(e) from raising grounds in district court that the Board dismissed as redundant. *Shaw Industries*, 817 F.3d at 1299-1300.

allegedly anticipatory prior art such that an obviousness argument would have been a better fit for the facts. While the Board may believe that the Section 103 grounds is redundant of the Section 102 grounds at the time of institution, further development of the record and additional consideration of claim construction during the trial may change that view, making the most efficient course to institute on both grounds.

Amending the Trial Guide or the pertinent regulations to clarify that the Board will weigh the burden of hearing additional grounds against the efficiency of dispute resolution in litigation would be a significant step toward alleviating some of the concerns and criticisms of the Board's practice of rejecting grounds as redundant and serve "the integrity of the patent system."<sup>51</sup>

## V. Claim Construction

### A. The Board Should Continue its Practice of Applying the Broadest Reasonable Interpretation to Claims During IPR

The Office has strenuously defended its practice of applying the broadest reasonable interpretation to claims challenged in IPR, CBM and PGR on multiple occasions, including during rule making<sup>52</sup> and before the Supreme Court.<sup>53</sup> We strongly support that decision and urge the Office to remain consistent in this regard. The Office has provided well-reasoned explanations for this course of action, and many of the companies joining this comment have provided arguments in support of the BRI standard in prior comments to the agency<sup>54</sup> and before the Supreme Court.<sup>55</sup> Rather than expand on all of the well-documented arguments in support of BRI here, including the need for consistency with different Office proceedings, the importance

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<sup>51</sup> 35 U.S.C. § 316(b).

<sup>52</sup> 81 Fed. Reg. 18750, 18751-54 (Apr. 1, 2016); Trial Practice Guide, 77 Fed. Reg. 48756, 48764 (Aug. 14, 2012).

<sup>53</sup> Brief of Michelle K. Lee as respondent, *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131, 579 U.S. \_\_\_, 195 L. Ed. 2d 423 (2016) (No. 15-446), available at [http://www.scotusblog.com/wp-content/uploads/2015/12/15-446\\_cuozzo.pdf](http://www.scotusblog.com/wp-content/uploads/2015/12/15-446_cuozzo.pdf).

<sup>54</sup> Cisco et al, *In the matter of Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board*, Docket No. PTO-P-2014-0031 (Oct. 17, 2014), available at [https://www.uspto.gov/sites/default/files/ip/boards/bpai/cisco\\_et\\_al\\_20141016.pdf](https://www.uspto.gov/sites/default/files/ip/boards/bpai/cisco_et_al_20141016.pdf); The Internet Association, *Re: Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board*, 79 Fed. Reg. 36474 (Oct 17, 2014), available at [https://www.uspto.gov/sites/default/files/ip/boards/bpai/the\\_internet\\_association\\_20141016.pdf](https://www.uspto.gov/sites/default/files/ip/boards/bpai/the_internet_association_20141016.pdf).

<sup>55</sup> Brief of Dell et al on On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131, 579 U.S. \_\_\_, 195 L. Ed. 2d 423 (2016) (No. 15-446), available at <http://www.scotusblog.com/wp-content/uploads/2016/04/15-446bsacDell-et-al.pdf>.

of BRI in promoting claim clarity and public notice, and the ability of a patentee to amend its claims during IPR/CBM/PGR,<sup>56</sup> we refer the Office to these previously submitted documents and its own prior statements. We would, however, like to respond directly to criticisms of the use of BRI on the grounds that some patents under review in AIA proceedings are also being litigated in federal district court, creating the potential for inconsistent claim interpretations.

The purpose of IPRs to improve patent quality by allowing the PTO to double check its work with the help of public input is best served by applying the broadest reasonable interpretation to maintain consistency in the Office. It is inaccurate to describe IPR as nothing more than a litigation substitute that ought to be subject to all of the same standards as litigation.<sup>57</sup>

Moreover, the concern about inconsistent claim interpretations between a *Phillips* analysis and a BRI analysis, or between district courts and the Board is exaggerated. Although it may happen, it is relatively rare and reflects more the inherent uncertainty and flexibility in claim interpretation, rather than the accusation that the Board applies some very different standard than do district courts. Claim construction according to the *Phillips*<sup>58</sup> case and claim construction as applied by the board under BRI are both governed by the same “general claim construction principles.”<sup>59</sup> Both seek to determine “the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention.”<sup>60</sup> Both look to the intrinsic evidence of the specification and the prosecution history to discern the meaning of the claims.<sup>61</sup> The Board’s interpretation must be “reasonable” in light of these principles. Demonstrating the relationship between the two standards, in several cases the Board has applied BRI in the decision to institute and a *Phillips* construction in the final decision because the claims expired

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<sup>56</sup> The Board appropriately applies a *Phillips*-type claim construction to the claims of expired patents, when no ability to amend the claims exists. 81 Fed. Reg. 18750,18752-54 (Apr. 1, 2016).

<sup>57</sup> Inter partes review “protect[s] the public’s ‘paramount interest in seeing that patent monopolies...are kept within their legitimate scope.’” *Cuozzo Speed Technologies*, 136 S. Ct. at 2144.

<sup>58</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)

<sup>59</sup> *Microsoft Corp. v. Proxycorn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015).

<sup>60</sup> *Id.* at 1313.

<sup>61</sup> *Id.* at 1314; *Microsoft*, 789 F.3d at 1298 (PTO should consult the prosecution history and specification); *Edmund Optics Inc v. Semrock Inc.*, IPR2014-00599, available at <http://ptabtrialblog.com/wp-content/uploads/2014/10/IPR2014-00599-Denying-Request-for-Rehearing-20141015.pdf>, (“The Federal Circuit admonishes us that even under the broadest reasonable interpretation, the Board’s construction cannot be divorced from the specification and the record evidence.”).

during the proceeding, but found that no changes to the construction were needed.<sup>62</sup> Current practice can also accommodate a district court claim construction ruling prior to the Board's institution or final written decisions. In many cases, the Board has considered and adopted those rulings, commenting that they are consistent with the broadest reasonable interpretation.<sup>63</sup>

The interpretation of a district court and the Board should reach different results only when those of skill in the art might reasonably disagree about the scope of the claim at issue or where the two tribunals are rendering decisions based on different records. The Supreme Court ruled in *Teva*<sup>64</sup> that claim interpretation can be conducted on different records, which could support different conclusions.<sup>65</sup> And the *Nautilus*<sup>66</sup> case stopped short of requiring claims to have one clear meaning. In light of this reality that a range of reasonable claim interpretations could emerge from the courts, it is imperative that the Board chose the broadest of those interpretations to prevent the situation in which validity is judged based on a narrower

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<sup>62</sup> See, e.g., *Square Inc v. Carl Cooper*, IPR 2014-00157, Paper 36 at 6 (PTAB, May 14, 2015) (confirmed that applying the Phillips standard did not change construction); *Cisco Systems Inc v. AIP Acquisition LLC*, IPR2014-00247, Paper 39 at 7 (PTAB, May 20, 2015) (found that preliminary construction of terms did not change when applying a rule of construction similar to that used by district courts); *Google Inc and Yahoo! Inc v. CreateAds LLC*, IPR2014-00200, Paper 42 (PTAB, Apr. 29, 2015) (“The Board interprets claims of an expired patent under principles similar to those used during a district court’s review.”); *Motorola Mobility LLC v. Intellectual Ventures I LLC*, IPR2014-00500, Paper 15 (PTAB, Sep. 9, 2015) (“We note that we would reach this conclusion under both the broadest reasonable interpretation standard and the standard applied by the district courts”). See also *Rackspace Hosting Inc v. Clouding Corp*, IPR2013-00519, Paper 22 at 6 (PTAB, Jan. 29, 2015) (applying BRI but stated that the claim interpretation would be the same under *Phillips*). Indeed, it should be no surprise that the two standards lead to identical claim interpretations because the claim construction principles articulated by the court in *Phillips* rely on the PTO’s rules regarding claim construction. See *Phillips*, 415 F.3d at 1316-17.

<sup>63</sup> See, e.g., *Veeam Software Corp. v. Symantec Corp.*, IPR2013-00150, Paper 10 at 6 (PTAB, Aug. 7, 2013) (“On the record presented, we find this reasonable and, therefore, adopt the District Court’s construction.”); *Google Inc. v. Simpleair Inc*, CBM2014-00054, Paper 19 at 11 (PTAB, May 13, 2014) (PTAB looked at the district court’s construction of nine claim terms in the co-pending litigation and determined that each was “consistent with their broadest reasonable interpretation in light of the specification.”); *Kyocera v. Softview*, IPR2013-00004, Paper 12 at 19 (PTAB, Mar. 29, 2013) (“[a]s discussed in our Decision to Institute, we construed the claim terms as the Petitioner represented they were construed by the District court in co-pending litigation. . . . [the constructions were] consistent with the broadest reasonable construction.”). See also *Vibrant Media Inc. v. GE*, IPR2013-00170, Paper 56 (PTAB, Jun. 26, 2014) (PTAB, in applying BRI, interpreted claim more narrowly than district court).

<sup>64</sup> *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S.Ct. 831, 839 (2015) (noting that “divergent claim construction stemming from divergent findings of fact . . . [may] occur”).

<sup>65</sup> See *Apple v. Virnetx*, IPR2014-00481, Paper 35 at 9-11 (PTAB, Aug. 24, 2015), (Board explained differences with claim construction in district court by the different records because patent owner had made conflicting arguments in the two venues).

<sup>66</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (the Patent Act’s “definiteness requirement . . . mandates clarity, while recognizing that absolute precision is unattainable.”).

interpretation than infringement. BRI is essential for avoiding that outcome, which would damage the integrity of the patent system.

**B. The Board Should Give Notice of New or Changed Claim Interpretations to the Parties and Allow Additional Argument and Evidence**

The Board typically interprets the challenged claims in the course of its institution decision, and the parties provide further briefing geared toward that claim construction. But the Board is not bound to adopt that claim construction in its final written decision, and additional claim construction issues may emerge during the trial phase. So that the parties can supply the Board with the most pertinent evidence and arguments, we suggest that the Board issue a statement when it interprets key claim terms not addressed by the institution decision or that it interprets differently from the institution decision as soon as possible during the trial phase, but at least one month prior to the oral hearing. The parties should be allowed to present new arguments and evidence responsive to the new claim interpretation. If the Board decides after the oral hearing to change its claim interpretation from institution or interpret additional terms not previously contested by the parties, the Board should give immediate notice to the parties and allow briefing and new evidence. Amending the Trial Guide to reflect this practice would provide helpful guidance to all parties, ensure due process, and avoid a potential remand from the Federal Circuit.

In *SAS Institute v. Complementsoft*,<sup>67</sup> the Federal Circuit explained that the Administrative Procedure Act (APA) requires that both parties in an IPR are “entitled to notice of an agency hearing [and] shall be timely informed of . . . the matters of fact and law asserted.” 5 U.S.C. § 554(b)(3). In the context of an IPR, this means that “an agency may not change theories in midstream without giving [the parties] reasonable notice of the change and the opportunity to present argument under the new theory.”<sup>68</sup> “Changing theories midstream” can involve the Board’s change of position from the institution decision on claim construction issues not contested by the parties, as in the *SAS* case. It can also involve the Board’s reliance on the interpretation of a term the parties had not identified and addressed or contested as dispositive of its patentability decision. The law requires that parties be given an opportunity to present evidence and argument in these situations, and failing to provide that opportunity can result in a

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<sup>67</sup> *SAS Institute, Inc. v. Complementsoft, LLC*, 835 F.3d 1341 (Fed. Cir. 2016).

<sup>68</sup> *Id.* at 1351 (quoting *Belden Inc. v Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015)).

remand following appeal. The efficiency of the proceeding would benefit from guidance in the Trial Guide on how the Board will provide that opportunity in a meaningful way.

## **VI. Claim Amendments During IPR: The Board Should End the Practice of “Contingent Amendments” and Give Petitioners Additional Time to Respond to Amended Claims**

Much of the current confusion and criticism by patentees of the Board’s practice regarding motions to amend during IPR come from a misuse of the term “motions to amend” as a mischaracterization of what patentees are actually requesting. As the PTO has reported, in nearly all motions to amend, patentees are not requesting to amend their claims as that term is used during prosecution: i.e., to make an amendment that eliminates the original version of the claim from consideration and to subject the amended claim to a full examination that can result in either rejection or allowance. Instead, patentees submit motions asking that “contingent amendments” be considered and allowed only if the Board decides that the original claims are not patentable but the amended claims are.<sup>69</sup> Such motions are actually “contingent motions for allowance of new, never examined claims.”

The statute states that patentees may “propose a reasonable number of *substitute* claims,”<sup>70</sup> not contingent claims. The practice of contingent amendments forces the petitioner to evaluate and provide arguments regarding both the original claims and the proposed amended claims, including searching for new prior art related to the amended claims, and it must do so within the compressed trial schedule that allows only three months. In many cases, it also forces the Board to evaluate both the original and amended claims. This process injects inefficiency and unfairness to the petitioner and burdens the Board.

37 C.F.R. § 42.121 should be amended to require that a motion to amend include a statement that cancels at least one challenged claim for every substitute claim submitted. If a patentee submits a claim amendment, the petitioner should be given extra time to respond and provide supplemental information as a matter of right under 37 C.F.R. § 42.123 to accommodate the need to perform an additional prior art search, coordinate with experts and prepare new arguments beyond the petition.

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<sup>69</sup> USPTO, Patent Trial and Appeal Board Motion to Amend Study 4/30/2016, *available at* <https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>.

<sup>70</sup> 35 U.S.C. § 316(d) (emphasis added).

As in prosecution, the amended claims would be entered as part of the record barring any procedural missteps, but they would not necessarily be allowed. If the patentee does not demonstrate they are patentable, the amended claims could be the subject of an appeal. This change would give patentees the access to claim amendments they profess to want and would be fairer to petitioners who otherwise face multiplying claims on a short time scale.

The integrity of the patent system and the public interest demands that the Office only issue claims that have been carefully examined and determined to meet all patentability criteria. During prosecution, the examiner and his ability to conduct a prior art search and a full examination based on all criteria acts as the gatekeeper. But the Board does not have the capabilities to conduct an independent search and proper examination.<sup>71</sup> Therefore, the Board has correctly placed the burden on the patent owner to demonstrate the patentability of the amended claims over the prior art of record, which includes art in the prosecution history, art in the current proceeding and art of record in any other proceeding before the Office involving the patent. The patent owner must also distinguish the amended claims 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.<sup>72</sup> The Board is also correct in rejecting amendments that seek to expand the scope of the claims and in requiring that the patentee demonstrate support in the specification for the amended claims to support the Board's consideration of whether the new claims satisfy 35 U.S.C. § 112, which is not otherwise part of an IPR proceeding.<sup>73</sup>

Placing the burden to prove that the new, never previously examined claims are invalid on the petitioner harms the integrity of the patent system because the petitioner's interest may not be aligned with the public interest in ensuring validity of the new claims. To preserve its duty to protect the public interest, the Board must place the burden on patent owner to demonstrate the validity of new claims before creating that exclusive right against the public.

## **VII. Other Issues**

### **A. The Board Should Issue Guidance on how it will Manage Remands**

As the number of appeals from Board decisions to the Court of Appeals for the Federal Circuit grows, there will continue to be cases in which the court remands the case to the Board to

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<sup>71</sup> 81 Fed. Reg. 18750, 18754 (Apr. 1, 2016).

<sup>72</sup> *MasterImage 3D, Inc. v ReadD Inc.*, IPR20015-00040, (Paper 42) Pages 1-3 (PTAB July 15, 2015).

<sup>73</sup> 37 C.F.R. § 42.121.

take further evidence and argument and issue another decision. Now that the Board has had some experience with this scenario, it would be helpful to all parties for the Board to issue guidance through the Trial Guide on how it intends to proceed. Such guidance should recognize that not every remand should be treated the same, but that both parties should be given the opportunity to provide a reaction to the Federal Circuit decision.

**B. The Board’s Reliance on Any Grounds Not Presented Requires Notice and a Chance to Respond**

The failure to comply with the APA’s requirement that parties be informed of “the matters of fact and law asserted”<sup>74</sup> and given a chance to respond that can arise when the Board changes its claim construction, as discussed above, is not limited to the claim construction issue. It can arise for any issue whenever the Board relies on evidence or grounds of patentability that either party has not had a sufficient opportunity to respond to,<sup>75</sup> or when the Board rejects evidence or arguments not contested by the parties.<sup>76</sup> To avoid “changing course midstream” and to support the efficiency of the IPR proceeding, the Board should provide meaningful guidance in the Trial Guide on how it will provide that opportunity.

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<sup>74</sup> 5 U.S.C. § 554(b)(3).

<sup>75</sup> *In re: NuVasive, Inc.*, 841 F.3d 966 (2016) (insufficient opportunity to reply to argument first raised in reply brief that Board relied upon); *Dell Inc. v. Accelaron, LLC*, 818 F3d 1293, 1298 (Fed. Cir. 2016) (insufficient opportunity to reply to argument first raised in oral argument).

<sup>76</sup> *SAS Institute*, 835 F.3d at 1347.