



July 6, 2018

The Honorable Andrei Iancu  
Undersecretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

**Re: Innovation Alliance Comments in Response to 83 FR 21221 - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, Federal Register Volume 83, Issue 90 (May 9, 2018), Docket No. PTO-P-2018-0036**

Dear Director Iancu:

The Innovation Alliance appreciates the opportunity to submit comments on the proposal of the U.S. Patent and Trademark Office (“Office”) to change the claim construction standard used for interpreting claims in *inter partes* review (“IPR”), post-grant review (“PGR”), and the transitional program for covered business method patents (“CBM”) proceedings before the Patent Trial and Appeal Board (“PTAB”).

The Innovation Alliance is a coalition of research and development-based technology companies representing innovators, patent owners, and stakeholders from a diverse range of industries that believe in the critical importance of maintaining a strong patent system that supports innovative enterprises of all sizes. The Innovation Alliance is committed to strengthening the U.S. Patent system to promote innovation, economic growth, and job creation, and we support legislation and policies that help to achieve those goals.

We strongly support the Office’s proposed rule change, under which the PTAB would use in IPR, PGR, and CBM proceedings the same *Phillips* claim construction standard that federal district courts and the U.S. International Trade Commission (“ITC”) apply when adjudicating patent validity. We also support the Office’s proposal that the PTAB shall consider any relevant prior claim construction determination from a civil action or ITC proceeding, if timely made of record. As explained below, we believe that these proposals will promote predictability, uniformity, fairness, and efficiency in the patent system.

**1. Use of the Phillips standard in construing unexpired and proposed claims in PTAB trial proceedings will promote predictability and uniformity in the patent system.**

As a threshold matter, we note that the Office’s proposed rule change is squarely within its discretionary authority. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016) (“Cuozzo and its supporting amici offer various policy arguments in favor of the ordinary meaning standard. The Patent Office is legally free to accept or reject such policy arguments on the basis of its own reasoned analysis. . . . [W]e do not decide whether there is a better alternative as a policy matter. That is a question that Congress left to the particular expertise of the Patent Office.”).

In its notice of proposed rulemaking, the Office observes that use of the *Phillips* standard in PTAB trial proceedings could lead to greater uniformity and predictability of the patent grant. We agree, and believe that this factor strongly weighs in favor of the rule change.

Reliability and predictability are essential to an effective patent system. When a patent system fosters confidence in the reliability of patents, inventors are encouraged to bring their innovations to market and invest in new technologies. By contrast, lack of predictability and uncertainty over patent rights makes it risky to develop and invest in new technology, thereby deterring innovation.

Recently, an increase in uncertainty and unpredictability have created a challenging environment for patent holders and inventors. Lack of clarity in patentability standards, along with procedural defects in post-grant challenges, have led to a high patent invalidation rate in post-grant proceedings, and have led the Office and federal courts to issue conflicting rulings on validity.

Contributing to this climate of uncertainty has been the PTAB’s use of the Broadest Reasonable Interpretation (“BRI”) standard for construing claims when assessing patent validity in its trial proceedings. Use of the BRI standard—instead of the *Phillips* standard used by federal district courts and the ITC—has created the anomalous situation in which the same patent claim can mean different things depending on the forum in which validity is adjudicated. *See, e.g., PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 743 (Fed. Cir. 2016) (“Thus, while the [PTAB’s] construction is not the correct construction under *Phillips*, it is the broadest reasonable interpretation of ‘continuity member,’ and because this is an IPR, under our binding precedent, we must uphold the Board’s construction of ‘continuity member’ and ‘electrical continuity member.’”); *Seagate Tech. (US) Holdings, Inc. v. Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13–14, 2015 WL 5170256, at \*9 (P.T.A.B. 2015) (PTAB decision disregarding claim construction of federal court and reaching different claim construction because federal court’s construction was not the “broadest reasonable interpretation”); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20–21, 2015 WL 3920037, at \*12 (P.T.A.B. 2015) (same); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6–13, 2014 WL 5320530, at \*4–8 (same) (P.T.A.B. 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. 2014); *Pragmatus AV, LLC v. Yahoo! Inc.*, No. C-13-1176 EMC, 2014 WL 1922081, at \*3–7 (N.D. Cal. 2014) (federal court decision reaching different claim construction than PTAB); *THX, Ltd. v. Apple, Inc.*, No. 13-CV-01161-HSG, 2016 WL 6563340, at \*5 (N.D. Cal. 2016) (“[T]he Court is unpersuaded by the argument

that it should adopt Apple’s proposed construction because it is consistent with PTAB’s broadest reasonable construction.”); *Microwave Vision, S.A. v. ETS-Lindgren Inc.*, No. 1:14-CV-1153-SCJ, 2016 WL 5092462, at \*9 (N.D. Ga. 2016) (federal court declining to reconsider its means-plus-function construction analysis and disagreeing with PTAB’s reasoning and construction made under the BRI standard).

Under the current system, patent owners do not know if they can rely upon district court judgments upholding the validity of their patents, because of the risk that the same patent could be held unpatentable under a different standard in an IPR proceeding. But Congress did not intend IPR proceedings to endow patent infringers with a second shot at invalidating a patent after failing on their challenge in the district court; instead, IPR proceedings were intended as an *alternative* to district court litigation. See H.R. Rep. No. 112-98 (2011), at 48, 2011 U.S.C.C.A.N. 67, 78 (Committee Report stating that PTAB post-grant petitions were “not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent” and that such would “frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.”).

Moreover, there is no sound reason that the standard for interpreting claims should vary from one forum to the next, as it has long been recognized that sound patent policy depends on consistency in the interpretation of patent claims. The U.S. Supreme Court recognized over two decades ago that “the importance of uniformity in the treatment of a given patent [w]as an independent reason to allocate all issues of [claim] construction to the court” rather than the jury. See *Markman v. Westview Instruments*, 517 U.S. 370, 390 (1996). Adoption of the *Phillips* standard in PTAB trial proceedings would advance this important goal of uniformity and remove the cloud of uncertainty over patent owners’ rights by ensuring that patents are treated consistently in different forums.

For the same reasons, the Innovation Alliance supports the PTAB’s proposal to apply the *Phillips* standard to claims that have been proposed as part of a motion to amend. As the Office’s notice of proposed rulemaking observes, “having the same claim construction standard for both the original patent claims and proposed claims would reduce the potential for inconsistency in the interpretation of the same or similar claim terms,” and therefore also promotes uniformity.

***2. Adoption of the Phillips standard in PTAB trial proceedings will promote fairness and help restore balance between the rights of patent holders and patent challengers.***

The Innovation Alliance also believes that adoption of the *Phillips* standard in PTAB trial proceedings would address a more general concern about unfairness. The PTAB’s current practice of using the BRI standard creates an unbalanced system in which patent holders must defend their patent rights in two alternative adjudicative forums using two different and potentially conflicting claim construction standards, which creates an uneven playing field that arbitrarily favors patent challengers to the detriment of patent holders.

Under the BRI standard, a patent claim is more likely to be construed expansively, and therefore to read on prior art—meaning that it is more likely to result in the patent being invalidated as



anticipated or obvious. *See, e.g., Cuozzo*, 136 S. Ct. at 2145 (noting that the BRI standard increases the possibility that a patent claim will be impermissibly broad). Because the PTAB currently uses the BRI standard in adjudicating validity, patent challengers get the benefit of a broader construction, and thus enjoy an increased likelihood of invalidating the patent before the PTAB under its preponderance of evidence standard of proof.

At the same time, because infringement must be proven in federal district court or at the ITC, patent infringers simultaneously benefit from the narrower *Phillips* claim construction standard when it comes to infringement. The result is the best of both worlds for patent challengers, and the worst of both worlds for patent holders: a broad claim construction standard for adjudicating validity, and a narrow claim construction standard for assessing infringement.

This scheme is at odds with the long-accepted principle that validity and infringement should be decided based on the *same* claim construction. *See SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). Harmonizing the claim construction standard used by the PTAB with the standard used by the federal district courts and ITC will avoid this unfairness, and also help reduce gamesmanship by patent challengers in post-grant proceedings. Currently, the absence of a uniform claim construction standard permits patent infringers to aggressively argue inconsistent positions on claim scope in different forums with impunity—a broad scope before the PTAB, and a narrow scope in district court. With a uniform application of the *Phillips* standard, patent challengers will have less flexibility to advance inconsistent arguments about claim scope, and will instead be required to choose a single claim construction that best captures the true meaning of the patent claim, because they will not be able to justify different constructions as being the mere result of different claim construction standards.

Finally, harmonizing the claim construction standard would reduce incentives for patent infringers to mount costly duplicative validity challenges. As noted above, *inter partes* review was intended to provide a less expensive and quicker *alternative* to federal litigation, not to increase the time and expense associated with resolving patent disputes, or to arm patent infringers with multiple means of attacking the validity of the same patent. *See* H.R. Rep. No. 112-98 (2011), at 48, 2011 U.S.C.C.A.N. 67, 78. But under the current scheme, patent infringers already litigating the validity of a patent in federal district court are encouraged to lodge duplicative validity challenges before the PTAB, recognizing that the PTAB's broader claim construction standard offers a better chance of invalidating the patent, and thus a strategic reason to mount a duplicative challenge.

### ***3. Adoption of the Phillips standard in PTAB trial proceedings will promote efficiency.***

Efficiency considerations also favor adoption of the *Phillips* standard in PTAB trial proceedings. With the PTAB and district courts applying the same claim construction standard, there will be a stronger basis for judges in one forum to rely on claim constructions rulings from the other, avoiding unnecessary duplication of work. Adoption of the *Phillips* standard in PTAB post-grant proceedings will also allow the PTAB to draw on the well-developed body of *Phillips*-related case law from the Federal Circuit and district courts when rendering claim constructions, thereby further improving judicial efficiency.

A single claim construction standard will also help conserve resources of the parties. With a single standard, parties will need to devote resources to developing only a single set of claim construction arguments. By contrast, parties who are currently engaged in parallel district court and PTAB litigation must consider whether the different claim construction standards warrant different constructions, and also often require parties to develop different claim construction arguments to account for the different standards.

The Office has proposed that the PTAB shall consider any relevant prior claim construction determination from a civil action or ITC proceeding, if timely made of record. We support this proposal. We believe that the PTAB should treat such constructions in the same way that a federal district court would treat a prior claim construction from another district court, *i.e.*, as having persuasive value, unless that construction were binding under principles of issue preclusion.

**4. *The Phillips standard is the best and most comprehensive method for discerning the meaning of the claims.***

The Innovation Alliance also believes that the *Phillips* standard should be adopted because it is the most comprehensive way to determine the proper meaning of a patent claim in post-grant proceedings. The *Phillips* approach “seek[s] out the *correct* construction—the construction that most accurately delineates the scope of the claimed invention” from the standpoint of a person of ordinary skill in the art, in light of the specification and prosecution history of the patent. *PPC Broadband, Inc. v. Corning Optical Comm’ns. RF, LLC*, 815 F.3d 734, 740 (Fed. Cir. 2016) (emphasis added). By contrast, under the BRI standard, “it is not necessary that a claim be given its *correct* construction under the framework” laid out in *Phillips*—only the broadest construction that is reasonable in light of the specification. *Google LLC v. Network-1 Techs. Inc.*, No. 2016-2509, 2018 WL 1468370, at \*5 (Fed. Cir. 2018). The PTAB should adopt the construction that best captures the meaning of the claim to a person of ordinary skill—not merely a reasonable one.

Use of the BRI standard in post-grant proceedings has been justified on the ground that it is used in patent examination, and is needed to “reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified.” *In re Prater*, 415 F.2d 1393, 1404–05 (C.C.P.A. 1969). But PTAB trial proceedings are more akin to adjudications than they are to examinations. *See, e.g., SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018) (noting that IPRs are a “procedure allow[ing] private parties to challenge previously issued patent claims in an adversarial process before the patent office that mimics civil litigation”). And unlike in examinations, claims cannot be as freely amended in these proceedings. Historically, there has been no right to amend claims in PTAB post-grant trial proceedings, and motions for leave to amend in these proceedings have rarely been granted. *See* PTAB Motion to Amend Study, Update through September 30, 2017, <https://www.uspto.gov/sites/default/files/documents/PTAB%20MTA%20Study%20%203%2020update%20through%2020170930.pdf>, at 2, 6 (USPTO report that as of September 30, 2017, the PTAB had denied 92% of the motions to amend with substitute claims that it had actually decided). Therefore, unlike in examination, patent holders cannot readily narrow their claims through amendments to respond to invalidity determinations that are based on unduly broad constructions.

Moreover, even if the grant rate for motions to amend in post-grant PTAB proceedings were higher—and the Innovation Alliance believes that it should be significantly higher—the BRI standard would still be unnecessary. Because the *Phillips* standard is directed to discerning the meaning of the claims as understood by a person of ordinary skill in the art, application of *Phillips* should *not* result in the claims subsequently “being giving broader coverage than is justified.” *In re Prater*, 415 F.2d at 1404–1405.

**5. *The proposed rule changes should apply to all pending cases.***

The Office has stated that it intends that any changes adopted in a final rule would apply to all pending post-grant proceedings before the PTAB, and has requested input from the public on how the proposed changes should be implemented if adopted.

The Innovation Alliance supports making the rule changes effective to all pending PTAB trial proceedings, *i.e.*, to all proceedings over which the PTAB still has jurisdiction. The meaning of claim terms should not vary based on when a petition is filed, which could be the case if the rule changes applied only to petitions filed after adoption of a final rule change. Nor should patent challengers be given potential incentives to file petitions before adoption of the final rule in the hope that they can gain a tactical advantage by getting the benefit of the broader BRI standard before the rule change becomes effective.

For matters pending at the time of the rule change, the parties should have an opportunity to address how the rule change bears on their case. We propose that parties who have filed a petition or responsive paper (including a preliminary response or opposition) prior to the final rule change should have the opportunity to file, within ten days of the final rule change, a supplemental brief (1) addressing how, if at all, the change in claim construction standard affects the interpretation of the terms at issue, and identifying any new evidence supporting new constructions of the disputed terms; (2) explaining how any changes in construction of the claim terms bear on the validity arguments presented in the petition; (3) identifying any prior district court or ITC claim constructions of the claim terms at issue; and (4) if applicable, addressing whether expert depositions should be reopened, and if so, why.

This supplemental briefing should be limited to addressing the effect of the claim construction standard on the pending case, not to allow a party to redo its petition, and petitioners should not have the right to assert new references or theories of invalidity not presented in the original petition. If a party has *not* previously submitted a petition or responsive paper in the pending matter, we believe that party should present any and all claim construction arguments and evidence in future filings, without the need for supplemental briefing.

Case schedules could be adjusted to accommodate supplemental briefing as appropriate. After the PTAB has considered such briefing, the PTAB has the discretion to dismiss the petition if the new claim construction means that the petition cannot meet the standard for institution. Otherwise, the PTAB shall resolve the petition in a final written decision using claim constructions based on the *Phillips* standard.



The Office may also wish to consider requiring the parties in all pending cases to meet-and-confer about whether adoption of the *Phillips* standard does not alter the meaning of the particular terms at issue in a given case. That may further reduce the need for supplemental briefing.

Other than supplemental briefing and a possible meet-and-confer requirement in pending cases, we do not believe that other procedural changes are warranted at this time. For future cases in which a petition has not yet been filed, the parties should present their claim construction arguments according to the current procedures for presenting claim constructions. Under these procedures, petitioners and patent owners can advocate claim constructions in the petition and patent owner's preliminary response, respectively. Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763-48,764 (Aug. 14, 2012). If the PTAB institutes a trial, the parties may again address claim construction issues in the patent owner's opposition and the petitioner's reply, and at oral hearing. *Id.* at 48,766, 48,768.

At this time, we do not believe that additional procedures, such as a *Markman*-type hearing, are necessary, because the PTAB already has experience applying *Phillips* to expired patent claims, and it is already common practice for parties to provide intrinsic and extrinsic evidence to support constructions under the BRI standard. But we would advocate revisiting these procedures after the PTAB has gained more experience applying the *Phillips* standard to all claims in post-grant proceedings to assess whether there is a need to modify procedures to account for the change to the *Phillips* standard for unexpired and proposed claims.

\* \* \*

We appreciate the Office's consideration of the comments above. We believe that the Office's proposed rule change is an important step towards restoring predictability, uniformity, and balance in the patent system. Additional important measures that should be adopted by Congress or the Office in the near term include harmonizing the burden of proof so that all validity challenges are assessed under a clear and convincing evidence standard; facilitating amendments in post-grant proceedings; and curbing the abusive practice of challengers filing multiple, successive petitions against the same patent.

Sincerely,



Brian Pomper  
Executive Director

Cc: Vice Chief Administrative Patent Judge Michael Tierney  
Vice Chief Administrative Patent Judge Jacqueline Wright Bonilla