

*Before the*  
United States Patent and Trademark Office  
Alexandria, VA

*In re*

Changes to the Claim Construction Standard  
for Interpreting Claims in Trial Proceedings  
Before the Patent Trial and Appeal Board

Docket No. PTO-P-2018-0036

**COMMENTS OF  
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION**

In its Notice of Proposed Rulemaking, published in the Federal Register at 83 Fed. Reg. 21221 (May 9, 2018), the USPTO solicited comments about its proposal to change the claim construction standard applied by the Patent Trial and Appeal Board (PTAB) in some, but not all, of its proceedings, and to affirmatively require the PTAB to consider any prior district court or ITC claim constructions that are timely made of record. The Computer & Communications Industry Association (CCIA)<sup>1</sup> submits the following comments.

**I. Summary of CCIA’s Positions**

During the debate over the America Invents Act (AIA) which gave rise to the proceedings that are the subject of this NPRM, Senator Leahy, one of the chief architects of the act, stated that the existence of “[t]oo many dubious patents also unjustly cast[s] doubt on truly high quality patents.”<sup>2</sup> The AIA post-grant procedures represent one of the ways in which the AIA attempted to solve this problem, providing an efficient mechanism to eliminate the dubious patents so that the truly high quality patents can shine without that shadow. Application of the broadest reasonable interpretation standard serves this goal, ensuring that dubious patents are eliminated while high quality patents are not.

Absent a decision by the Court of Appeals for the Federal Circuit regarding the proper construction of a claim, the broadest reasonable interpretation (BRI) remains the correct standard to apply in most PTAB proceedings. Application of the *Phillips* claim construction standard is not justified by historical evidence, particularly given the significant changes to PTAB proceedings triggered by the recent *Aqua Products* and *SAS* decisions, and would not improve the consistency or reliability of the patent right. Further, with the Director’s review of post-grant

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<sup>1</sup> CCIA is an international nonprofit membership organization representing companies in the computer, Internet, information technology, and telecommunications industries. Together, CCIA’s members employ nearly half a million workers and generate approximately a quarter of a trillion dollars in annual revenue. CCIA promotes open markets, open systems, open networks, and full, fair, and open competition in the computer, telecommunications, and Internet industries. A complete list of CCIA members is available at <http://www.ccianet.org/members>.

<sup>2</sup> Statement of Senator Patrick Leahy, 157 Congressional Record S1362 (Mar. 8, 2011).

procedures including potential changes to amendments,<sup>3</sup> a change to a claim construction standard that is rooted in the availability of amendments is untimely. The proposed rule would also create new procedural concerns unaddressed by the NPRM, and the NPRM also contains certain inaccuracies with respect to its summary recitation of the standard. Finally, employing the *Phillips* standard in AIA trials runs counter to the intent of Congress. Accordingly, and as further elaborated in these comments, CCIA opposes the proposed change to the claim construction standard.

In the event that the USPTO chooses to adopt the *Phillips* standard in AIA trials, despite the evidence against changing the claim construction standard, for the reasons set forth below, CCIA suggests the following additional changes be made in concert with the change to claim construction:

- reject retroactive application of the *Phillips* standard;
- amend the AIA trial schedule to ensure the simultaneous exchange of claim constructions;
- bar application of the *Phillips* standard in AIA trials where the patent owner has proposed amendments to the claims; and
- reject the doctrine of construing claims to preserve validity with respect to AIA trials.

While CCIA opposes changing the claim construction standard, we support amending the rules to affirmatively require the PTAB to consider prior claim constructions in district courts or the ITC. Constructions by district courts or the ITC would continue not to bind the PTAB; they would still represent persuasive evidence with regard to the appropriate scope of the broadest reasonable interpretation, providing both a lower bound and a guidepost for what that broadest reasonable interpretation must contain.

## II. The *Phillips* Standard Would Not Increase Consistency

CCIA appreciates the Patent Office's efforts to engage patent system stakeholders in discussing these changes. CCIA members are some of the most frequent participants in all aspects of the patent system, representing two of the five most frequent patent recipients over the past three years,<sup>4</sup> as well as three of the five largest holders of active patents.<sup>5</sup> CCIA members are also active participants in post-grant review procedures both as petitioners and patent

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<sup>3</sup> See Director Iancu's Remarks at the American Enterprise Institute (June 21, 2018), available at <https://www.uspto.gov/about-us/news-updates/remarks-director-andrei-iancu-american-enterprise-institute> ("We are also looking at improving the amendment process in IPR proceedings.")

<sup>4</sup> See IPO recipient data, available at <http://www.ipo.org/wp-content/uploads/2016/06/2015-Top-300-Patent-Owners.pdf>; [http://www.ipo.org/wp-content/uploads/2017/05/2016\\_Top-300-Patent-Owners.pdf](http://www.ipo.org/wp-content/uploads/2017/05/2016_Top-300-Patent-Owners.pdf); [http://www.ipo.org/wp-content/uploads/2018/06/2017\\_Top-300-Patent-Owners.pdf](http://www.ipo.org/wp-content/uploads/2018/06/2017_Top-300-Patent-Owners.pdf).

<sup>5</sup> See Joff Wild, *Samsung owns the biggest US patent portfolio, beating IBM into second place, new research reveals*, IAM (Mar. 29, 2018), available at <http://www.iam-media.com/blog/detail.aspx?g=6b3925fc-1e8a-4298-8dbc-512f9f360641>.

owners.<sup>6</sup> And CCIA members are patent litigation plaintiffs, as well as among the most frequent targets of patent litigation, representing three of the top ten most frequent defendants in 2017.<sup>7</sup>

These experiences provide CCIA with a broad perspective on the needs of all participants in the patent system. CCIA's perspectives include those of patent holders as well as parties to patent litigation. Our perspective also includes that of members of the public at large who wish to create new technology without fear of a patent being applied in a way that was never intended to cover technology the inventor never created.

Reviewing historical evidence and the likely impacts of this procedure at the PTAB and elsewhere, there is no reason to believe that adoption of a *Phillips* standard for AIA trials would actually increase consistency or reliability in the patent system as a whole. In fact, adopting the *Phillips* standard appears likely to negatively impact consistency within the PTAB without any significant positive impact in consistency with district court decisions.

#### A. *No Evidence Exists That Would Justify This Change*

The NPRM states that “[t]he Office is using over five years of historical data and user experiences to further shape and improve PTAB trial proceedings, particularly IPR, PGR, and CBM proceedings.”<sup>8</sup> However, the publicly available historical data does not support any need for this change, and—to the extent it does—the utility of that historical data is questionable in light of recent court cases and changes to USPTO procedure. In addition, the historical data to which the NPRM refers does not appear to have been identified or disclosed publicly,

At the outset, the recent *SAS*<sup>9</sup> and *Aqua Products*<sup>10</sup> decisions place the historical data into significant question. The *SAS* decision and the PTAB's implementation of that decision<sup>11</sup> require that all petitioned claims and all petitioned grounds are instituted or not instituted as a group. The impacts of this change on petitioner and patent owner behavior are not yet determined. More importantly, the impact of this change on the courts is also undetermined. For example, courts may become more willing to stay litigation given the knowledge that the PTAB will render judgment on all of the challenged claims of the patent and will create a broader estoppel against invalidity challenges. An increase in the likelihood of stay will result in fewer opportunities for inconsistency.

*Aqua Products* also suggests that changes in behavior are likely to reduce or remove the justifications provided for change. The broadest reasonable interpretation has always been tied to the ability to amend.<sup>12</sup> While amendments are relatively uncommon at the PTAB, this is generally believed to be due to intervening rights and the loss of past damages after amendment,

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<sup>6</sup> See, e.g., IPR2015-01863 (NVIDIA as patent owner); IPR2016-01314 (Intel as petitioner alongside Qualcomm and GlobalFoundries); IPR2017-01979 (Samsung as patent owner).

<sup>7</sup> See Lex Machina's Fifth Annual Patent Litigation Year in Review Report Quantifies the Impact of the Landmark TC Heartland v. Kraft Supreme Court Case, available at <https://lexmachina.com/media/press/lex-machinas-fifth-annual-patent-litigation-year-review-report-quantifies-impact-landmark-tc-heartland-v-kraft-supreme-court-case/>

<sup>8</sup> NPRM at 21222.

<sup>9</sup> See *SAS v. Iancu*, 138 S. Ct. 1348 (2018).

<sup>10</sup> See *Aqua Products v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017).

<sup>11</sup> See Guidance on Motions to Amend in view of *Aqua Products* (Nov. 21, 2017), available at [https://www.uspto.gov/sites/default/files/documents/guidance\\_on\\_motions\\_to\\_amend\\_11\\_2017.pdf](https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf).

<sup>12</sup> See, e.g., *in re Yamamoto*, 740 F. 2d 1569, 1572 (Fed. Cir. 1984) (tying the ability to amend claims in reexamination proceedings to the use of the broadest reasonable interpretation standard).

not to any inability to amend.<sup>13</sup> Until the impact of the *Aqua Products* decision on amendments is fully understood, changes to the amendment procedure and to the claim construction standard historically derived from the ability to amend are untimely and based on evidence that pertains to what is effectively a different procedure.

Even if district court behavior and patent owner amendment behavior remain the same, that behavior does not give rise to any significant amount of inconsistency between the PTAB and the courts. While the NPRM states that “the high percentage of overlap between AIA trial proceedings and district court litigation favors” use of the *Phillips* standard, the actual evidence is that despite this high percentage of overlap, there is essentially no inconsistency between the PTAB and district courts.

CCIA conducted a full review of AIA trials.<sup>14</sup> At the time of review, more than 4,000 patents had been subject to an AIA trial, of which more than 3,000 were also involved in lawsuits. CCIA reviewed every case in which the PTAB invalidated at least one claim of a patent and a district court, reviewing the same patent, reached at least one judgment upholding the invalid claim. We identified a total of 43 patents where both the PTAB and the district court had reviewed at least one of the same claims under the same statutory basis of invalidity and had differed on the outcome with respect to at least one claim. And of those 43 patents, only 12 patents clearly had the same art under review at the district court and the PTAB. In only 1 case, out of more than 3,000 patents, has the Federal Circuit overturned the PTAB’s merits determination. In other words, out of all the AIA trials conducted by the PTAB, there appears to be a single patent where the Federal Circuit agreed that there was an inconsistency that resulted in an improper invalidation by the PTAB.<sup>15</sup>

The risk of inconsistency alleged to justify the change to a *Phillips* standard is essentially absent from the actual historical record, and recent changes in law render inconsistency even less likely to occur.

*B. The Phillips Standard Would Not Reduce The Risk Of Inconsistency Between The PTO And District Courts*

Adopting *Phillips* instead of BRI would not reduce the risk of inconsistency between the PTAB and district courts. Even between district courts, the *Phillips* construction is known to produce inconsistent results. For example, when multiple courts were faced with three terms to construe in a single patent, “[o]f the [seven] district courts that have considered those terms, no

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<sup>13</sup> See, e.g., McKeown, *Amendment Efforts at PTAB Trend Downward*, LexisNexis Newsroom (Dec. 2014), available at <https://www.lexisnexis.com/legalnewsroom/intellectual-property/b/patent-law-blog/archive/2014/12/16/amendment-efforts-at-ptab-trend-downward.aspx> (noting that “historically, patentees would rarely amend claims at the USPTO that were asserted in a co-pending litigation” due to intervening rights and tying the lack of use of amendments in IPR to those intervening rights).

<sup>14</sup> The results of our review were submitted in a letter for the record to the House Judiciary Committee, available at <http://www.ccianet.org/wp-content/uploads/2017/12/Subcommittee-Letter-Re-Malone-Data.pdf>. Subsequent to that letter, certain cases have been decided on appeal and the relevant coding has been updated. The underlying coding is available at <http://www.ccianet.org/wp-content/uploads/2018/07/Appendix-A-Analysis-of-AIA-Trial-Conflicts-With-District-Courts.xlsx>, and is also attached as Appendix A.

<sup>15</sup> Of those 12 patents, the Federal Circuit upheld the PTAB in the appeal of 3 and vacated 2 decisions on procedural grounds. 6 remain on appeal to the Federal Circuit. The final decision appears to represent the single instance in which the Federal Circuit, faced with a conflict between the district court and the PTAB on the same claims and same art, determined that the PTAB was incorrect on the merits.

two have construed all three terms the same way.”<sup>16</sup> Given the inability of district courts to apply the *Phillips* standard consistently with one another, there is no reason to believe that the PTAB and district courts would be consistent with one another when both apply *Phillips*.

This inconsistency is not because any one of those district courts was unreasonable, or because the PTAB is incapable of applying *Phillips*. Rather, it is because the *Phillips* standard is sometimes susceptible to multiple reasonable interpretations, resulting in multiple possible constructions—particularly when the evidence of record may differ between forums. In fact, faced with two different records regarding the same patent, two Federal Circuit panels reached different constructions of the same claim term.<sup>17</sup>

The broadest reasonable interpretation is the construction which incorporates all reasonable *Phillips* constructions. This ensures that, no matter what construction is applied by a court adjudicating infringement, the Patent Office considered the relevant prior art when determining the validity of that patent. Absent the use of the broadest reasonable interpretation when determining validity of the patent at the Patent Office, there is a risk that a court later reviewing that patent would violate the Supreme Court’s stricture that “the courts have no right to enlarge a patent beyond the scope of its claim as allowed by the Patent Office.”<sup>18</sup>

Further, employing *Phillips* construction at the PTAB would also increase the risk of a district court adopting a different construction<sup>19</sup> that would create the exact type of inconsistency that the broadest reasonable interpretation standard prevents—of a patent being treated as a “nose of wax” with one construction avoiding prior art for the purpose of validity, while another construction incorporates that same subject matter for purposes of infringement.<sup>20</sup>

Finally, the ultimate arbiter of any disparities in construction is the Federal Circuit. Federal Circuit review already resolves any risk of inconsistency in practice between *Phillips* and BRI.<sup>21</sup> The evidence suggests that a shift to a *Phillips* standard would render the PTAB’s decisions less likely to be upheld on appeal, not more likely. In a summary of Federal Circuit reviews of district court decisions during the 2014-2015 term, the Federal Circuit completely reversed the *Phillips* constructions in 31% of the reviewed terms and partially reversed the construction in an additional 19%,<sup>22</sup> while the PTAB enjoyed a higher success rate at the Federal

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<sup>16</sup> *American Piledriving Equipment v. Geoquip, Inc.*, 637 F.3d 1324, 1327 (Fed. Cir. 2011).

<sup>17</sup> See *CVI/Beta Ventures, Inc. v. Tura Lp*, 112 F.3d 1146, n.7 (Fed. Cir. 1997).

<sup>18</sup> *Keystone Bridge Co. v. Phoenix Iron Co.*, 95 U.S. 274, 278 (1877).

<sup>19</sup> While *B & B Hardware* suggests that a *Phillips* standard at the PTAB might result in PTAB claim constructions binding district courts in some circumstances (and vice versa), the ordinary requirements of issue preclusion, including the opportunity to litigate the issue, would still apply. See *B & B Hardware v. Hargis Industries*, 135 S. Ct. 1293, 1299 (2015). As a result, even if *B & B Hardware* is applied in the patent context, both the PTAB and district courts might remain free to adopt different *Phillips* constructions in many circumstances. Thus, issue preclusion does not prevent the risk of inconsistency.

<sup>20</sup> *White v. Dunbar*, 119 U.S. 47, 51-52 (1886).

<sup>21</sup> To the extent that the concern is with a single party being inconsistent in the positions they take in the two distinct venues, judges in the district courts and the PTAB have sufficient discretion to ensure that parties do not take inappropriately inconsistent positions between the two venues.

<sup>22</sup> See Gibson, Dunn & Crutcher LLP, *Federal Circuit Year in Review: 2014/2015*, at 9, <https://www.gibsondunn.com/wp-content/uploads/documents/publications/Federal-Circuit-2015-2016-Year-in-Review.pdf>.

Circuit.<sup>23</sup> A shift to *Phillips* interpretations at the PTAB would not eliminate the risk of inconsistencies between the PTAB and district courts, nor would it meaningfully change Federal Circuit review of such determinations which would continue to be based on disparate records.

C. *The Phillips Standard Would Create New Inconsistencies Within The PTAB*

Finally, the *Phillips* standard would create additional risks of inconsistency and administrative difficulties within the PTAB. The PTAB is tasked not only with AIA post-grant reviews, but also with *ex parte* reexaminations and appeals from normal examination. *Ex parte* reexaminations (EPXs) and ordinary examination would continue to be conducted under a BRI standard. This creates the risk of inconsistency within the PTAB as well as potentially reducing the administrative efficiency of the PTAB.

At present, because the PTAB conducts both AIA reviews and appeals of EPXs under the same standard, there is no risk of inconsistency of result. However, if EPXs are conducted under a different standard from AIA reviews, there is a new risk—that the PTAB, faced with the same evidence and the same patent, will reach two different results, holding a patent valid during IPR and invalid during EPX. Similarly, a child application might be examined with identical claims and held invalid on appeal from ordinary examination to the PTAB, while the same PTAB would hold the claims valid in IPR.

In order to achieve the hypothetical benefit of consistency between district courts and the PTAB, a benefit which does not appear achievable based on the historical evidence as described above, the PTAB creates a new risk, a risk recognized by the Supreme Court in *Cuozzo*, where the Court stated that the AIA “gives the Patent Office the power to consolidate [] other proceedings with inter partes review” and notes that, if BRI were not applied in IPR, creating “uniformity of standards would consequently prove difficult.”<sup>24</sup>

Beyond the risk of inconsistency within the PTAB, a *Phillips* rule would also reduced the Patent Office’s administrative efficiency. In particular, the PTAB frequently stays *ex parte* reexaminations during the pendency of *inter partes* reviews in order to promote administrative efficiency. This is particularly justifiable as each applies the same standard of review and the same claim construction standard. This justification disappears if the Patent Office is applying a different claim construction standard in *ex parte* reexaminations compared to *inter partes* review. The Patent Office would no longer be able to rely on the IPR disposing of the issues to be reviewed in the EPX and would be forced to conduct both, either in parallel or in serial, resulting in a new unintended risk of inconsistency and/or a longer delay before confirmation of validity or invalidity. Petitioners would be incentivized to file parallel proceedings as a result, increasing the burden on the USPTO and deadweight losses incurred by petitioners and patent owners alike.

It is hard to characterize the patent system as more predictable or reliable when the same PTAB judge, faced with the same patent and the same record, could reach different results depending on whether he had been assigned to appeals of *ex parte* reexaminations or to *inter partes* review, or when a patent owner can obtain broader claims via *inter partes* review than via reissue proceedings.

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<sup>23</sup> See Bell et al., *Lessons Learned from Appeals of PTAB Decisions* (April 2017), available at <https://www.finnegan.com/en/insights/lessons-learned-from-appeals-of-ptab-decisions.html>.

<sup>24</sup> *Cuozzo Speed Technologies v. Lee*, 136 S.Ct. 2131, 2146 (2016).

Based on the foregoing, a shift to *Phillips* interpretation of claims in AIA trials does not appear to be a response to historical evidence, nor does there appear to be any evidence that would suggest it would improve consistency or efficiency at the PTO, and the proposal should be rejected as a result.

### III. The *Phillips* Standard Would Create New Procedural Issues

In addition to the lack of any evidence supporting the need to shift to a *Phillips* standard for claim construction and the new concerns regarding consistency likely to arise in the wake of such a shift, there are also new procedural issues that must be addressed in the event of such a shift, such as whether the change would be applied retroactively. CCIA opposes applying any new claim construction standard or procedures retroactively.

Further, to the extent that a *Phillips* claim construction standard is adopted to increase consistency with courts, the claim construction procedure utilized should also reflect the procedure used within courts, in particular by adopting a procedure for simultaneous exchange of proposed constructions. Adopting the *Phillips* standard without also adopting the procedures employed by district courts in implementing that standard is likely to produce inconsistencies with those courts, not promote consistency within the patent system. While CCIA opposes the adoption of a new claim construction standard at the PTAB, if a new standard is to be implemented, CCIA supports consideration of procedures that would allow simultaneous exchange of claim constructions, such as allowing petitioners to delay submission of claim construction until the patent owner preliminary response.

Finally, as district courts do not allow amendments, amendments should not be allowed while a case is governed by the *Phillips* standard in order to ensure consistency with district courts. In cases where the patent owner wishes to amend their claims, the broadest reasonable interpretation standard should be used, in order to ensure consistency with other situations in which claims can be amended.

#### A. *Retroactivity*

Application of the *Phillips* standard retroactively to cases already filed and in progress would be inappropriate. Such an approach would unfairly prejudice petitioners who have already filed petitions under the assumption that the broadest reasonable interpretation would be applied to the claims, as well as patent owners who have made statements in those proceedings that rely on the claims being construed under the broadest reasonable interpretation. Finally, retroactive application would place a significant cost on the PTAB without any predicted gain in consistency, as described above.

In some cases currently in progress, the Board may have already reached a construction. In others, they have not. In either case, the parties have applied the broadest reasonable interpretation standard in their papers. Petitioners have selected prior art calculated to provide the best showing of invalidity under that standard. Patent owners have provided evidence intended to provide the best argument for validity of their patent, such as evidence of secondary considerations with a nexus to the claim limitations as construed. Both parties would be bound by the positions they've taken which address a claim construction standard different than that which would be applied if the proposed rule is adopted and applied to pending IPRs.

Providing an opportunity to propose new constructions and provide new prior art would not cure this defect. While many petitioners might still have chosen to file their petition knowing that the *Phillips* standard would be applied, others might have chosen not to pay for the creation of the petition and the filing of that petition with the Office, an outlay of resources estimated at around \$100,000 on average.<sup>25</sup>

Finally, retroactive application is generally disfavored in law. The Supreme Court has held that—absent an express statutory grant of the power to make retroactive rules—agencies lack the power to engage in retroactive rulemaking.<sup>26</sup> No such grant of authority is present in 35 U.S.C. § 316 or anywhere else within the AIA.

### *B. Simultaneity of Exchange of Proposed Constructions*

Non-simultaneous exchange of constructions creates an additional risk of substantive inconsistency with district courts, as well as a clear case of procedural inconsistency.

Currently at the PTAB, petitioners provide their construction first, then patent owners provide an alternative construction in response. However, in courts the parties typically simultaneously exchange proposed constructions.<sup>27</sup> A survey of local patent rules across a variety of jurisdictions shows that only one district, the District of Maryland, has non-simultaneous exchange, and in Maryland the party seeking to prove invalidity provides their constructions later than the patent owner, the exact opposite situation to that currently found in the PTAB.<sup>28</sup> Courts without local patent rules frequently adopt the established local patent rules of other jurisdictions, such as the Northern District of California; as a result, simultaneous exchange of proposed constructions occurs in the vast majority of cases across the United States.

Simultaneous exchange pushes the parties to take particular approaches to construction and creates a particular record on which the district court reaches a *Phillips* construction. Non-simultaneous exchange would provide different incentives to the parties regarding proposing constructions and would likely result in a distinct record before the PTAB from that which would have been present before a district court judge. Accordingly, the disparate procedures create a risk of disparate outcomes, resulting in exactly the inconsistency the Office seeks to avoid with this NPRM. Without simultaneous exchange, the Office cannot reasonably expect the PTAB to reach the same result a district court judge would have reached, even in front of the same parties.

Further, absent simultaneous exchange of proposed constructions, patent owners can review the constructions proposed by petitioner and benefit from that knowledge in filing their patent owner response and their own proposed constructions. Petitioners, however, being bound

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<sup>25</sup> See AIPLA, *2017 Report of the Economic Survey*; cf. Malathi Nayak, *Cost of Patent Infringement Litigation Falling Sharply*, BloombergBNA (Aug. 10, 2017), available at <https://www.bna.com/cost-patent-infringement-n73014463011/> (summarizing 2017 AIPLA report).

<sup>26</sup> See *Bowen v. Georgetown Univ. Hospital*, 488 U.S. 204, 208 (1988); see also *Bowen* at 224 (Scalia, J., concurring) (“Where quasi-legislative action is required, an agency cannot act with retroactive effect without some special congressional authorization”).

<sup>27</sup> See, e.g., N.D. Cal. Local Patent Rule 4.2, available at <https://www.cand.uscourts.gov/localrules/patent#CCProc>; E.D. Tex. Local Patent Rule 4.2, available at <http://www.txed.uscourts.gov/?q=patent-rules>; N.D. Ill. Local Patent Rule 4.1, available at <http://www.ilnd.uscourts.gov/LocalRules.aspx>; D. Del. Chief Judge Stark’s Patent Scheduling Order at 9, available at <http://www.ded.uscourts.gov/sites/default/files/Chambers/LPS/PatentProcs/LPS-PatentSchedOrder-Non-ANDA.pdf>.

<sup>28</sup> See Travis Jensen, *Local Patent Rules Summary Chart* (last updated August 2017), available at <http://www.localpatentrules.com/wp-content/uploads/2017/08/Chart%20Claim%20Construction.pdf>.



by the evidence originally submitted with the petition, have no such ability to address the patent owner's proposed constructions and generally have no ability to know what those constructions might be such that they could be addressed within the original petition. This situation places the parties in disparate positions from one another with respect to their ability to effectively address the issue of claim construction.

In order to implement simultaneous exchange and avoid these issues, the timing of the pre-institution phase could be modified slightly. The Patent Owner Preliminary Response (POPR) is currently due 3 months after filing of the petition. Changing the POPR deadline to 2 months after filing of the petition would allow an exchange of proposed terms for construction 10 days after the POPR was filed. Proposed constructions could then be exchanged on the date 3 months after the filing of the petition.<sup>29</sup> This structure would not reduce the time available for the PTAB to work on the institution decision and would promote consistency with district courts and fairness within the AIA trial process.

### C. *Elimination of Amendments*

In the event that the broadest reasonable interpretation is not employed in a given AIA trial, amendments must also be unavailable. Currently, all claims are examined by the USPTO under the broadest reasonable interpretation of the claim language at least once. As a result, it is currently impossible to litigate a claim in district court that has not been examined under this standard. However, if the PTAB examined new and amended claims under the *Phillips* standard, claims could potentially be allowed which had never been examined under the broadest reasonable interpretation standard. This would then create the possibility that a claim could be examined under one *Phillips* construction, and then litigated in district court under a different *Phillips* construction, creating the risk that a district court would “enlarge a patent beyond the scope of its claim as allowed by the Patent Office.”<sup>30</sup> In addition, it is inappropriate and inconsistent for the PTO to employ a different standard when new claims are presented to the PTAB on appeal from an examiner compared to when the same new claims are presented to the PTAB in an IPR.

In order to cure these inconsistencies, if the *Phillips* standard becomes the default standard for AIA trials and the patent owner submits amended claims, the broadest reasonable interpretation should be employed in that particular AIA trial.

Such a procedure would not violate the statutory mandate to permit amendments and would not create inconsistency with district courts, as it is impossible for a district court to adjudicate the validity of a new or amended claim. To its advantage, applying the broadest reasonable interpretation in AIA trials when new or amended claims are proposed would avoid creating inconsistency within the PTAB itself and would ensure that all new claims are reviewed under the same standard. There would also be no additional burden on PTAB judges, as they

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<sup>29</sup> While petitioners have historically provided claim constructions in the petition, in district courts claim constructions are typically provided after the exchange of invalidity contentions. In all but one district which has local patent rules specifying claim construction timing, the exchange of terms is conducted after the invalidity contentions are submitted. (In Maryland, the patent owner submits their proposed terms and constructions on the same day the defendant submits invalidity contentions, with the defendant's proposed claim constructions being submitted a month later.) See Claim Construction Summary Chart, available at <http://www.localpatentrules.com/wp-content/uploads/2017/08/Chart%20Claim%20Construction.pdf>.

<sup>30</sup> See *Keystone Bridge Co. v. Phoenix Iron Co.*, 95 U.S. 274, 278 (1877); see generally *supra* Section II.B.

would already be required to be capable of operating under either the BRI or the *Phillips* standard depending on the specific history of the case, such as whether it was an appeal from an *ex parte* reexamination or an *inter partes* review.

#### **IV. Construing Claims To Preserve Validity Is Inappropriate At The PTO**

The proposed rule states that “the doctrine of construing claims to preserve their validity would apply to AIA trials.”<sup>31</sup> As the *Phillips* court noted, the Federal Circuit has “certainly not endorsed a regime in which validity analysis is a regular component of claim construction.”<sup>32</sup> This doctrine, “a doctrine of limited utility in any event,”<sup>33</sup> is not designed for application by the Patent Office, and its application would cut against the intended “second look” review that the AIA post-grant procedures are intended to provide.

The doctrine of construing claims to preserve their validity has its origin in two primary concerns: first, that courts should not destroy patent rights if it can be avoided by resolving ambiguity in favor of validity,<sup>34</sup> and second, that the courts should defer to the Patent Office, presuming it has done its job correctly.<sup>35</sup> Neither concern properly applies to the PTAB.

##### *A. Preserving Claims*

The doctrine of construing claims to preserve their validity in order to avoid the destruction of patent rights is simply not necessary at the PTAB because of a single fundamental difference between the AIA post-grant procedures and a district court litigation—the ability to amend. In fact, this question has been previously considered by the courts. In considering the question of whether the USPTO should employ the canon of construing claims to preserve validity in the course of reexamination proceedings, the Federal Circuit specifically approved of the PTO choosing not to construe claims to preserve validity because of the simple fact that amendments can be made during reexamination.<sup>36</sup>

Similarly, the PTAB can allow amendments, an opportunity “not available in an infringement action in district court.”<sup>37</sup> As a result, and unlike a district court, there is simply no reason for the PTAB to interpret claims to preserve validity.

Instead, where a claim could conceivably be altered to preserve validity, the more appropriate course for the PTAB to take is to specify the saving construction, allow the patentee to amend the claim to the valid construction, and thereby exclude the invalid ambiguity. This would both preserve the validity of the claim and ensure that the claim is as unambiguous as possible. The amended claim would both “uphold . . . the right of the inventor” and also provide a patent that is “precise enough to afford clear notice of what is claimed, thereby appris[ing] the public of what is still open to them.”<sup>38</sup>

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<sup>31</sup> NPRM at 21223.

<sup>32</sup> *Phillips* at 1327.

<sup>33</sup> *Phillips* at 1328.

<sup>34</sup> See, e.g., *Turrill v. Michigan Southern & Northern Indiana Railroad*, 68 U.S. 491, 510 (1863).

<sup>35</sup> See, e.g., *Klein v. Russell*, 86 U.S. 433, 466 (1873).

<sup>36</sup> See *in re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984).

<sup>37</sup> *Id.*

<sup>38</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014).

## B. *Deference to the Patent Office*

The AIA post-grant proceedings were envisioned as providing a second look at the claims issued by the Patent Office.<sup>39</sup> In other words, they were explicitly intended to allow the Patent Office to review its own work. Deference and the assumption that the job was done correctly the first time are inappropriate in a proceeding that was created on the basis of a need to review issued claims to determine whether the Patent Office did the job correctly.

To the extent that any deference is due, it is due solely to claims and prior art that were before the examiner during the original examination and any intervening reexaminations. Deference would not be appropriate with respect to amended claims or newly created claims, or with respect to original claims reviewed in light of prior art not before the original examiner.

Given the availability of amendments in AIA post-grant proceedings, and the consistent guidance from the Federal Circuit that construing to preserve validity should be a “last resort, not a first principle,”<sup>40</sup> the doctrine of construing claims to preserve validity should not be included in the rule.

## V. **The Proposed Rule Inaccurately Summarizes The *Phillips* Standard**

The proposed rule states that claims “shall be construed using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. § 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art *and the prosecution history pertaining to the patent.*”<sup>41</sup>

This is not an accurate statement of the claim construction standard applied in such a civil action as it omits reference to interpreting the claims in light of the specification. The Federal Circuit makes clear that “the specification ‘is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.’”<sup>42</sup> While the text of the NPRM describing the intended rule includes reference to the specification, the text of the proposed rule itself does not. Omission of reference to this critically important portion of the *Phillips* claim construction standard renders the proposed rule an inaccurate statement of the key elements of that standard.

If the USPTO adopts a *Phillips* standard, the rule set forth should state that the claims shall be construed “using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. § 282(b)” without any further statement. Stating the rule in these terms would ensure that the USPTO follows the claim construction standards as applied by the courts even as that standard evolves. Alternatively, an explicit reference to the specification could be incorporated into the text of the rule.

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<sup>39</sup> See *Cuozzo Speed Technologies v. Lee*, 136 S. Ct. 2131, 2144 (2016).

<sup>40</sup> *MBO Labs., Inc. v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1332 (Fed. Cir. 2007).

<sup>41</sup> NPRM at 21226 (emphasis added).

<sup>42</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005) (citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)).

## VI. The Proposed Rule Is Contrary To Congress’s Intent, As Expressed In The AIA

Finally, the proposed rule is contrary to Congressional intent, at least with respect to IPR. While Congress did not explicitly require the PTO to adopt a particular claim construction standard, Congress is presumed to be aware of existing law when passing legislation and Congressional failure to revise or repeal an agency’s interpretation is evidence that the interpretation is the one intended by Congress. As *inter partes* reexamination (IPX) operated under the broadest reasonable interpretation (BRI) standard, and IPR is a revision of IPX, the intent of Congress appears to have been for the PTAB to apply the BRI standard in IPRs.

### A. Congress Explicitly Understood IPR To Be A Revision Of IPX

The *inter partes* review proceeding was understood by Congress to represent a revision of *inter partes* reexamination, an existing proceeding that was conducted under the broadest reasonable interpretation of the claim terms.

For example, the House Report stated that “[t]he Act ... renames the [inter partes reexamination] proceeding ‘inter partes review.’”<sup>43</sup> Senator Grassley noted that “the bill would improve the current inter partes administrative process for challenging the validity of a patent. It would establish an adversarial inter partes review.”<sup>44</sup>

This is bolstered by Senator Kyl’s explicit statement regarding the standard he understood would be employed. In describing a section allowing the inclusion of claim construction statements in the patent file, Senator Kyl stated it would ensure the Office can detect “cases where a patent owner successfully advocated a claim scope in district court that is broader than the ‘*broadest reasonable construction*’ that he now urges in an *inter partes* review.”<sup>45</sup>

Accordingly, Congress clearly understood that the *inter partes* review procedure would be a modification of *inter partes* reexamination, and that aspects unspecified by the statute would continue to operate as they had previously. Congress appears to have understood that the broadest reasonable interpretation would be applied and to have approved of that.

### B. Amendments In AIA Trials Suggest That Congress Intended The BRI Standard

The AIA post-grant proceedings all make provision for the patent owner to amend the claims of their patent.<sup>46</sup> Amendment has long been the hallmark of proceedings in which the broadest reasonable interpretation is applied. As discussed above, the Federal Circuit has identified the availability of amendments as the defining feature justifying the application of the broadest reasonable interpretation in reexamination as well as in other areas of *inter partes* PTO procedures.<sup>47</sup> The Supreme Court later applied this principle to AIA trials, stating that “[t]his system—*broad construction with a chance to amend*—both protects the public from overly

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<sup>43</sup> H.R. Rep. No. 112-98, pt. 1, at 46–47 (2011).

<sup>44</sup> Statement of Sen. Grassley, 157 Cong. Rec. S952 (Feb. 28, 2011).

<sup>45</sup> Statement of Sen. Kyl, 157 Cong. Rec. S1375 (Mar. 8, 2011) (emphasis added).

<sup>46</sup> See 35 U.S.C. § 316(d); 35 U.S.C. § 326(d); 125 Stat. 329 (applying 35 U.S.C. § 326(d) to covered business method reviews.)

<sup>47</sup> See *supra* Section IV.A; see also *in re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984); *Bamberger v. Cheruvu*, 55 U.S.P.Q.2d 1523, 1527 (BPAI 1998); *in re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1276–77 (Fed. Cir. 2015) (providing ten cases in which the Federal Circuit has approved the application of BRI to various PTO proceedings.)

broad claims and gives the applicant a fair chance to draft a precise claim that will qualify for patent protection.”<sup>48</sup>

In contrast, in situations in which amendments are unavailable (*e.g.*, district court or reexamination of an expired patent), the *Phillips* standard has historically been applied, including by the PTAB. This further emphasizes that the settled background against which Congress legislated was that proceedings where amendments are available would be conducted under the broadest reasonable construction, while proceedings in which amendments are not available would be conducted under the *Phillips* standard. To the extent that the PTO intends to alter amendment procedures within AIA trials, this warrants postponing any action on this rule until such time as amendments and the relevant claim construction standard can be considered jointly.

The Congressional inclusion of amendments, against a backdrop of law in which the availability of amendments has always been paired with the use of the broadest reasonable interpretation, is persuasive evidence that Congress intended the PTO to continue to operate as it always has in circumstances in which amendments are available.<sup>49</sup>

### C. *Explicit Statutory Authorization To Consolidate With Proceedings That Employ BRI Suggests That Congress Intended The BRI Standard*

The AIA also included explicit statutory authorization to consolidate co-pending matters at the Office involving the same patent with an AIA trial.<sup>50</sup> Those other proceedings, like all proceedings at the Patent Office, are conducted under the broadest reasonable interpretation standard. Consolidating two proceedings with contrary standards, as the Supreme Court noted, “would consequently prove difficult.”<sup>51</sup>

The explicit Congressional authorization to consolidate AIA trials with other proceedings at the Office, all of which operated under a BRI standard at the time the AIA was passed and continue to so operate, is further evidence that Congress intended AIA trials to be operated under the BRI standard.

In light of the above evidence, it is clear that Congress was aware of the PTO’s use of the broadest reasonable interpretation standard in post-issuance proceedings. It is also clear that Congress did not revise or repeal the use of that standard. Accordingly, the only rational conclusion that can be drawn is that Congress intended the PTO to continue to employ the standard it has employed for over 100 years—the broadest reasonable interpretation of the claim language.

## VII. Conclusion

In conclusion, CCIA submits that there is no evidence justifying the proposed rule and that the rule would be likely to create new inconsistencies, contrary to the stated impetus for the rule. In addition, CCIA submits that the proposed rule would create new procedural issues

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<sup>48</sup> *Cuozzo Speed Technologies v. Lee*, 136 S. Ct. 2131, 2145 (2016) (emphasis added). While the *Cuozzo* decision post-dates the AIA, the Supreme Court referred to the general system which has been employed by the PTO for over 100 years.

<sup>49</sup> See *NLRB v. Bell Aerospace Co.*, 416 U.S. 26, 275 (1974) (“failure to revise or repeal the agency’s interpretation is persuasive evidence that the interpretation is the one intended by Congress.”)

<sup>50</sup> See 35 U.S.C. § 315(d); 35 U.S.C. § 325(d).

<sup>51</sup> *Cuozzo Speed*, 136 S. Ct. at 2146; see also *supra* at Section II.C.

which are not addressed by this rule. CCIA also submits that the application of the doctrine of construing claims to preserve validity is inappropriate for use in AIA trials. Finally, CCIA submits that the proposed rule is contrary to the Congressional intent of the statute, as expressed explicitly in the legislative history and certain statutory provisions, and as expressed implicitly by the background against which Congress legislated.

Respectfully submitted,

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