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Mail Stop Patent Board
Director of the United States Patent and Trademark Office
Attention: Vice Chief Administrative Patent Judges
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Via email: PTABNPR2018@uspto.gov

Re: PTAB Notice of Proposed Rulemaking 2018, Docket No PTO-P-2018-0036.

IEEE-USA is pleased to submit these comments on the above-captioned notice of proposed rulemaking published in [83 Fed. Reg. 21221](#) (May 9, 2018), (“NPRM”). IEEE-USA represents approximately 200,000 engineers, scientists, and allied professionals whose livelihoods depend on American technology companies and their domestic research and development operations. Our members work for large and small companies, and as individual inventors or entrepreneurs, and depend on a strong American patent system.

The America Invents Act enacted on September 16, 2011 (“AIA”) established new proceedings at the U.S. Patent and Trademark Office (“PTO” or the “Office”) for challenging the validity of issued patent claims. These post-issuance challenges are held before the PTO’s Patent Trial and Appeal Board (“PTAB”) in *trial*-type proceedings for *inter partes* reviews (“IPR”), post grant reviews (“PGR”), and covered business method (“CBM”) patent reviews. They are adjudicative proceedings fundamentally different in nature and process from the *inter partes* reexaminations which they replaced, *ex parte* reexaminations, reissue proceedings, and regular examination procedures – all conducted by examiners in a cooperative and iterative claim amendment process.

The NPRM proposes to replace the broadest reasonable interpretation (“BRI”) standard for interpreting patent claims in these trial proceedings with a standard that is the same as that applied in federal district courts and International Trade Commission (“ITC”) proceedings. NPRM at 21,222-3. This harmonization of the standards with the courts will ensure that the PTAB will not interpret claims more broadly, covering the prior art so as to often find them invalid. This harmonization will restore fairness as it will also ensure that patent claims are not interpreted more broadly for determining invalidity than their interpretation when used for determining infringement.

IEEE-USA commends the PTO for reconsidering, and now proposing to amend, its existing PTAB rules for these post-issuance proceedings. Since the first PTAB rulemaking in 2012, we have consistently urged that the BRI standard was inappropriate for adjudicating issued patent claims and called for “[e]stablishing balance in [IPRs, PGRs] and [CBM] reviews, by statute or *regulation* that require these reviews to be ... *conducted under district court standards* for burden of proof and *claim interpretation*.”¹ (Emphasis added).

IEEE-USA supports the PTO’s proposed rules and believes that with these revised rules, there would be less duplication and conflicts with district court proceedings, increased judicial efficiency, reduced gaming of the system, and increased fairness to patent holders. In the detailed comments below, we show that promulgating the proposed rule is a proper and reasonable exercise of the PTO’s rulemaking authority and that the proposed claim construction framework is the most reasonable interpretation of the statute. We discuss the available empirical evidence on the adverse impact of the application of the BRI. A portion of our comments below repeat several arguments we have previously made in our 2012 comments referenced in footnote 1 below as well as those made by other parties.

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¹ *Balance in U.S. Patent Law*, IEEE-USA Position Statement adopted (18 Nov. 2016), p. 3. At <http://ieeepatent.org/wp-content/uploads/2017/08/PatentBalance1116.pdf>); See also IEEE-USA Comments on Proposed Rules for PTAB, Derivation, IPR, PGR, and CBM (April 17, 2012), pp. 7-8. At www.uspto.gov/sites/default/files/aia_implementation/comment-ieee2.pdf

1. The proposed PTAB claim construction rule is a proper and reasonable exercise of the PTO's rulemaking authority

In its opinion on the PTAB BRI claim construction regulation, the Supreme Court recently found that “neither the statutory language [in the AIA], its purpose, or its history suggest that Congress considered what standard the agency should apply when reviewing a patent claim in inter partes review.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). The Court explained that “whether we look at statutory language alone, or that language in context of the statute's purpose, we find an express delegation of rulemaking authority, a ‘gap’ that rules might fill, and ‘ambiguity’ in respect to the boundaries of that gap.” *Id.* (Citing *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001), and *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 843 (1984)). Therefore, the question at this point is (a) whether the PTO's NPRM is a reasonable interpretation of the statute *and* (b) whether its proposal to harmonize the claim construction standard with that used in federal courts constitutes reasonable exercise of its rulemaking authority, even though it would be a departure from its previous rule. We strongly believe the answer is “yes” to both.

In *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, the Supreme Court held that an agency may rescind a promulgated rule and recognized that “regulatory agencies do not establish rules of conduct to last forever, and that an agency must be given ample latitude to adapt their rules and policies to the demands of changing circumstances.” 463 U.S. 29, 42 (1983) (quotation marks and internal citations omitted); *Atchison, Topeka & Santa Fe Ry. v. Wichita Bd. of Trade*, 412 U.S. 800, 808 (1973) (Holding that “agency may flatly repudiate [prior] norms, deciding, for example, that changed circumstances mean that they are no longer required in order to effectuate congressional policy.”); *See also Rust v. Sullivan*, 500 U.S. 173, 186 (1991); *Bob Jones Univ. v. United States*, 461 U.S. 574, 596 (1983); *FCC v. Nat'l Citizens Comm. for Broad.*, 436 U.S. 775, 811 (1978); *American Trucking Ass'ns v. Atchison, Topeka & Santa Fe Ry.*, 387 U.S. 397, 416 (1967).

However, “an agency changing its course by rescinding a rule is obligated to supply a reasoned analysis for the change.” *State Farm*, 463 U.S. at 42. “Whatever the ground for the departure from prior norms, however, it must be clearly set forth so that the reviewing court may understand the basis of the agency's action and so may judge the consistency of that action with the agency's mandate.” *Atchison*, 412 U.S. at 808. We believe that the PTO has met this burden in the preamble to its proposed rule in the NPRM. It provided an explanation for, and “a reasoned analysis for the change,” sufficient to enable informed public comments as part of the record in support of the proposed rules.

2. The PTO’s proposed PTAB claim construction rule is proper because it is based on a reasonable interpretation of the statute

35 U.S.C. §§ 316(e) and 326(e) provide some specific standards to be applied in post issuance proceedings, and leave some to agency discretion. While the standard of proof for showing invalidity was explicitly specified, no claim construction standard was specified, leaving a “gap” under the *Chevron* deference to be filled by the PTO’s reasonable interpretation. This section shows that the Office’s current interpretation proposed in the NPRM is reasonable. This new “ordinary and customary meaning” interpretation supports the NPRM’s harmonization with the rule used in federal district court proceedings—claim construction “in light of the specification and prosecution history.” This harmonization is a critically necessary improvement over BRI.

Those in support of the use of BRI in PTAB proceedings often contended that the statute directs the PTO to evaluate challenged patents for patentability, not for validity, and that an evaluation for patentability is an evaluation that applies the BRI standard because the PTO has applied the BRI standard in all examinations and post-grant reexamination processes. The reference to “patentability” here is to the statute including 35 U.S.C. §§ 318(a) and 328(a), which provide that the PTAB “shall issue a final written decision with respect to the *patentability* of any patent claim challenged...” As explained below, Congress intended no distinction between “patentability” and “validity”—certainly not to the effect of prescribing BRI – and the PTO does not use only the BRI standard.

2.1 “Patentability” vs. “Validity”

Throughout the legislative process, Congress, the PTO, and its parent agency appear to have used the terms “patentability” and “validity” interchangeably to mean the same thing – meeting the Patent Act’s patentability requirements.

First, the statute itself does not use the term “patentability” exclusively. For example, Section 18(a)(1) of the AIA, which extends the scope of PGR proceedings to certain CBM patents directs the PTO to “issue regulations establishing and implementing a transitional [PGR] proceeding for review of the *validity* of [CBM] patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ *the standards and procedures of, a [PGR]* under chapter 32 of title 35, United States Code,” (emphasis added). Moreover, Section 18(a)(1)(C) of the AIA, similarly refers to a “petitioner...who challenges the *validity* of 1 or more claims. ...” (emphasis added). Because CBM is a special case of PGR, the term “validity” is equally applicable as “patentability.”

Second, the AIA legislative history on these post-issuance proceedings is replete with the term “validity” rather than “patentability.” The House Report notes that “[p]etitioners bear the burden of proving a patent is *invalid*....,” further explaining: “[u]nlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to *invalidity* under section 282. ... The

Committee believes that this new, early-stage process for challenging patent *validity* ... will make the patent system more efficient and improve the quality of patents and the patent system.”² Moreover, congressional floor statements during debates on the AIA including up to the date of its passage also show that legislators, *including the bill managers and its key sponsors*, used the term “validity” pervasively in reference to post-issuance proceedings.³

Third, in communicating with the Congress on the matter, the government also used both terms interchangeably. In his congressional testimony in support of the AIA (H.R. 1249) prior to enactment, then PTO Director Kappos explained the Administration’s position on the post-issuance review proceedings in the bill:

The Administration supports the establishment of a new post-grant review proceeding and the retooling of an existing post-grant reexamination procedure—*inter partes* reexamination. These review proceedings will serve to minimize costs and increase certainty by offering efficient and fast alternatives to litigation as *a means of reviewing questions of patent validity*. Such proceedings also will provide a check on patent examination, ultimately resulting in higher quality patents.⁴

² House Report 112-98, Part 1 (June 1, 2011), at 47.

³ See 157 Cong. Rec. S142 (daily ed. Jan. 25, 2011) (Sen. Hatch) (The Act “would improve the system for administratively challenging the *validity* of a patent at the [PTO]”); *Id.* at S951 (daily ed. February 28, 2011) (Sen. Hatch) (“The bill will also establish another means to administratively challenge the *validity* of a patent at the [PTO].”); *Id.* at S952 (Sen. Grassley) (“In addition, the bill would improve the current inter partes administrative process for challenging the *validity* of a patent.”); *Id.* at S1041 (daily ed. March 1, 2011) (Sen. Kyl) (“The present bill imposes higher thresholds, requiring a reasonable likelihood of *invalidity* for inter partes review, and more-likely-than-not *invalidity* for post-grant review.”); *Id.* at S1097 (daily ed. March 2, 2011) (Sen. Hatch) (“The pending legislation also provides a new postgrant review opposition proceeding to enable early challenges to the *validity* of patents.”); *Id.* at S1111 (Sen. Leahy) (“[I]t creates a less costly, in-house administrative alternative to review patent *validity* claims.”); *Id.* at S1326 (daily ed. March 7, 2011) (Sen. Sessions) (“By raising the threshold for starting an inter partes review to a showing of a ‘reasonable likelihood’ that a patent is *invalid*, the bill will allow the PTO to avoid accepting challenges that were unlikely to win in any event.”); *Id.* at S1352 (daily ed. March 8, 2011) (Sen. Udall) (“Inter partes reexamines a proceeding at the Patent Office that allows for the *validity* of a patent to be challenged in an administrative proceeding.”); *Id.* at S1374-5 (Sen. Kyl) (“In addition, the bill creates a new post-grant review in which a patent can be challenged on any *validity* ground during the first nine months after its issue.”); *Id.* at S3768 (daily ed. June 14, 2011) (Sen. Leahy) (“Section 18 of H.R. 1249 provides for a tailored pilot program which would allow patent office experts to help the court review the *validity* of certain business method patents using the best available prior art as an alternative to costly litigation.”); *Id.* at S5326 (daily ed. Sept. 9, 2011) (Sen. Leahy) (“The bill will also improve upon the current system for challenging the *validity* of a patent at the PTO.”).

⁴ *America Invents Act*. Hearing on H.R. 1249 before the Subcommittee on Intellectual Property, Competition, and the Internet of the House Committee on the Judiciary, 112th Cong. 1st Sess. (March 30, 2011), at 48 (emphasis added).

Similarly, in a May 31, 2011 letter to Chairman Smith supporting the AIA, then Secretary of Commerce Gary Locke repeated essentially the same paragraph above with the term “validity” and added that the “bill also establishes a time-limited transitional post-grant review proceeding which would enable the USPTO, upon petition, to review the *validity* of a limited range of business method patents”⁵

2.2 The PTO does not use BRI when claims are ineligible for amendment

The PTO already uses the “ordinary and customary meaning” (*Phillips*) standard in some proceedings and neither the 2012 nor 2018 NPRM identify any difficulties in using the standard that differs from the BRI. When a patent has expired (but is still being reexamined in a dispute on its pre-expiration validity), the claims are ineligible for amendment; the PTO then uses the narrower interpretation as in federal courts. The PTO’s Manual of Patent Examining Procedure (“MPEP”) § 2258 I.G explains:

In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005) (words of a claim “are generally given their ordinary and customary meaning” as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claim [sic] are not subject to amendment. See *Ex parte Papst-Motoren*, 1 USPQ2d 1655 (Bd. Pat. App. & Inter. 1986).

A precursor to this provision first appeared in the MPEP in 1986.⁶ So the PTO has not uniformly used the BRI as one single standard. Indeed, it recognized that “[o]nce the patent expires, a *narrow* claim construction is applied.” MPEP § 2666.01 (emphasis added). The PTO has long accepted and applied the principle explained further in Section 2.4 — that the BRI is only appropriate when the patent holder has full rights to amend the claims successively *throughout* the proceeding at the PTO.

2.3 Issued patent claims should be construed under a single and uniform standard – the one used in federal courts

Under the Patent Act, an *issued* patent is presumed valid, 35 U.S.C. § 282, and “shall have the attributes of personal property.” 35 U.S.C. § 261. That property is defined by a boundary set by the scope of the patent claims. *In re Vamco Mach. & Tool, Inc.*, 752 F.2d 1564, 1577 n.5 (Fed. Cir. 1985) (“claims are not technical

⁵ Letter of Commerce Secretary Gary Locke to House Judiciary Committee Chairman Lamar Smith, (May 31, 2011), at 3.

⁶ MPEP § 2258, 5th edition Rev. 4 (Oct 1986) (“In reexamination proceeding involving claims of an expired patent, which are not subject to amendment, a policy of liberal (i.e. narrow) construction should be applied. Such a policy favors a construction of a patent claim that will render it valid, i.e., a narrow construction, over a broad construction that would render it invalid. See *In Re Papst-Motoren*, 1 USPQ 2d 1659 (Bd. Pat. App. Inter. 1986).”)

descriptions of the disclosed inventions but are legal documents like the descriptions of lands by metes and bounds in a deed which *define the area* conveyed but *do not describe the land.*”) (Emphasis in original). Therefore, the metes and bounds of the claim “must be precise enough to afford clear notice of what is claimed, thereby apprising the public of what is still open to them. Otherwise there would be a zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims.” *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (quotations and citations omitted). Thus, there can be only one “property line” for an issued patent claim that delineates it from the property of others or the public under § 261. The extent of an item of personal property cannot vary depending on which tribunal is adjudicating its boundaries.

Because an issued patent claim defines the *unique* boundary of the scope of an item of personal property, 35 U.S.C. § 261, only one claim construction can be applicable in adjudicating that property right. And that *single* interpretation must be applied in infringement analysis as well as in invalidity analysis. A patent claim is not “like a nose of wax, which may be turned and twisted in any direction ... for the purpose of changing it, and making it different from what it is.” *White v. Dunbar*, 119 U.S. 47, 51-52 (1886); *In re Cuozzo Speed Techs., LLC.*, 793 F.3d at 1305 (Fed. Cir. 2015) (Newman, J., dissenting) (“Claims of issued patents are construed the same way for validity as for infringement; no precedent, no practical reality, authorizes or tolerates a broader construction for one than the other.”) The single claim construction doctrine for issued patents must be that used by the courts. Whether in the courts or at the PTAB, an issued claim interpretation method that results in a construction for invalidity analysis that differs from that used in infringement analysis is inconsistent with § 261 of the Patent Act.

In construing patent claims, courts evaluate the claims, the specification, the prosecution history, and possibly extrinsic evidence—all in an effort “to determine what ‘the applicant *regards* as his invention.” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312, 1314-19 (Fed. Cir. 2005) (en banc) (quoting 35 U.S.C. § 112 ¶ 2, emphasis added). Under this standard, “words of a claim are generally given their ordinary and customary meaning” as understood by a person of ordinary skill in the art in question at the time of the invention. *Id.*

2.4 The “ordinary and customary meaning” standard is appropriate because post-issuance proceedings are adjudicatory, not examinational

Post-issuance proceedings are not *examinational*. They are quintessentially *adjudicative*:⁷ a proceeding begins with a “petition”⁸ filed by a challenger of a

⁷ House Report, 112-98, Part 1, at 46. (“The Act converts inter partes reexamination from an *examinational* to an *adjudicative* proceeding, and renames the proceeding “inter partes review.”); *Id.* at 75 (The AIA enacts “new chapters 31 and 32, which create *adjudicative* systems of post-grant and inter partes reviews.”); *See also* 157 Cong. Rec. S1041 (daily ed. March 1, 2011) (Sen. Kyl) (Senators “recommended that the Patent Office

patent's validity, followed by "opposition,"⁹ proceeds through "discovery"¹⁰ and "taking testimony"¹¹ subject to the Federal Rules Of Evidence,¹² is determined through a "trial" before "judges"¹³ who entertain "motion" practice¹⁴ and hear "oral argument."¹⁵ The judges may award attorney's fees;¹⁶ end the proceeding in a "settlement"¹⁷ or a "judgment,"¹⁸ which unless appealed to the Federal Circuit's deferential review, is final and enforceable. 35 U.S.C. §§ 141(c), 319, and 329. Thus, as in federal court proceedings, the PTAB renders only one decision on the unpatentability (invalidity) of the challenged claims, after which the patent owner has no right to amend the patent claims (or to seek a trial *de novo* in federal district court), as would be the case in examination, reexamination or reissue. As the PTO itself recognized, "[a]n inter partes review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation." *Google, Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50, at 4 (P.T.A.B. Feb. 13, 2014). Federal courts, including the Federal Circuit, interpreted the statute the same way. See *Wisconsin Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 873 (W.D. Wis. 2015) ("An IPR proceeding is not an examination by a patent examiner in which a decision is made about the scope and validity of a patent. It is an *adjudicative* proceeding during which [the] PTAB [makes that determination].") (emphasis added); *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed.Cir.2013) ("The purpose of this [AIA] reform was to 'convert[] inter partes reexamination from an examinational to an *adjudicative* proceeding'") (citation omitted, emphasis added); *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1298 (Fed. Cir. 2017) ("In an IPR, a third party may petition the Director to review previously-issued patent claims in an *adjudicatory* setting.") (emphasis added).

It is well established that the BRI standard is *not* a standard for construing claims of issued patents in a judicial tribunal but is rather an *examination tool* used only

be allowed to operate inter partes reexamination as an ***adjudicative*** proceeding, where the burden of proof is on the challenger and the office simply decides whether the challenger has met his burden. The present bill makes this change, repealing requirements that inter partes be run on an *examinational* model and allowing the PTO to adopt an ***adjudicative*** model."); *Id.* at S1326 (daily ed. March 7, 2011) (Sen. Sessions) (The bill "allows inter partes reexamination to be run as an ***adjudicative*** system, and elevates the threshold for starting post-grant proceedings.");

⁸ 37 C.F.R. § 42.22

⁹ *Id.* at § 42.23

¹⁰ *Id.* at § 42.51

¹¹ *Id.* at § 42.53

¹² *Id.* at § 42.62

¹³ 35 U.S.C. § 6

¹⁴ 37 C.F.R. §§ 42.22, 42.64

¹⁵ *Id.* at § 42.70

¹⁶ *Id.* at § 42.12(b)(6).

¹⁷ *Id.* at § 42.74

¹⁸ *Id.* at § 42.73

by the Office when the applicant can amend the claims *successively* “in order to achieve a complete *exploration* of the applicant’s invention and its relation to the prior art.”¹⁹ The examination process is iterative, requiring about 2.5 Office actions per disposal on average.²⁰ “The patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented.” *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007).

Congress also recognized that additional iterations for examination and claim amendments may be required and provided for continued examination of applications in 35 U.S.C. § 132(b). Similarly, *inter partes* reexamination was a *bona fide* examination process permitting multiple opportunities to amend the claims,²¹ including additional opportunities in certain circumstances by filing a Request for Continued Reexamination (“RCR”).²² Even at the last potential stage after examination or reexamination, if the Appeal Board issues a new rejection on appeal, prosecution is reopened with *full* rights to amend the claims again. 37 C.F.R. §§ 41.50(a)(2)(i), 41.50(b)(1) and 41.77(b). Indeed, as in regular examinations, a “complete exploration of the applicant’s invention and its relation to the prior art” was possible during *inter partes* reexamination. Therefore, the BRI standard is appropriately applied in reexaminations.

The Supreme Court in *Cuozzo*, acknowledged that “these adjudicatory characteristics ... make these agency proceedings similar to court proceedings” but noted that “in other significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 136 S. Ct. at 2143. However, the Court did not deprecate the notion that the *patent* per se is *not* reexamined in IPR as it would be in an iterative reexamination proceeding. Rather, the court used the term “reexamination” to mean something else: “namely, to *reexamine* an earlier agency *decision*” because “the proceeding offers a *second look* at an earlier *administrative grant* of a patent.” *Id.* at 2144 (emphasis added). In

¹⁹ *In re Zletz*, 893 F.2d 319, 321-322 (Fed. Cir. 1989) (“During patent examination the pending claims must be interpreted as broadly as their terms reasonably allow. When the applicant states the meaning that the claim terms are intended to have, the claims are examined with that meaning, *in order to achieve a complete exploration* of the applicant’s invention and its relation to the prior art. ... An essential purpose of patent examination is to fashion claims that are precise, clear, correct, and unambiguous. Only in this way [using BRI] can uncertainties of claim scope be removed, as much as possible, during the administrative process,” internal citation and quotations omitted, emphasis added); see *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969) (“*before* the application is granted, there is no reason to read into the claim the limitations of the specification. The reason is simply that during patent prosecution when claims *can be amended*, ambiguities should be recognized, *scope and breadth of language explored*, and clarification imposed,” internal citation and quotations omitted, emphasis added).

²⁰ See <https://www.uspto.gov/corda/dashboards/patents/kpis/kpiActions.kpixmap>.

²¹ Even after final rejection or action closing prosecution, claim amendments necessitated by the new rejection can be made. 37 C.F.R. § 1.116.

²² MPEP § 2440(II), Second or Subsequent Request Filed During Reexamination.

other words, it is the prior agency *decision* that is being “reexamined” – not the *patent*, as no reexamination procedure with iterative rejections and amendments takes place “in order to achieve a complete *exploration* of the applicant’s invention and its relation to the prior art.” *In re Zletz*, 893 F.2d at 321. It is possible to “*examine*” a prior PTO *decision* in view of new facts without opening the patent for “reexamination” (as that term is used *at the PTO*) – that is what courts do.

Unlike the collaborative process in examinations and reexaminations where applicants are allowed to amend claims freely and frequently as well as propose new claims, the patentee in IPR or PGR is limited to only “one motion to amend the patent,” 35 U.S.C. § 316(d)(1) – a motion which may or may not be granted. The right to amend the claims in that one motion is illusory, as such amendment of claims is presumptively limited to cancellation or substitution of claims of no broader scope — a practice that historically has allowed amendment only one out of eight times.²³

In any event, the patentee has no opportunity to further amend the claims in response to new arguments or new evidence *later* advanced by the petitioner or by the PTAB, as the rules permit. These post issuance proceedings surely provide no opportunity for “a complete *exploration* of the applicant’s invention and its relation to the prior art.”

Because a great majority of post-issuance trials operate along with federal district court litigation²⁴—as the statute requires for virtually all transitional CBM patent reviews—they effectively constitute adjudications dealing with the validity part of a concurrent patent infringement suit. Under the existing BRI standard, the patentee’s claims are construed broadly in the validity part and more narrowly in the infringement part, prejudicing the rights of the patentee and creating a substantive conflict that Congress did not intend.

In contrast, harmonizing the claim construction standard with that used in federal courts ensures balance and fairness: alleged infringers seeking to invalidate asserted claims by interpreting them broadly, do so at the risk of subsuming their alleged infringing products within the scope of the claims. Conversely, patent holders asserting broad interpretation of their claims in infringement cases, do so at the risk of their interpretation covering the prior art and thereby invalidating their patent claims.

In conclusion, the use of the “ordinary and customary meaning” claim construction standard is consistent with the statutory text, and is at least as consonant with the

²³ E.C. Cook, D.F. Klodowski, D.C. Seastrun, “Claim and Case Disposition,” *AIA Blog*, (Finding that as of June 1, 2018, 12.66% of motions for substitute claims were denied). At www.finnegan.com/en/america-invents-act/claim-and-case-disposition.html.

²⁴ 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) (About 87% of patents at issue in post-issuance trial proceedings also litigated in the federal courts).

legislative history (if not more so). These proceedings should therefore apply the *Phillips* framework for claim construction, as the NPRM proposes.

3. The PTO should factor in adverse effects described in the public comments to inform its consideration of the effect of the proposed rule

35 U.S.C. §§ 316(b) and 326(b) require that, “[i]n prescribing regulations under this section, the [PTO] shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” The NPRM states, at 21,223, that the “Office has carefully considered ‘the effect of [the proposed] regulation’” on the above statutorily enumerated elements, and that the rule would meet the PTO’s goal “to implement a fair and balanced approach, providing greater predictability and certainty in the patent system.” We agree. However, the PTO should collect all public comments, such as ours below, and include them in its considerations of record.

The current state of using the BRI has real and adverse consequences. For example, it results in a shift of the burden onto the patent holder to overcome a rebuttable presumption that there must be a BRI that is broader than that used in district court. See, e.g., *Jack Henry and Associates, Inc. v. Datatrans Corp.*, CBM2014-00056, Paper No. 17 at 6 (July 10, 2014) (“Petitioner argues that the district court’s interpretation should be adopted, but provides no persuasive analysis as to how the term is to be interpreted under the broadest reasonable interpretation standard, which is different from the standard used by a district court.”) (emphasis added).

The current rule results in petitioners asserting far broader constructions than they would advocate in court, without any estoppel effect because of the different claim construction standards. See, e.g., *PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, 815 F.3d 734, 743 (Fed. Cir. 2016) (“Under the Board’s construction, there is no requirement of consistent or continuous contact through the post and the nut. Because the Board’s construction does not include this additional temporal limitation, it is broader than PPC Broadband’s proposed construction. Thus, while the Board’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.’”) Similarly in *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1328 (Fed. Cir. 2015), a post-grant review proceeding involving a covered business method patent, the PTO rejected the district court’s construction in favor of a construction under the BRI, which resulted in a finding of invalidity.

The BRI claim construction standard underlying PTAB decisions has contributed to measurable and real disparity and inconsistency with federal court decisions. Controlling for confounders due to selection effects, researchers have recently shown empirical evidence that invalidation rates at the PTAB are substantially and

significantly higher than those in the courts.²⁵ A more direct sample comparison on a patent by patent basis is telling.²⁶ In a study of PTAB and court cases decided prior to October 30 2017, of the patents that were subject to invalidity proceedings both at the PTAB *and* in the courts, and which the court upheld their validity, 76 percent were adjudged at the PTAB as having one or more claims invalid.²⁷ The proposed rule will rectify much of this unfair disparity.

Under 35 U.S.C. §§ 316(a)(4) and 326(a)(4), the Office must prescribe regulations establishing and governing IPR, PGR, and CBM proceedings and the relationship of such review to other proceedings, including civil actions to invalidate a patent under 35 U.S.C. 282(b). Under the proposed regulations, that relationship would be fully harmonized under identical claim construction standards. Because for a given patent, validity decisions at the PTAB and the courts would address the identical legal issue, the district courts' decisions will be conclusive as to *that* legal issue. This would give effect to an important policy objective of judicial efficiency and repose would be given effect to preserve the finality of judgement of a court of last resort. In *Allen v. McCury*, the Supreme Court stated that finality "relieve[s] parties of the cost and vexation of multiple lawsuits, conserve[s] judicial resources, and, by preventing inconsistent decisions, encourage[s] reliance on adjudication." 449 U.S. 90, 94 (1980) (citing *Montana v. United States*, 440 U.S. 147, 153-54 (1979)). Allowing the PTAB under current rules to undo the finality of a judicial court's decision between the same parties seldom serves these economic and judicial efficiency goals, and raises a question of separation of powers.

Harmonizing the claim construction standards would moot the separation of powers question and would eliminate the extraordinary "fluctuating" authority, not present in Article III courts, with which the PTO empowers itself to choose, in response to a motion by a litigant, which claim construction standard the PTAB would apply – the BRI or that employed by the courts. See 37 C.F.R. § 42.100(b), 42.200(b), and 42.300(b) (A party may request a district court-type claim construction by a motion

²⁵ Gregory Dolin and Irina Manta, "Taking Patents," *73 Wash. & Lee L. Rev.* 719 (2016); .

²⁶ *Compare* Special Verdict at 7, *Paice LLC v. Hyundai Motor Co.*, No. 1:12-cv-499-MJG (D. Md. Oct. 7, 2015), ECF No. 756 (finding no invalidity), *with Ford Motor Co. v. Paice LLC*, No. IPR2014-00904, 2015 WL 8536745 (P.T.A.B. Dec. 10, 2015) (invalidating claims); *Compare* Orders, *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-9-RGA (D. Del. Aug. 28 and Nov. 5, 2014), ECF Nos. 361, 453 (denying pre- and post-trial motions for finding of invalidity), *with ZTE Corp. v. IPR Licensing, Inc.*, No. IPR2014-00525, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2014) (invalidating claims); *Compare Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 24-25 (Fed. Cir. 2012) (affirming jury verdict rejecting invalidity), *with Google, Inc. v. Whitserve LLC*, No. IPR2013-00249, 2014 WL 4537504 (P.T.A.B. Sept. 9, 2014) (invalidating claims).

²⁷ Josh Malone & Steve Brachmann, "PTAB, Patent Trolls, Bad Patents, and Data: A Wakeup Call to AIA Apologists," *IPWatchdog (October 30, 2017)* (Finding that 200 of 263 patents found not invalid in federal court were adjudged as having one or more claims invalid at the PTAB).

within 30 days from the filing of the IPR petition). No Article III court is vested with such plenary authority. The Supreme Court has long held claim construction in view of the specification, drawings and prosecution history as mandatory. *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 217, 220-21 (1940).

4. The amended claim construction rule should also apply to derivation proceedings

In what might have been an oversight, the PTO had omitted from the NPRM the parallel adoption of its new claim construction rule for derivation proceedings under 35 U.S.C. § 135(a), pursuant to 37 C.F.R. Part 42, Subpart E. Because issued patents involved in derivation proceedings at the PTO may also be subject to litigation in federal court, claim construction in derivation proceedings should also be harmonized with that used in federal court. In addition, issued patents may undergo derivation proceedings in federal district court under 35 U.S.C. § 291(a) “by civil action against the owner of another patent that claims the same invention.” The claim construction standard in such court proceedings follows the framework set forth in *Phillips*. Because such patents, or their related family counterparts, may also be subject to PTAB derivation proceedings under 35 U.S.C. §§ 135(a), uniformity and consistency in interpreting their claims requires that the PTAB use the *Phillips* “ordinary and customary meaning” framework in derivation.

The current rules require a petitioner to provide a claim construction for every disputed claim in a derivation proceeding. § 42.405(b)(3)(ii). The PTO should amend this rule, or provide in another rule, a clarification that the claim construction standard to be applied is the *Phillips* framework.

5. Conclusion

For the forgoing reasons, IEEE-USA supports the PTO's proposal to amend the PTAB claim construction rules to harmonize them with the standard used in the federal courts.

IEEE-USA thanks the PTO for considering these comments in crafting its rules. We would welcome any further discussions with the Office on these matters.

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