

The Honorable Andrei Iancu  
Under Secretary of Commerce for Intellectual  
Property and Director of the USPTO  
Mail Stop Patent Board, P.O. Box 1450  
Alexandria, VA 22313-1450

*Attn: Vice Chief Administrative Patent Judges  
Michael Tierney or Jacqueline Wright Bonilla,  
PTAB Notice of Proposed Rulemaking 2018*

Via email: [PTABNPR2018@uspto.gov](mailto:PTABNPR2018@uspto.gov)

**Re: Response to the Proposed “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board,” 83 Fed. Reg. 21221 (May 9, 2018)**

Dear Under Secretary Iancu:

We the undersigned professors of law and economics offer these comments on the USPTO’s notice of proposed rulemaking to change how the Patent Trial and Appeal Board will construe patent claims in its administrative trial proceedings. As a group, our research explores a wide range of issues in innovation, intellectual property, administrative process, and institutional design. What brings us together is our interest in the proper functioning of the U.S. patent system and Patent Office operations.

We appreciate the USPTO’s attention to the need for uniformity and predictability in the patent system, especially the agency’s ongoing efforts to improve the PTAB trial proceedings. For the reasons discussed below, we support the proposed change away from the PTAB’s current broadest reasonable interpretation standard to the approach set forth in *Phillips v. AWH Corp.*<sup>1</sup>

**I. PTAB proceedings were intended to be, and are used as, a substitute for Article III court proceedings.**

As the Proposed Rule notes, a key purpose of the PTAB trial proceedings has been to provide “quick and cost effective alternatives” to court litigation.<sup>2</sup> Recent empirical research confirms that this is, indeed, how these proceedings are used in practice.<sup>3</sup> The substitution of PTAB review for Article III review takes two forms.

One is the standard model of substitution, where the petitioner seeking review in the PTAB has already been sued for infringing the patent now being challenged.<sup>4</sup> The other is nonstandard substitution, where the PTAB petitioner is not the target (at least not yet) of a prior infringement lawsuit on the same patent.<sup>5</sup> These two forms of substitution occur to different extents and vary by technology, but both represent strategic behavior that is important for the USPTO to consider.

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<sup>1</sup> 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

<sup>2</sup> 83 Fed. Reg. 21221, 21223 (citing H.R. Rep. No. 112-98, pt. 1, at 48 (2011)).

<sup>3</sup> See generally Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45 (2016).

<sup>4</sup> *Id.* at 49.

<sup>5</sup> *Id.*

Overall, for example, 70% of those seeking *inter partes* review are standard petitioners making a defense response to prior court litigation.<sup>6</sup> Meanwhile, the remaining substantial minority of 30% are nonstandard petitioners striking preemptively in the PTAB rather than waiting to be sued.<sup>7</sup> Importantly, although such petitioners have not been sued themselves, their PTAB challenges often come on the heels of lawsuits against other parties in which the patent owner has revealed significant information about its enforcement strategy.<sup>8</sup> Thus, court-agency substitution highlights the need for PTAB review to serve as a credible replacement for Article III litigation.

The interaction between standard and nonstandard petitioning reinforces this substitution even further. The joinder statutes of both *inter partes* review and of post-grant and covered business method review allow the consolidation of multiple meritorious petitions into a single review so long as they target the same patent.<sup>9</sup> In practice, joinder is commonplace and brings parties who have previously been sued in court together with those who have not.

For example, records show that among “Drugs & Medical”-related patents, standard *petitioners* make up a minority (48.5%) of challengers seeking *inter partes* review.<sup>10</sup> The share of *petitions* that involve at least one standard petitioner, however, is a clear majority (70.8%).<sup>11</sup> Similarly, among “Mechanical”-related patents, 53.1% of challengers are standard petitioners, while 70.2% of petitions involve at least one standard petitioner.<sup>12</sup> In other words, in certain technologies, litigation defendants seeking recourse in the PTAB are bringing aboard parties that have not been sued. This dynamic, too, highlights the importance of ensuring that the PTAB is a credible substitute for the Article III courts.

## **II. The current divergence in claim construction practices between the PTAB and the Article III courts is inappropriate.**

### **A. Using different claim construction standards reduces clarity and produces conflicting outcomes.**

The AIA trial proceedings were designed as a low-cost alternative for determining patent validity.<sup>13</sup> However, the discrepancy in the claim construction standards between those proceedings and district court litigation can result in different, often conflicting conclusions about the same patent. The BRI standard requires the USPTO to read a claim as broadly as the patent specification can support. This approach may make sense in the context of the initial *ex parte* prosecution of a patent, as it forces the applicant to amend the claims and draft claims more narrowly and precisely to avoid reading on the prior art.

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<sup>6</sup> *Id.* at 73.

<sup>7</sup> *Id.* at 73–74.

<sup>8</sup> *Id.* at 76.

<sup>9</sup> 35 U.S.C. §§ 315(c), 325(c).

<sup>10</sup> Vishnubhakat, Rai & Kesan, *supra* note 3, at 74, 82.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 74.

<sup>13</sup> See, e.g., Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 600–601 (2012).

However, BRI does not confer that benefit to post-grant proceedings, which stand in for district court validity determinations. Although an *inter partes* review may resemble the prosecution of a patent in light of the statutory right to amend, there is no risk of a patentee claiming too broadly in *inter partes* review because amendments may only define or narrow the scope of the original claim.

Moreover, unlike the *Phillips* claim construction approach, which requires the court to select the single most reasonable interpretation of a claim term based on intrinsic and extrinsic evidence, adjudications employing the BRI standard can result in a broader construction for the same claim, and increasing incentives to pursue parallel, redundant and socially-wasteful adjudication efforts. Broader constructions tend to read on a greater amount of prior art, and prior art that may not have applied to a claim at all under a *Phillips* approach can nevertheless invalidate the same claim under a BRI construction.

This disparity inappropriately invites parties who challenge the validity of a patent to shop for the forum offering an outcome that is in their own private interest. Harmonizing claim construction under the *Phillips* standard would provide greater clarity and consistency in claim construction for all parties and thereby reduce the present uncertainty in patent validity outcomes imposed when inconsistent standards are applied in different fora.

**B. Using different claim construction standards increases the cost of adjudicating patent validity.**

Divergent claim construction standards also increase the costs of patent validity disputes. Under the current system, construing the same claims multiple times can drag out validity disputes, forcing parties to spend more on needless litigation and undermining the efficiency goals of the AIA trial proceedings. A patent holder that relies on a determination of validity under *Phillips* in enforcing its rights may later find those efforts wasted simply because the patent claims were later found to be invalid by the PTAB. As with lack of clarity and consistency, this waste of resources is problematic because *inter partes* review and the other AIA post-grant procedures were intended not merely as an alternative for court litigation but a less costly one for private parties. Moreover, the knock-on effect of these needless efforts necessarily creates more demand for procedure, increases congestion, and wastes the time and attention of adjudicators, thereby squandering public resources.

Indeed, because a patent's survival under *Phillips* is not conclusive about its survival under BRI, the PTAB is obliged to carry out its own duplicative claim construction. This is particularly true of *inter partes* reviews, where district courts vary in granting stays. As the Proposed Rule notes, 86.7% of patents challenged in *inter partes* review or covered business method review are also involved in a corresponding federal action.<sup>14</sup> The exceptionally high overlap between AIA trial proceedings and district court litigation means that in most *inter partes* reviews, if the court in the corresponding litigation does not grant a stay, the same issues of claim construction and validity under novelty and obviousness will be tried twice for the same patent. This redundancy wastes both parties' private resources and the adjudicatory resources of the PTAB and district courts.

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<sup>14</sup> 83 Fed. Reg. 21221, 21223 (citing Vishnubhakat, Rai & Kesan, *supra* note 3).

### C. Using the BRI standard is inapt for the PTAB.

Even on its own terms, construing claims under the BRI approach for PTAB proceedings is an anachronism, an unfortunate legacy of practice under the reexamination system. It is a poor fit for an administrative alternative to validity litigation, for reasons that the Proposed Rule recognizes.

The use of BRI in post-grant proceedings originated at a time when reexamination and reissue were the only options under U.S. law for post-grant administrative revocation of a patent. As the name indicates, reexamination was designed to simulate the pre-grant examination process, and the way reexamination has been used in practice shows how distinct the process is from adversarial litigation.<sup>15</sup> Neither the statutory provisions nor the regulations governing reexamination specified what mode of claim construction was to be used in reexamination proceedings. The issue came before the Federal Circuit in *In re Yamamoto*.<sup>16</sup> The court's decision in *Yamamoto* to adopt BRI for claim construction in reexamination was clearly animated by the belief that reexamination was a close cousin to original examination, except carried out post-grant. It was more comparable to reissue proceedings than to litigation, the court observed. (The court also offered the dubious rationale that patentees in reexamination proceedings could freely amend their claims, just as applicants could in *ex parte* proceedings. However, the freedom to amend was severely constrained by the statutory risk of losing pre-filing damages, a constraint that the court did not discuss.)

Although the propriety of using BRI in reexamination is debatable, the operative rationale for that approach does not apply to the newer AIA proceedings, which seek to provide an administrative alternative to litigation—not to simulate pre-grant examination. Indeed, scholarship from long before the AIA legislative debate argued that Congress should adopt litigation-like post-grant proceedings, and that there was no sound justification for applying a different rule of claim interpretation in those proceedings than what would apply in litigation.<sup>17</sup>

Moreover, BRI is also inappropriate for PTAB reviews because the fundamental assumption under BRI is that applicants can, and should, respond to an examiner's claim interpretations by amending the claims. This option is largely unavailable as a practical matter, especially in *inter partes* review. The main justification for the BRI approach is facilitating a dialogue between applicant and examiner about claim meaning, prompting revisions by the applicant and development of the written record to better define the claims and foster greater public notice.<sup>18</sup>

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<sup>15</sup> See generally Stuart J.H. Graham et al., *Patent Quality Control: A Comparison of U.S. Patent Reexaminations and European Patent Oppositions*, in PATENTS IN THE KNOWLEDGE-BASED ECONOMY 74 (Wesley M. Cohen & Stephen A. Merrill eds., 2003).

<sup>16</sup> 740 F.2d 1569, 1572 (Fed. Cir. 1984).

<sup>17</sup> See generally Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J. L. & TECH. 1, 63–69 (1997) (arguing against “retaining excess baggage” such as the BRI rule from the reexamination system).

<sup>18</sup> See, e.g., *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (the PTO broadly interprets claims during examination since the applicant may “amend his claims to obtain protection commensurate with his actual contribution to the art”); Christopher Cotropia & Dawn-Marie Bey, *The Unreasonableness of the Patent Office's “Broadest Reasonable Interpretation” Standard*, 37 AIPLA Q. J. 285, 292–93 (2009) (“A second argument offered in support of the BRI standard is that, in contrast to litigation, claims are open to amendment during prosecution”).

The *inter partes* review process—both because of its adversarial nature<sup>19</sup> and the practically non-existent ability to amend<sup>20</sup>—is inconsistent with this fundamental justification for using the BRI standard. Because BRI cannot play its intended role of shaping the claims to better communicate the defined invention, it is unsuitable for the AIA trial proceedings.

BRI is also a fatally ambiguous standard, interjecting unpredictability into claim meaning during *inter partes* reviews and defeating the public notice role of patent claims. BRI must, by definition, include a “broadest” and “reasonable” inquiry when determining claim meaning—both terms undefined and uncertain in scope.<sup>21</sup> These additions consistently produce Federal Circuit reversals of Patent Office BRI interpretations because the agency’s constructions were “unreasonable”<sup>22</sup> or “unreasonably broad”<sup>23</sup> or “overly broad”.<sup>24</sup> And this failing is in addition to the already difficult—and in many ways itself unpredictable—nature of district court claim interpretation,<sup>25</sup> which is also part of the BRI methodology.<sup>26</sup>

### **III. The proposal to align the PTAB’s claim construction standard with that of the Article III courts offers significant efficiency gains.**

The Proposed Rule does much to address these problems of longer, more costly, and duplicative litigations that lead to conflicting patent validity determinations and reduce clarity in the patent system. Symmetric standards will allow the PTAB to rely on courts’ prior claim constructions and reduce the agency’s adjudicatory burden, thereby promoting efficiency in adjudication to the benefit of private and public interests alike. In this regard, the additionally proposed requirement that the PTAB must consider prior constructions is particularly well advised.

Equally importantly, symmetric standards will also allow the courts to rely on prior PTAB claim constructions in subsequent judicial proceedings as between the same parties. In this regard, the USPTO should take care to ensure that its proceedings receive issue-preclusive effect. Currently, divergent interpretive standards leave courts unlikely to rely on the PTAB’s claim

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<sup>19</sup> *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (noting that the purpose of creating IPR proceedings was “to ‘convert[] inter partes reexamination from an examinational to an adjudicative proceeding’ “)

<sup>20</sup> 35 U.S.C. § 316(d); 37 C.F.R. § 42.121.

<sup>21</sup> See *Cotropia & Bey*, *supra* note 18, at 309-10; 316-319 (detailing the tremendous ambiguity in these standards and providing examples of the resulting uncertainty in claim meaning due to BRI).

<sup>22</sup> See, e.g., *In re Hodges*, 882 F.3d 1107, 111 (Fed. Cir. 2018) (reversing PTO’s BRI); *In re Smith Int’l, Inc.*, 871 F.3d 1375, 1382–83 (Fed. Cir. 2017) (stating that “the Board cannot construe the claims so broadly that its constructions are unreasonable under general claim construction principles,” and that giving claim terms “a strained breadth in the face of the otherwise different description in the specification [is] unreasonable” (internal quotation marks omitted) ); *TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1062 (Fed. Cir. 2016) (“While the broadest reasonable interpretation standard is broad, it does not give the Board an unfettered license to interpret the words in a claim without regard for the full claim language and the written description.”).

<sup>23</sup> See, e.g., *In re Power Integrations, Inc.*, 884 F.3d 1370, 1378 (Fed. Cir. 2018) (reversing PTO’s BRI).

<sup>24</sup> See, e.g., *Los Angeles Biomedical Research Institute v. Eli Lilly & Co.*, 849 F.3d 1049 (Fed. Cir. 2017) (vacating and remanding an IPR decision because of erroneous BRI).

<sup>25</sup> See, e.g., J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 NW. U. L. REV. 1, 4 (2014) (collecting and describing empirical studies on the unpredictability and uncertainty around district court claim interpretation).

<sup>26</sup> MPEP 2111 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc), which details district court claim construction methodology, and noting that BRI “must be consistent with the ordinary and customary meaning of the term (unless the term has been given a special definition in the specification), and must be consistent with the use of the claim term in the specification and drawings”).

constructions because the conditions for issue preclusion are not met. A district court has discretion over whether to apply a prior claim construction of the same patent by another district court, but only if it determines that all of the ordinary elements of collateral estoppel have been met.<sup>27</sup>

However, these elements *cannot* be met in the context of claim construction until the PTAB and district court standards are aligned. In *B&B Hardware v. Hargis*, the Supreme Court held that a final decision from an administrative agency can also have a preclusive effect on later litigation in an Article III court.<sup>28</sup> Generally, for preclusion to apply,

(1) the issue at stake must be identical to the one in the prior litigation; (2) the issue must have been actually litigated in the prior suit; (3) the determination of the issue in the prior litigation must have been a critical and necessary part of the judgment in that action; and (4) the party against whom the earlier decision is asserted must have had a full and fair opportunity to litigate the issue in the earlier proceeding.<sup>29</sup>

Relying on this framework, the Court in *B&B Hardware* explained that issue preclusion could apply, rejecting arguments that the TTAB's likelihood-of-confusion determinations necessarily differed from those made in the federal courts.<sup>30</sup> By contrast, the PTAB's use of the BRI standard means that no claim construction by the PTAB could ever satisfy all of these ordinary elements, as the issue of claim construction under *Phillips* cannot yet be "actually litigated."<sup>31</sup>

Yet another, larger lesson of *B&B Hardware* is that an administrative decision of the USPTO can ground issue preclusion in federal courts.<sup>32</sup> If the PTAB does adopt the *Phillips* standard, the way in which issue preclusion will attach to agency claim constructions will need to be decided by the courts, perhaps on a case-by-case basis. This situation follows largely from differences between the doctrine of issue preclusion and the statutory estoppel provisions in the AIA itself.<sup>33</sup>

Estoppel under the AIA bars the petitioner (or its privy or real party in interest) from relitigating the validity of a previously adjudicated patent claim in a later judicial or ITC proceeding "on any ground that the petitioner raised or reasonably could have raised" previously in the PTAB.<sup>34</sup> And with regard to validity, different burdens of proof apply between the courts and the PTAB.<sup>35</sup> Patents in litigation are presumed valid, and the challenger must prove invalidity by clear and convincing evidence.<sup>36</sup> Establishing invalidity in the PTAB requires only a preponderance of the

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<sup>27</sup> *Phil-Insul Corp. v. Airlite Plastics Co.*, 854 F.3d 1344, 1357–58 (Fed. Cir. 2017).

<sup>28</sup> *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293, 1308 (2015).

<sup>29</sup> *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003) (quoting *In re McWhorter*, 887 F.2d 1564, 1566 (11th Cir. 1989)).

<sup>30</sup> *B&B Hardware*, 135 S. Ct. at 1306–07.

<sup>31</sup> *Skyhawk Techs., LLC v. Deca Int'l Corp.*, 828 F.3d 1373, 1376 (Fed. Cir. 2016).

<sup>32</sup> See generally Timothy R. Holbrook, *The Patent Trial and Appeal Board's Evolving Impact on Claim Construction*, 24 TEX. INTEL. PROP. L.J. 301, 329–332 (2016).

<sup>33</sup> *Id.* at 332.

<sup>34</sup> 35 U.S.C. §§ 315(e)(2), 325(e)(2).

<sup>35</sup> Holbrook, *supra* note 32, at 332n.176.

<sup>36</sup> *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011).

evidence.<sup>37</sup> Still, these divergent burdens are irrelevant in the context of claim construction, meaning that while statutory estoppel may or may not apply, issue preclusion nevertheless can apply once its own requirements are met.<sup>38</sup>

What a unified claim construction standard offers is an opportunity. District courts will be allowed to evaluate whether a PTAB claim construction should be precluded from being construed anew, offering an opportunity to reduce needless duplicative litigation. When taken, that opportunity would eliminate the associated costs for the USPTO, the courts, and the parties alike. Meanwhile, if issue preclusion were applied to all claim constructions that the PTAB made under the *Phillips* standard, dissatisfied patentees and petitioners would still be able to guard against erroneous PTAB claim constructions by seeking judicial review in the Federal Circuit.<sup>39</sup>

In sum, the proposals to change the PTAB's claim construction standard away from the broadest reasonable interpretation to the *Phillips* approach and to consider prior court claim constructions during PTAB review are well-considered and offer significant benefits in accordance with the consistency, transparency, and cost savings envisioned in the AIA. Of particular importance is the likelihood that a unified claim construction standard will allow principles of issue preclusion to give practical force to the role of the PTAB as a credible and effective substitute for Article III litigation.

Sincerely,

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<sup>37</sup> 35 U.S.C. § 316(e).

<sup>38</sup> Holbrook, *supra* note 32, at 332n.176.

<sup>39</sup> 35 U.S.C. §141(c).

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