

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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

No. PTO-P-2018-0036
83 Fed. Reg. 21221

**COMMENTS OF THE R STREET INSTITUTE
IN OPPOSITION TO THE PROPOSED RULEMAKING**

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**COMMENTS OF THE R STREET INSTITUTE
IN OPPOSITION TO THE PROPOSED RULEMAKING**

The R Street Institute respectfully submits the following comments in response to the Notice of Proposed Rulemaking dated May 9, 2018. R Street is a nonprofit, nonpartisan, public policy research organization whose mission is to engage in policy research and outreach to promote free markets and limited, effective government.

Broadly, this comment makes three recommendations in response to the Notice.

1. The Office should not proceed with its proposed rulemaking to change the claim construction standard used in post-grant proceedings before the Patent Trial and Appeal Board. This is because changing the standard will:

- Undermine the public interest in clarity of patents;
- Create bad incentives toward ambiguity for patent applicants and holders;
- Raise novel legal questions for post-grant procedure, such as the relevance of infringing products and the applicability of collateral estoppel;
- Decrease certainty and predictability of claim construction outcomes;
- Encourage hasty claim construction practice in district courts in efforts to preempt the Board; and
- Open up the troubling possibility that a patent could be infringed by its own prior art, as a result of inconsistent claim constructions between the Board and district courts.

2. Should the Office still wish to change the claim construction standard, this comment offers an alternative way of doing so that is superior to the Office's proposed approach in multiple important ways. The proposed alternative is for the Board to apply the district court claim construction standard, and then to direct that the patent be amended to reflect that claim construc-

tion. Such a practice extinguishes most possibility of inconsistency with district courts, simplifies regulatory changes at the Office, and better protects the public interest in clarity of patents.

3. In any event, the Office should not proceed with a final rulemaking until it has fully assessed the legal and economic ramifications of its proposed change. Questions that must be considered include the following:

- Whether changing the claim construction standard will require increased discovery or motion practice during a proceeding;
- How much additional time will be required for Board judges to evaluate claim construction under the new standard;
- Whether attorney fees and other costs to parties will increase as a result of changing the standard, and by how much;
- Whether (and if so, how) district courts will give issue-preclusive effect to Board claim constructions, in the Office's estimation;
- Whether (and if so, how) the Board will give issue-preclusive effect to district court claim constructions; and
- Whether the Office will permit discovery relating to allegedly infringing products in order to inform claim construction, and how the Board will use that evidence.

I. Reasons for Using Broadest Reasonable Interpretation in Post-Grant Proceedings

During inter partes review and other post-grant proceedings, application of the broadest reasonable interpretation standard is conventionally justified as appropriate because claims can be amended during IPR. For this reason, there is no need to apply the *Phillips v. AWH Corp.* standard, which is meant to accommodate the lack of amendment procedure in district court. This

argument is correct and well-established in the literature,¹ so the following discussion focuses on other, less-explored reasons why BRI is the better standard to follow in post-grant proceedings before the Patent Office. In particular, adoption of the *Phillips* standard will likely increase the duration and cost of proceedings that are meant to be streamlined and cheap, discourage clarity in patent claims, and raise novel and unusual procedural questions that the Office will have to address without guidance or precedent.

A. Public Interest in Clarity of Patents

As the Supreme Court has explained, “construing a patent claim according to its broadest reasonable construction helps to protect the public.”² This is because the BRI standard incentivizes clear claim drafting, and clarity of claims is a benefit to the public.³

Patents are like contracts between inventors and the public, in which the public gives inventors temporary monopolies on their inventions, in order to encourage invention and commercialization.⁴ As with all contracts,⁵ a key element of patents is clarity: The public must know what monopoly it is granting, and what it may or may not do in view of the patent. By statute, patents must include claims “particularly pointing out and distinctly claiming the subject matter,”⁶ and the Supreme Court has interpreted that statute to require patents to be “precise enough to afford

¹See, e.g., *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2145–46 (2016); *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (quoting *In re Prater*, 415 F.2d 1393, 1404–05 (C.C.P.A. 1969)); U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2111 (9th ed. Nov. 2015); Paula Miller et al., *Are There Really Two Sides of the Claim Construction Coin? The Application of the Broadest Reasonable Interpretation at the PTAB*, 17 CHI.-KENT J. INTELL. PROP. 43, 45–46 (2018).

²*Cuozzo*, 136 S. Ct. at 2144.

³See *id.* at 2145.

⁴See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989) (“The federal patent system thus embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years.”); Megan M. La Belle, *Patent Law as Public Law*, 20 GEO. MASON L. REV. 41, 50 (2012).

⁵See, e.g., *Frigalment Importing Co. v. B.N.S. Int’l Sales Corp.*, 190 F. Supp. 116, 117 (1960) (“The issue is, what is chicken?”).

⁶35 U.S.C. § 112(b).

clear notice of what is claimed, thereby apprising the public of what is still open to them.”⁷ Absolute precision is of course unreachable in view of the imprecision of language,⁸ but it is reasonable and right for the public to expect as much precision as possible in the process of granting patents that could impose billion-dollar costs⁹ upon the public and competitive markets.

On the other hand, patent applicants “face powerful incentives to inject ambiguity into their claims,” because ambiguity makes patents more valuable.¹⁰ Ambiguity allows a patent holder to argue one interpretation before the Patent Office and another before the courts, in whatever way is most profitable.¹¹ Ambiguity also allows the patent owner to assert a patent against a wider range of individuals or firms, who may accede to a nuisance settlement rather than shelling out litigation attorney fees to resolve the patent’s ambiguity.¹² In fact, patent practitioner manuals often recommend exploiting ambiguity in drafting patents.¹³

Clarity of patents has real effects for the economy and the public. Both the Supreme Court¹⁴

⁷*Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014).

⁸See, e.g., *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002) (“This conversion of machine to words [i.e., the patent specification] allows for unintended idea gaps which cannot be satisfactorily filled.”) (quoting *Autogiro Co. of Am. v. United States*, 384 F.2d 391, 397 (Ct. Cl. 1967)).

⁹See, e.g., Nick Wingfield, *Jury Awards \$1 Billion to Apple in Samsung Patent Case*, N.Y. TIMES, Oct. 25, 2017, at A1, <https://www.nytimes.com/2012/08/25/technology/jury-reaches-decision-in-apple-samsung-patent-trial.html>.

¹⁰*Nautilus*, 134 S. Ct. at 2129; see also Michael Risch, *The Failure of Public Notice in Patent Prosecution*, 21 HARV. J.L. & TECH. 179, 180 (2007) (“Patent applicants have an incentive to keep issued patents vague because vagueness allows for ex post gaming.”).

¹¹See JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 4, 57 (2008) (describing certain patent that “was for a kiosk that produced digital audio tapes and the like in retail stores, but [the patent owners] interpreted this patent to cover a very broad swath of e-commerce”); Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 115 (2013) (ambiguity in patent claims “gives parties leeway to argue strategically for and to obtain their own preferred claim constructions”).

¹²See BESSEN & MEURER, *supra* note 11, at 147–64 (arguing that ambiguous patent claims contributed to increased patent litigation in the 1990s); *Evans v. Eaton*, 20 U.S. (7 Wheat.) 356, 434 (1822) (imprecision gives a patent holder “the means of practising upon the credulity or the fears of other persons, by pretending that his invention is more than what it really is”).

¹³See Brief for Petitioner at 31–32, *Nautilus*, 134 S. Ct. 2120 (Feb. 24, 2014) (No. 13-369) (citing manuals recommending ambiguity in claims); see also *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (noting “the highly developed art of drafting patent claims so that they disclose as little useful information as possible”).

¹⁴See *Nautilus*, 134 S. Ct. at 2129.

and the Federal Trade Commission¹⁵ have warned how misaligned incentives toward ambiguity work to the detriment of the public interest. Much of the problematic software patent assertion over the last few years has been premised on ambiguous patents that were intended to cover one technology narrowly but were written so that they seemed to cover others more broadly.¹⁶ Patents on minor, incremental innovations, such as those often seen in follow-on pharmaceutical patents, often rely on ambiguity to gain approval at the Patent Office, because carefully crafted ambiguous language can make simple or uninteresting improvements seem dramatic or complex.¹⁷ These well-known and heavily criticized practices can thus be traced back, in part, to exploitation of patent ambiguity.

Applying BRI in post-grant proceedings is thus consistent with the objective of Congress in creating the America Invents Act post-grant proceedings, namely to protect the public from patents of “dubious validity.”¹⁸ *Ex ante*, BRI in post-grant proceedings gives patent applicants incentives to draft their applications as clearly as possible, to avoid the possibility of an undesirably broad construction that could lead to patent cancellation down the road.¹⁹ And during the proceeding itself, application of BRI should encourage holders of challenged patents to move for amendments that clarify their intended constructions. As opposed to one that substantively changes a claim, an amendment that merely clarifies claim scope is likely to satisfy the current

¹⁵See FED. TRADE COMM’N, *THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION 85* (2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

¹⁶See *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1321–23 (Fed. Cir. 2011) (holder of patent directed to fax-based system drafted claims ostensibly to cover emails); James Bessen et al., *The Private and Social Costs of Patent Trolls*, REGULATION, Winter 2011–2012, at 26, 34, <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2012/5/v34n4-1.pdf> (“software patent litigation has risen dramatically” because of those patents’ often “fuzzy boundaries”).

¹⁷See Rebecca S. Eisenberg, *The Role of the FDA in Innovation Policy*, 13 MICH. TELECOMM. & TECH. L. REV. 345, 354 (2007) (describing types of follow-on pharmaceutical patents on minor improvements); *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1325–27 (2003) (construing biotechnology claims broadly despite indication that patent examiner did not read them that way).

¹⁸See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 600 (2012) (citing statements in hearings leading to the AIA).

¹⁹See, e.g., Ambar Nayate & Al Vredevel, *Drafting and Prosecution Strategies in View of the USPTO Broadest Reasonable Interpretation (BRI) Standard*, SHUMAKER & SIEFFERT PA (Mar. 27, 2018), <https://www.ssiplaw.com/news/201803/drafting-and-prosecution-strategies-view-uspto-broadest-reasonable-interpretation-bri> (advising patent practitioners to draft claims “consistently” and in “matters consistent with established terms in the art,” in view of use of BRI in inter partes review).

tests for post-grant proceeding amendment practice.²⁰

Should post-grant proceedings apply *Phillips* instead, patent owners will have diminished incentives toward clarity both at the application stage and at the post-grant challenge stage, opting instead for ambiguous claims and attorney argument. Attorney argument does not confer claim clarity upon the general public, because claim construction by the Board is likely not binding on district courts.²¹ Thus, the public interest in patent claim clarity weighs in favor of using BRI in post-grant proceedings.

B. No Need to Consider Products Accused of Infringement

Applying *Phillips* to post-grant proceedings raises a strange and puzzling question: Will the Board need to review evidence of infringing products to construe claims?

According to the Federal Circuit, claims cannot be construed under *Phillips* without at least some reference to the product accused of infringement. In *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, the Federal Circuit considered whether the district court had correctly construed patent claims relating to certain baseball bats.²² However, the court found itself unable to do so because the record lacked evidence of the infringing products.²³ The court acknowledged that claim constructions should not be intentionally drawn to include or exclude infringing products.²⁴ Nevertheless, it held that record evidence of the “context of infringement” was essential to claim construction: “[T]he legal function of giving meaning to claim terms always takes place in the context of a specific accused infringing device or process.”²⁵ Because the parties had stipulated to judgment at the district court immediately after claim construction, the record lacked “any in-

²⁰See 37 C.F.R. § 42.121(b) (requiring a showing of written description support for the amendment). Presumably, clarifying amendments that reflect the intention of the original applicant will be supported by the specification.

²¹See discussion *infra* notes 36–49 and accompanying text.

²²See *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1324 (Fed. Cir. 2006).

²³See *id.* at 1327.

²⁴*Id.* at 1326.

²⁵*Id.*

formation about the accused product.”²⁶ With “no opportunity to compare the accused products to the asserted claims,” the Federal Circuit concluded that it “lacks the complete context for accurate claim construction” and accordingly “cannot fully and confidently review the infringement judgment, including its claim construction component.”²⁷

There are good reasons to believe that *Wilson* is incorrect and that infringing products ought to have no relevance to claim construction: The judge who authored *Wilson* himself said so,²⁸ and commentators have described *Wilson* as a “koan” of patent law, referencing the paradoxical or self-contradictory riddles of Zen meditation.²⁹ Nevertheless, *Wilson* is binding and applicable Federal Circuit law that applies to claim construction under *Phillips*.³⁰ Should *Phillips* be applied in post-grant proceedings as well, the implication of *Wilson* would seem to be that proper claim construction requires the Board to consider the “context of a specific accused infringing device or process.”³¹

This presents the Patent Office with several problems. First, the Office would need to update its discovery procedures during post-grant proceedings to account for a possible need to review infringing products.³² Second, Board judges are decidedly not hired to investigate infringement,

²⁶*Id.* at 1327.

²⁷*Id.* at 1327, 1330; *see also id.* at 1331 (“Without the full infringement context, including some record evidence about the accused devices, this court does not fully understand the necessity for inserting ‘rigid’ into claims without that express language. Moreover, this court cannot assess the meaning of ‘rigid’ in the context of this invention.”).

²⁸*See SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1340 (Fed. Cir. 2005) (“[A] court must construe claims without considering the implications of covering a particular product or process.”).

²⁹Dennis Crouch, *Construing Claims “Without Reference to the Accused Device” Is Put to the Test*, PATENTLY-O (Mar. 23, 2006), https://patentlyo.com/patent/2006/03/construing_clai.html (citing *Wilson*, 442 F.3d at 1327).

³⁰*See, e.g., Kaneka Corp. v. Xiamen Kingdomway Group Co.*, 790 F.3d 1298, 1303 (Fed. Cir. 2015) (quoting *Wilson*, 442 F.3d at 1326); *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC*, 445 F.3d 1348, 1350 (Fed. Cir. 2006) (same); Mark A. Lemley & Mark P. McKenna, *Scope*, 57 WM. & MARY L. REV. 2197, 2271 & n.288 (2016) (“Most courts follow *Wilson Sporting Goods* today.”).

³¹*Wilson*, 442 F.3d at 1326.

³²In its leading case on the required showing for additional discovery, the Board entertained a patent owner’s motion for discovery on the allegedly infringing product. *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, slip op. at 8–12 (P.T.A.B. Mar. 5, 2013) (paper no. 26) (precedential). The Board denied the motion because the value of that information to Cuozzo’s arguments was too speculative. *Id.* at 6–12.

so the qualifications and expertise of the Board may need to be reconsidered.³³ Third, there may be constitutional concerns. *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC* recognized that determinations of patent validity were permissible exercises of Article I power but reserved the question of whether patent infringement required judicial determination.³⁴ The Board’s consideration of matters relating to infringement could thus give rise to new grounds for an Article III or Seventh Amendment challenge.³⁵

All of these practical, legal, and constitutional difficulties can be avoided by applying BRI in post-grant proceedings, as infringing products are certainly not relevant to claim construction under that standard.

C. No Likely Effect on Applicability of Issue Preclusion

It may be hoped that issue preclusion (otherwise called collateral estoppel) would attach to *Phillips* claim constructions reached during a post-grant proceeding. Indeed, it is probably desirable that issue preclusion apply for claim constructions across proceedings, as that would conserve adjudication resources and guarantee consistency. However, there are several reasons to believe that collateral estoppel will not attach, a result that undermines one of the key arguments in favor of using *Phillips*.

Two types of estoppel are relevant to the question of how Board claim construction practice will affect district courts. First, there is judicial estoppel, which precludes a party from making

³³See Jennifer R. Bush, *Administrative Patent Judges: Not Your Typical Federal Judge*, FENWICK & W. LLP (July 10, 2014), <https://www.fenwick.com/publications/pages/administrative-patent-judges-not-your-typical-federal-judge.aspx> (noting the “subjective criteria” for administrative patent judges, which include “a ‘demonstrated ability to litigate or draft decisions around patentability’ and a writing sample of no more than 8,000 characters on the topic of the strengths, weaknesses and impacts of *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), on the patentability decision”).

³⁴See *Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018).

³⁵To be clear, it is unlikely that post-grant proceedings would be unconstitutional due to the Board considering infringement evidence, since the Board issues no compulsory order against the accused infringer. More likely is that the consideration of infringement evidence renders the Board’s decisions non-preclusive against other courts. See *infra* note 49 and accompanying text.

inconsistent arguments across tribunals.³⁶ Because patent attorneys are generally highly skilled practitioners,³⁷ they know how to craft arguments to avoid estoppel, so it is unlikely that judicial estoppel alone will guarantee consistency between district courts and the Board.

Issue preclusion is the second relevant type of estoppel, which applies “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment.”³⁸ As the Supreme Court recognized in *B & B Hardware, Inc. v. Hargis Industries, Inc.*, issue preclusion bind federal courts to follow administrative agency determinations.³⁹

If both the Board and a district court construe the same claims of the same patent under the same *Phillips* standard, it might seem that issue preclusion would apply. But several factors suggest that it will not, at least in the general case.

First, the Federal Circuit itself has said that Board constructions will not bind district courts. In *SkyHawke Technologies, LLC v. Deca International Corp.*, a patent owner successfully defended its patents in *inter partes* reexamination,⁴⁰ but nevertheless appealed to the Federal Circuit because it believed that the Board had construed the claims too narrowly.⁴¹ The Federal Circuit declined to hear the appeal because the court “cannot see how the claim construction reached by the Board in this case could satisfy” the elements of issue preclusion.⁴² Granted, one of the reasons cited was that the Board applied BRI where a district court would not, but that was not the only reason for non-preclusion; procedural differences were further reasons.⁴³ Thus, even if the Board were to apply *Phillips*, the reasoning of *SkyHawke Technologies* could still justify non-application of

³⁶See *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001).

³⁷See Transcript of Oral Argument at 30 ll. 16–17, *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (Feb. 26, 2014) (No. 12-1163).

³⁸*B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302–03 (2015).

³⁹See *B & B Hardware*, 135 S. Ct. at 1302–03.

⁴⁰*Inter partes* reexamination was the statutory predecessor to *inter partes* review.

⁴¹See *SkyHawke Techs., LLC v. Deca Int’l Corp.*, 828 F.3d 1373, 1375 (Fed. Cir. 2016).

⁴²*Id.* at 1376.

⁴³See *id.*

issue preclusion.

Second, district court claim constructions are not preclusive against the Board, so it is difficult to see why district courts would give the Board comity of deference. In *Power Integrations, Inc. v. Lee*, the Federal Circuit held that “the board is generally not bound by a prior judicial construction of a claim term,” although the Board must at least “evaluate that construction.”⁴⁴ In *SkyHawke Technologies*, the fact that a district court construction does not bind the Board was cited as another reason why a Board construction should not bind district courts.⁴⁵

Third, there may be constitutional issues weighing against issue preclusion. *B & B Hardware* noted the possibility that it might violate Article III to let an agency determination preclude a judicial ruling, but the Supreme Court declined to answer the question because it had not been properly raised.⁴⁶ However, that argument could be properly raised in a district court patent case: An aggrieved party could contend that under Article III, only a federal judge can construe claims for infringement purposes, so allowing a Board determination to preclude the judge’s review would be unconstitutional.⁴⁷

Fourth, the matter of whether the Board should consider evidence of infringing products cuts against issue preclusion. If the Board declines to take that evidence, then its construction will be open to the criticism that it is an unreliable “advisory opinion” based on an incomplete record, and it likely will not be followed.⁴⁸ On the other hand, if the Board does take evidence of infringing products, then it steps closer to the line of adjudicating private rights that *Oil States* warned against.⁴⁹ Again, this likely decreases the likelihood that a federal court would apply

⁴⁴*Power Integrations, Inc. v. Lee*, 797 F.3d 1318, 1326–27 (Fed. Cir. 2015).

⁴⁵See *SkyHawke Techs.*, 828 F.3d at 1376.

⁴⁶See *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1304 (2015).

⁴⁷To be sure, the Board may constitutionally invalidate patents and construe them in the course of doing so. See *Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018). Whether it violates Article III to use that construction in the infringement context is a different question.

⁴⁸See *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006) (criticizing *CVI/Beta Ventures, Inc. v. Custom Optical Frames, Inc.* (“*CVI/Beta I*”), 92 F.3d 1203 (Fed. Cir. 1996) (nonprecedential)).

⁴⁹See *Oil States*, 138 S. Ct. at 1379.

issue preclusion.

Of course, issue preclusion will almost certainly not attach if the Patent Office applies BRI, but at least that is predictably expected since the legal standards differ. But the Office is incorrect in saying that moving to *Phillips* will give rise to more certainty; that move will more likely result in greater uncertainty and confusion.

D. Greater Certainty in Outcomes

Application of BRI in post-grant proceedings is likely to result in more consistent, predictable outcomes for claim construction. Because *Phillips* requires judges to choose among multiple reasonable interpretations to identify the one that best comports with national policy objectives, it is unsurprising that even the Federal Circuit itself, construing the same claims of the same patents twice, came to two different results. Because claim constructions by the Board will likely not be followed by district courts, so inconsistent constructions are highly probable.

In two cases both captioned *CVI/Beta Ventures, Inc.*, two different Federal Circuit panels reviewed the same claim of the same patent and reached different constructions.⁵⁰ The second panel contended that the first panel erred because it was reviewing a preliminary injunction and therefore lacked sufficient information to reach a correct result.⁵¹ But that reasoning is implausible for two reasons. First, claim construction is a matter of law, which the Federal Circuit reviews fully,⁵² and the first panel specifically held that the district court’s ruling “was not based on an error of law.”⁵³ Second, both panels considered and relied on the same body of evidence—the

⁵⁰*Compare CVI/Beta Ventures, Inc. v. Custom Optical Frames, Inc.* (“*CVI/Beta I*”), 92 F.3d 1203, 1203 (Fed. Cir. 1996) (nonprecedential) (rejecting construction that “3% elasticity” requires complete recovery after a 3% strain), *with CVI/Beta Ventures, Inc. v. Tura LP* (“*CVI/Beta II*”), 112 F.3d 1146, 1158 (Fed. Cir. 1997) (approving that construction).

⁵¹*See CVI/Beta II*, 112 F.3d at 1160 n.7.

⁵²*See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388–90 (1996).

⁵³*CVI/Beta I*, 92 F.3d at 1203. The second panel pointed to the first panel’s disclaimer that the parties would later have occasion “to expand their arguments and to present any additional arguments” to demonstrate the incompleteness of the first panel’s analysis, but that takes the first panel’s statement out of context; the first panel recited the aforementioned quote in relation to other arguments on appeal. *Compare id.*, *with CVI/Beta II*, 112 F.3d at 1160 n.7.

patents, their claims, and their file histories—so neither panel enjoyed more information.⁵⁴

The best explanation for the discrepancy in result is that both panels were presented two reasonable claim constructions, and with only the indeterminate *Phillips* compass to guide them, the panels went in opposite directions. As then-Professor Kimberly Moore explained with respect to the *CVI/Beta* cases, “the contradictory claim constructions of the exact same patent term based on the exact same supporting evidence are difficult (if not impossible) to reconcile.”⁵⁵

Should the Patent Office apply *Phillips*, inconsistencies like those in the *CVI/Beta* cases are likely to come up on a regular basis. As discussed previously, issue preclusion will not force district courts to follow the Board’s claim constructions. Furthermore, in district court infringement cases, both patent owners and challengers will likely have an interest in pursuing a claim construction different from the Board’s.⁵⁶ And unless the Board begins reviewing infringing products in the course of post-grant proceedings, the Federal Circuit is likely to look askance at the Board’s *Phillips* constructions as not accounting for all the facts.⁵⁷ Adopting *Phillips* in post-grant proceedings, then, is no guarantee of consistency between the Board and district courts.

In rare⁵⁸ and thus far hypothetical⁵⁹ cases, application of BRI may lead to a different result from district courts, but at least the discrepancy is consistent and predictable. It should be extremely

⁵⁴See *CVI/Beta I*, 92 F.3d at 1203; *CVI/Beta II*, 112 F.3d at 1157 & n.6.

⁵⁵Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 21 (2001).

⁵⁶This is the well-recognized phenomenon that patent owners desire narrow claim constructions for invalidity purposes and broad ones for infringement, while accused infringers desire the opposite. See Ford, *supra* note 11, at 95.

⁵⁷*Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006) (criticizing *CVI/Beta I*, 92 F.3d 1203).

⁵⁸*But see* Miller et al., *supra* note 1, at 47 (“[T]he reality has been that the PTAB and district courts have largely produced uniform results on validity and patentability using the different claim construction standards.”).

⁵⁹It is curious that the canonical example of this divergence, cited even by the Patent Office, is *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*. See 815 F.3d 734, 740–42 (Fed. Cir. 2016), cited in Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 21221, 21223 (U.S. Patent & Trademark Office May 9, 2018). *PPC Broadband* was an appeal of inter partes reviews, so the only claim construction standard to be applied was BRI. The court’s application of *Phillips* was thus an advisory opinion grounded in no case or controversy, of the type that the Federal Circuit has repeatedly warned against. See *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC*, 445 F.3d 1348, 1350 (Fed. Cir. 2006) (“The problems [with advisory opinions on claim construction] have been noted in many of the court’s prior cases.”).

unusual for a district court to construe a claim more broadly than the BRI, since by definition anything broader than BRI is unreasonable. Insofar as predictability is a desirable feature in a patent system, BRI is more conducive to predictability in claim construction.

E. Haste to Complete Claim Construction

If issue preclusion does apply or if there is at least soft deference to prior claim constructions between district courts and the Board, then at least some district courts will likely race to complete claim construction before the Board. The vast majority (86.7%) of post-grant proceedings occur in tandem with district court litigation.⁶⁰ With tandem proceedings, at least one party (likely the patent owner) will prefer the district court for construing claims and thus advocate for an accelerated schedule there. And certain tribunals may reject deference to the Board, as past experience already shows. The Eastern District of Texas is notoriously exceptional for refusing to stay litigation in view of a post-grant proceeding,⁶¹ and the U.S. International Trade Commission remarkably refused to back down on enforcing a patent *even after the Board had deemed the patent invalid*.⁶² Given pressure from a litigating party, a court's desire to dictate the Board's claim construction rather than to be dictated by it would likely lead to hasty procedure designed to construe claims first.

Haste in claim construction is bad for the same reasons that haste in all deliberative adjudication is bad, and it is especially bad for several reasons. First, it discourages stays of litigation pending post-grant proceedings before the Board, which is both contrary to the intent of

⁶⁰See Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 69 (2016) (considering the two most-used types of proceedings, inter partes review and covered business method review).

⁶¹See Douglas P. Wentzel, *Stays Pending Inter Partes Review: Not in the Eastern District of Texas*, 98 J. PAT. & TRADE-MARK OFF. SOC'Y 120 (2016).

⁶²See *In re Certain Network Devices*, No. 337-TA-945, slip op. at 112 (U.S. Int'l Trade Comm'n Aug. 16, 2017); James R. Barney, *ITC Not Treating PTAB Decisions like Other Agency Rulings*, LAW360 (Nov. 30, 2017), <https://www.law360.com/articles/980662/itc-not-treating-ptab-decisions-like-other-agency-rulings> (criticizing that decision as inconsistent with statute and other agency decisions).

Congress⁶³ and wasteful of resources. Second, hasty claim construction increases the possibility of two inconsistent claim constructions, because neither the second adjudicator nor the Federal Circuit is likely to give much weight to a hasty construction that in all likelihood is half-baked. Third, strange timing problems arise, since appeals may not occur immediately after claim construction.⁶⁴ Fourth, in the likely event that an appeal of a district court’s early claim construction is disposed during the pendency of a post-grant proceeding, the Board may have to backtrack and redo its work in view of the claim construction reached on appeal. Incentives toward haste make for judicial waste and bad law.

For these reasons, the race to construe claims caused by the Board’s application of *Phillips* will strain the Board’s workload, create unpredictable legal problems, and lead to further inconsistencies in claim construction outcomes.

II. The Nightmare Scenario of Using *Phillips* in Post-Grant Proceedings

The unpredictability and complexity of *Phillips* give rise to the possibility that a patent could be successfully asserted against one practicing the prior art; that is, one who uses technology that predates the patent. The possibility of this result should be of serious concern, as the one objective of the patent laws is to ensure that patents are not granted on old ideas.

Consider the following scenario. In 2012, Alice invents and sells glasses frames for which the temples, when deformed, return 50% of the way to their original shape.⁶⁵ In 2014, company Eve invents glasses frames with temples that return 100% of the way. That same year, Eve obtains a patent claiming frames with “temples comprising elastic metal.” Upon grant of the patent, Eve

⁶³See America Invents Act (AIA), Pub. L. No. 112-29, sec. 18(b)(1), 125 STAT. 284 (2011) (factors for stay of litigation in view of one type of post-grant proceeding called “covered business method review”); Matal, *supra* note 18, at 641–42 (discussing legislative history of that stay provision).

⁶⁴For example, say that a district court reaches a claim construction and then proceeds to a lengthy trial. During the trial, the Board construes the claims and reaches a final decision, which is appealed to a first Federal Circuit panel. Does the panel defer to the district court? Subsequently, the trial completes, and the district court claim construction is appealed to a second panel. Does the second panel now defer to the first panel, even though the underlying decisions were reached in the opposite order?

⁶⁵The facts are taken loosely from the *CVI/Beta* cases.

sues Alice for infringement in district court, and Alice petitions for post-grant review, listing Alice's frames as prior art (among others). The litigation is stayed.

Keenly aware of how their arguments might invoke judicial estoppel down the road, both parties proffer vague constructions to the Board, with Alice advocating for "elastic" to mean "sufficient restoration of shape for a glasses-wearer," and Eve offering the construction "substantial restoration of shape." Applying *Phillips*, the Board disregards both and construes "elastic" to mean 75% or more restoration, based in part on statements that Eve made to the patent examiner about some metallurgical prior art. In view of that construction, Alice's frames are not invalidating prior art. The Board confirms patentability, and the Federal Circuit summarily affirms.

Patent owner Eve now returns to the district court, where the stay has been lifted, to argue claim construction with renewed vigor. While maintaining the "substantial restoration" construction offered to the Board, Eve explains that "substantial" means at least 25% restoration. A parade of expert witnesses confirms Eve's construction, and Eve easily overcomes the Board's reasoning by pointing to a litany of Federal Circuit cases that require prosecution history disclaimers to be "clear and unmistakable."⁶⁶

The district court accepts Eve's construction. The court acknowledges the Board's construction, and observes that if the Board had held its 75% interpretation to be the "broadest reasonable" interpretation, then the court might be inclined to second-guess Eve's evidence. But since the Board applied *Phillips*, the court treats the Board's view as just one reasonable construction that, in the court's view, is not the most reasonable construction.

On appeal, Alice passionately argues that issue preclusion requires reversal of the district court, but the Federal Circuit concludes that issue preclusion does not apply. The appeals court discusses the arguments discussed previously in this paper, and it notes that the district court had access to vastly better evidence of the meaning of the term, such as Eve's expert witnesses. Accordingly, the Federal Circuit affirms the district court's claim construction.

⁶⁶See, e.g., *Avid Tech., Inc. v. Harmonic, Inc.*, 812 F.3d 1040, 1045–46 (Fed. Cir. 2016) (citing cases and quoting *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1325–26 (Fed. Cir. 2003)).

The upshot is that Alice must pay damages and royalties to Eve even though Alice’s glasses frames predate Eve’s patent. Since a post-grant review was conducted, Alice cannot challenge the validity of Eve’s patent in the district court.⁶⁷ And under the district court’s claim construction, Alice’s frames infringe Eve’s patent; it is textbook patent law that practicing the prior art is no defense to infringement.⁶⁸ Accordingly, Alice is liable for patent infringement to Eve.

There are several reasons to believe that this nightmare scenario is likely to happen. First, institutional incentives may indirectly encourage it. The Board may be inclined to construe patents more narrowly so as to protect the inventive contribution of patent owners,⁶⁹ while district courts—especially those favored by patent lawsuit filers—may lean toward constructions that favor infringement.⁷⁰ Second, patent owners may want to foster this discrepancy, which renders patents more likely infringed and thus more valuable. And insofar as the *CVI/Beta* cases show that the Federal Circuit will not necessarily defer even to its own prior claim constructions of the same patent, there is little reason to believe that there will be appellate checks on this sort of inconsistency. In view of this, the stars appear aligned for the troubling possibility that a patent could be infringed by its own prior art.

More generally, the possibility that a patent could be construed more broadly for infringement purposes than in post-grant proceedings should be problematic in itself. Scholars have long recognized a critical balance of incentives that arises from a tension between patent infringement on the one hand, which leads patent owners to seek broader constructions; and validity on the other hand, which lends toward narrower constructions.⁷¹ It upsets that balance to allow patent

⁶⁷See 35 U.S.C. § 325(e)(2).

⁶⁸See *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1365–66 (Fed. Cir. 2002) (quoting *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1583 (1995)). The AIA introduced a “[d]efense to infringement based on prior commercial use,” but that defense only applies to “a machine, manufacture, or composition of matter used in a manufacturing or other commercial process.” 35 U.S.C. § 273(a). Though grammatically ambiguous, that the qualifying phrase “used in a manufacturing . . . process” almost certainly modifies all three of machine, manufacture, and composition. See *Matal*, *supra* note 18, at 551–65 (providing legislative history and analysis of § 273).

⁶⁹*Cf. Exxon Research & Eng’g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001).

⁷⁰See Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. CAL. L. REV. 241, 250 (2016) (describing procedural practices in the Eastern District of Texas for which the “cumulative effect tilts . . . in favor of patentees”).

⁷¹See *Ford*, *supra* note 11, at 95.

owners to argue for narrow constructions to preserve validity and then broad constructions to sweep in more infringement.

Application of BRI in post-grant proceedings significantly reduces the likelihood of this scenario, because it should be extremely unusual for a district court to rightly reach a claim construction that is broader than the “broadest reasonable” one. The Patent Office’s use of BRI so far is perhaps why policymakers have not yet had to deal with the above nightmare scenario. Should the Office change its standards, however, policymakers will have to deal with that scenario and the imbalance to the patent system that follows.

III. Recommendation: Amendments to Render Interpretations Coextensive

For the many foregoing reasons, the Patent Office would be well-advised to continue using the broadest reasonable interpretation standard in post-grant proceedings. To do otherwise would introduce numerous procedural complexities, raise difficult questions of patent law, and misalign incentives to the detriment of the public. But if the Office wishes to move away from BRI, there is a better solution: The Patent Office should require a clarifying amendment to a patent at issue, such that the *Phillips* construction is coextensive with BRI.

Implementing a coextensivity amendment is simple, requiring almost no more work for any party than a straight application of *Phillips* would. The patent owner would opt for either *Phillips* or BRI construction. If the latter is selected, then the Board would proceed as it does today. Otherwise, the patent owner would agree to amend the claims. The Board would then construe the claims under *Phillips*, and the resulting claim constructions would be added to the claims, perhaps as several “wherein” clauses. For example, for a claim to glasses with “temples comprising elastic metal,” if the term “elastic metal” were construed as metal that restores to 75% of its original shape when deformed, then the amendment would add the language “wherein elastic metal consists of metal that restores to 75% of its original shape when deformed.”⁷² The patent owner would move

⁷²The phrase “consists of” is used in patent claim drafting to “exclude any elements, steps, or ingredients not specified” thereafter. *AFG Indus., Inc. v. Cardinal IG Co.*, 239 F.3d 1239, 1245 (Fed. Cir. 2001).

to amend the claims, and the Board would grant the motion.⁷³

A coextensivity amendment solves many of the difficulties and problems with mere application of *Phillips* discussed above. It avoids the clarity and notice issues, since the words of the patent now reflect its actual construction. It prevents the nightmare scenario, since district courts will not be able to construe the amended claim inconsistent with the clarifying amendments. And it ensures certainty and predictability of results: By embedding the *Phillips* claim construction in the text of the claim itself, the construction becomes binding and preclusive against courts.

Coextensivity amendments also do no harm to patent owners. The cost of amendment is that the patent owner may lose damages from activity predating the amendment, under the doctrine of intervening rights.⁷⁴ But intervening rights apply only to “substantive changes” to the claims; no intervening rights attach when “the *scope* of the claims are identical.”⁷⁵ By definition, a coextensivity amendment introduces no substantive change to the claims because the amendment gives the claims the scope that they would have received when construed under *Phillips*. Accordingly, intervening rights would not pose a problem for the coextensivity amendment system proposed.

Indeed, coextensivity amendments avoid the “nightmare scenario” of using BRI that patent owners have expressed concern about. That scenario is one in which the Board, applying BRI, cancels a patent that otherwise would have been valid under *Phillips*.⁷⁶ If the patent owner believes that a *Phillips* construction would save the patent during post-grant proceedings, then the patent owner can opt for *Phillips*-based construction and amend the claims accordingly. Indeed, the patent owner is now in a better position, since future district courts are incapable of reaching

⁷³Should the patent owner for some reason refuse to make the motion, the Board could respond by applying BRI instead.

⁷⁴See 35 U.S.C. § 318(c) (inter partes review); § 328(c) (post-grant review).

⁷⁵*Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1347 (Fed. Cir. 1998) (citing *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 810 F.2d 1113, 1115 (Fed. Cir. 1987)) (emphasis and verb agreement error in original).

⁷⁶See Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 21221, 21223 (U.S. Patent & Trademark Office May 9, 2018) (expressing concern that “a patent claim could be found unpatentable in an AIA trial on account of claim scope that the patent owner would not be able to assert in an infringement proceeding”).

a broader *Phillips* construction that could also invalidate the patent.

Appeals of Board decisions also present no problems to this proposal, and in fact likely work out advantageously. If the patent owner opts for *Phillips* construction, there are two possible situations: The Board either accepts the patent owner's proposed claim construction or rejects it. If the Board erroneously rejects it, the Federal Circuit can reverse, and any amendment entered as a consequence of that erroneous construction can likely be vacated either as a matter of administrative law⁷⁷ or based on the court's power to vacate erroneously grounded stipulations.⁷⁸ If the Board erroneously accepts the patent owner's proposed construction and enters a coextensivity amendment, then the same procedure could be followed, but the patent owner can also unilaterally preserve the construction by characterizing the coextensivity amendment as discretionary.⁷⁹ Since the amendment was properly entered, the Federal Circuit will have no reason to vacate it; indeed the Federal Circuit will have no occasion to review the Board's pre-amendment claim construction under the harmless error doctrine.⁸⁰ This possibility simplifies appeals and arguably better preserves the original intent of the patent applicant.

Finally, if the Patent Office adopts this proposed system, the current regulations directing the Board to apply BRI need not be changed. This lets the Patent Office avoid flip-flopping on its rulemakings, which increases the likelihood that the Office will receive deference as a matter of administrative law.⁸¹

The above proposal does not solve all the problems, such as the complexity and legal puzzles

⁷⁷An amendment entered based on an incorrect claim construction is presumably either "unsupported by substantial evidence," 5 U.S.C. § 706(2)(E), or "unwarranted by the facts" subject to de novo review, *id.* § 706(2)(F).

⁷⁸*See, e.g., Oatey Co. v. IPS Corp.*, 514 F.3d 1271, 1278 (Fed. Cir. 2008) (vacating stipulated judgment of noninfringement in view of erroneous claim construction); *cf. Jang v. Boston Sci. Corp.*, 532 F.3d 1330, 1338 (Fed. Cir. 2008) (requiring stipulated judgments to be clear as to how a Federal Circuit reversal will affect the result).

⁷⁹*See* 35 U.S.C. § 316(d)(1) (permitting patent owner at least one discretionary motion to amend).

⁸⁰*See Lemelson v. United States*, 752 F.2d 1538, 1549 (Fed. Cir. 1985) (citing *Gardner v. TEC Sys., Inc.*, 725 F.2d 1338, 1345 (Fed. Cir. 1984) (en banc)).

⁸¹*See, e.g., Immigration & Naturalization Serv. v. Cardoza-Fonseca*, 480 U.S. 421, 446 n.30 (1987) ("An agency interpretation of a relevant provision which conflicts with the agency's earlier interpretation is 'entitled to considerably less deference' than a consistently held agency view.") (quoting *Watt v. Alaska*, 451 U.S. 259, 273 (1981)); *United States v. Mead Corp.*, 533 U.S. 218, 228 & n.8 (2001) (citing *Good Samaritan Hosp. v. Shalala*, 508 U.S. 402, 417 (1993)).

for the Patent Office in applying *Phillips*. But if the Patent Office wishes to apply *Phillips* and can overcome those other problems, then coextensivity amendments are a better way of doing so for reasons of patent law, administrative law, and the public interest.

IV. Conclusion

The commenter thanks the Office for providing the opportunity to submit these comments. If there are any remaining questions relating to the matters presented herein, the undersigned would be happy to provide further information as necessary.

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