July 9, 2018

Patent Trial and Appeal Board
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Re: Docket No. PTO-P-2018-0036: Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board

Submitted electronically

Dear Sir/Madam:

Biocom is the largest, most experienced leader and advocate for California's life science sector, which includes biotechnology, pharmaceutical, medical device, genomics and diagnostics companies of all sizes, as well as research universities and institutes, clinical research organizations, investors and service providers. With more than 1,000 members dedicated to improving health and quality of life, Biocom drives public policy initiatives to positively influence the state's life science community in the research, development, and delivery of innovative products.

California is home to some the nation's most prolific inventors, with 28 percent of American patents originated in California[1], and to a vibrant life science community which generates $317 billion annually[2]. In our mission of providing feedback and communication between regulators and industry, we are writing in response to the U.S. Patent and Trademark Office's (USPTO) request for comments on the proposed rule entitled "Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board" (the "proposed rule").

Biocom commends the agency on its efforts to provide greater predictability and certainty in the patent system and <u>strongly supports</u> using the same construction standard as in Federal Circuit Courts and International Trade Commission (ITC) ("Phillips standard") for patent claims in inter partes review (IPR), post-grant review (PGR), and covered business method patents (CBM) proceedings before the Patent Trial and Appeal Board (PTAB), rather than the current standard of broadest reasonable interpretation (BRI).

[1] 2015 USPTO Data
[2] 2017 Biocom California Economic Impact Report

Currently, patent holders must defend their patents in a broad claim construction standard for adjudicating validity in the PTAB, and a narrower claim construction standard when assessing infringement in district court. The BRI standard considers the broadest reasonable construction in light of the specification, which at times allows the court to read the patent coverage more broadly than intended upon conception. In contrast, the Phillips standard considers a claim from the standpoint of a person of ordinary skill in the art, in light of the specification and prosecution history of the patents.

Because the Phillips standard relies on discovering the actual meaning of the claim, instead of its most expansive meaning, patented claims interpreted under the Phillips standard are less likely to give broader coverage than justified. Therefore, the Phillips standard makes claim construction more predictable and is more appropriate for adjudicating patent validity at the PTAB than the BRI standard. Today, 80 percent of patents challenged at the PTAB under the current BRI standard are declared invalid, as opposed to 40 percent in federal courts under the Phillips standard[3].

In addition, the application of BRI and Phillips standards in different forums unfairly advantages patent challengers by allowing them to argue for a broad scope before the PTAB and a narrower scope in district court; effectively shifting arguments, retrying cases from different angles, and augmenting probabilities to undermine patents. Unsurprisingly, 86.8 percent of patents at issue with the America Invents Act (AIA) trial proceedings also have been subject to litigation in the federal courts[4], an outcome inconsistent with the intent for implementing AIA trial proceedings.

The differentiation of claim construction standards based on venue encourages challengers to litigate against the same patent holders in both venues, wasting both patent holders' and courts' dollars. Harmonizing standards will discourage duplicative challenges across forums, therefore reducing inefficiency in the patent system by allowing courts to make more immediate decisions on patent claims and alleviating their schedules. Harmonization will also eliminate the change in claim construction standard that can occur when a patent expires which while on appeal.

Furthermore, a uniform claim construction standard will promote a more business-friendly environment for those considering filing future patents. The current lack of consistency in claim standards makes investing in innovative ideas less attractive because of the lack of stability and predictability in the patent system, which eventually hurts inventors.

On the other hand, predictability diminishes risk aversion and encourages entrepreneurs to invest in new technologies. Therefore, a predictable patent process will create a higher level of confidence with innovators, which will make them more likely to bring their patentable inventions to market.

Thank you again for the opportunity to provide these comments. **We respectfully request that the USPTO adopt the Phillips standard for interpreting claims before the PTAB and look forward to a continued dialogue with the Office on ways to improve our patent system**. Please note that Biocom abstains from commenting on whether the proposed rule's changes should be applied to all AIA proceedings currently pending before the PTAB or only future filed AIA proceedings. In view of discrepancies among our membership on this specific matter, Biocom's abstinence on this issue should not be construed as a position of support or opposition.

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[3] Paul J. Korniczky & Elias P. Soupos, *Considerations for Using Post-Grant Proceedings to Attack Patent Validity*

[4] Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*

If you have any questions about these comments, please contact Laure Fabrega, Biocom's Director of Federal Policy and Government Affairs at lfabrega@biocom.org.

Sincerely,

Joe Panetta
President and CEO
Biocom