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October 26, 2015

VIA EMAIL

The Honorable Michelle K. Lee  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
United States Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

**Re: Response to the Request for Comments on the “Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews,” 80 Fed. Reg. 51540 (Aug. 25, 2015)**

The following comments are submitted on behalf of Nokia Technologies Oy and Nokia USA Inc. (collectively, “Nokia”) regarding the USPTO’s Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews (“IPR Pilot Program”).

## **I. INTRODUCTION**

Nokia is a global leader and innovator in the telecommunications equipment and services industry. The Nokia group of companies have cumulatively invested over \$70 billion in research and development relating to mobile communications. As a result of this substantial commitment, Nokia currently owns more than 10,000 patent families. Nokia continues to invest heavily in research and development and to license and expand its industry-leading patent portfolio. For example, Nokia continues to develop and license innovations that are powering the next revolution in computing and mobility: the “programmable world” where intelligent connections bring

millions of everyday objects online. This work includes a team of experts in areas including digital healthcare, digital multimedia, imaging and sensing, wireless connectivity and power management, advanced materials, and others. Nokia submits these comments in order to advocate for IPR proceedings that are fair to both patent owners and petitioners.

## **II. RESPONSE TO QUESTIONS**

### **A. Question 1: Should the USPTO conduct the single-APJ institution pilot program as proposed herein to explore changes to the current panel assignment practice in determining whether to institute review in a post grant proceeding?**

Nokia believes that the USPTO should institute the IPR Pilot Program with one important modification, as discussed below in response to Question 2. Nokia believes that the IPR Pilot Program will be advantageous because it will help assess whether the current system creates an inherent judicial bias against patent holders.

Under the current system, the same three APJs are on the panel at both the institution and trial stages and form their initial impressions regarding the strength of an invalidity challenge at the institution stage. At the institution stage, APJs must rely solely on the IPR petition and a potential preliminary response from the patent owner. According to USPTO statistics, approximately 20% of patent owners waive the preliminary response, and those that do file a preliminary response do not have a fully developed evidentiary record on which to rely. As a result, APJs form their initial beliefs regarding invalidity based on an incomplete record that heavily favors the patent challenger. Once APJs have decided to institute an IPR against certain patent claims, those APJs have already formed a belief on the merits of the case based on the incomplete record. This creates an inherent bias against the patent owner at the subsequent trial stage because the APJs are susceptible to being influenced by beliefs based on the incomplete, biased record that exists at the institution stage.

The IPR statistics available on the USPTO's website give the appearance of an unfair procedure that is unfavorably disposed toward patent owners, and strongly suggest that there is a bias created when the same APJs preside over both the institution and trial stages. As of September 30, 2015, out of the 575 IPR trials that have reached final written decisions, some or all of the challenged claims were invalidated in 499 decisions – an invalidity rate of almost 87%. These statistics suggest a severe bias against patent owners following institution; APJs have changed their mind on validity in only 13% of the cases reaching a decision. Having different APJs at the trial stage, who were not involved in the institution decision, will allow the trial judges to freshly consider a complete, balanced record when forming their opinions on validity and thus avoid any risk of bias like that present in the current procedure, as well as present a better appearance of fairness in the procedures being used.

**B. Question 2: What are the advantages or disadvantages of the proposed single-APJ institution pilot program?**

The advantages of the IPR Pilot Program are discussed above in response to Question 1. The disadvantages of the planned IPR Pilot Program are that there will only be one APJ at the institution stage and that there will remain potential bias at the trial stage due to the overlapping APJ. Having a single APJ at the institution stage and no right to appeal an institution decision appears to be prejudicial to patent owners, as there would be no check on the single APJ's decision. Nokia proposes the continued use of a three-APJ panel at the institution stage. A three-judge panel should offer more consistent decisions than a single APJ, as an eccentric institution opinion by one APJ can be overruled by the other two APJs. Having three different perspectives on the institution decision makes the process less arbitrary and more likely to produce consistent, reliable results.

In addition, Nokia submits that the optimal procedure would be for there to be no overlap between the three APJs on the institution panel and the three APJs on the trial panel. This would

avoid the bias issues addressed above by allowing the entire trial panel to form their validity opinions based on a fresh review of the complete, unbiased record. Under the proposed IPR Pilot Program, the single APJ that rules on the institution decision would likely be more vocal early in the decision process at the trial stage because that APJ would have already written a decision at institution. There is a risk that the two APJs added at the trial stage would defer to the APJ that had already conducted the initial analysis, and thereby be influenced by any bias created during the institution stage. This problem is exacerbated by the fact that the IPR Pilot Program currently provides for the overlapping APJ to serve as the Chief Judge. Although this may provide some procedural benefits to the PTAB, it makes it more likely that any bias formed by the APJ at the institution stage would improperly influence the trial stage. Having the trial stage conducted by three different APJs that were not involved in the institution decision removes the threat of such bias and makes it more likely that the patent owner's positions will be fully considered with an open mind not tainted by consideration of the biased record at institution. Utilizing two separate three-judge panels at the institution and trial stages will therefore more effectively measure whether the current IPR process leads to inherent judicial bias, as there would be a total elimination of any overlapping judges that may bring certain biases with them from the institution stage. Additionally, this is the procedure that is proposed in one of the legislative bills that is currently in front of Congress. It makes sense for the USPTO to try out this procedure in the IPR Pilot Program to create a factual record regarding the viability of such an approach before Congress makes the decision on whether such an approach is mandatory.

In the event the USPTO elects not to have three new judges at the trial stage, Nokia submits that the one overlap judge should not be the Chief Judge. This will help minimize the impact of any bias formed by the APJ during the institution stage.

**C. Question 3: How should the USPTO handle a request for rehearing of a decision on whether to institute trial made by a single APJ?**

Nokia submits that the USPTO should always allow for rehearing of a decision on whether to institute trial if that decision is being made by a single APJ. As discussed above in response to Question 2, allowing a single APJ to decide whether to institute trial without providing for review of that APJ's decision is prejudicial, as there is no check on the single APJ's decision. Providing for rehearing of the single APJ's institution decision would provide a much-needed check on a single APJ's decision-making, which will improve uniformity and consistency among decisions. Thus, if the USPTO decides to institute a single-APJ institution proceeding, the USPTO should allow for the losing party at the institution stage to immediately request a rehearing of the institution decision. If the trial was instituted by the single APJ, the rehearing should take place before the trial begins. The rehearing should be conducted by a panel of three APJs that does not include the APJ that made the initial institution determination, so as to eliminate the presence of any bias against the losing party that may be present in the mind of the APJ that made the institution decision. This panel should be able to make an initial determination as to whether a rehearing is warranted. If the panel determines that rehearing is warranted, it should then rehear both parties' evidence and arguments and determine whether the decision to institute or not institute trial was correct. If the rehearing panel decides that institution of a trial is warranted, the three APJs on that panel should not be involved in the trial, as this would only lead to the type of bias discussed above in response to Question 1.

Nokia notes that, while it does support allowing rehearing of the single APJ's institution decision, this rehearing procedure will build in more delay to the IPR process, thereby favoring petitioners and disfavoring patent owners. Therefore, Nokia maintains that it makes more sense

to simply use a three-judge panel at the institution stage from the outset, as proposed above in response to Question 2.

**D. Question 4: What information should the USPTO include in reporting the outcome of the proposed single-APJ institution pilot program?**

When reporting the outcome of the proposed single-APJ institution pilot program, the USPTO should provide the specific number of petitions, institutions, trials, and final decisions that occurred under the program. The USPTO should also report the total number of claims challenged in petitions under the program, as well as the total number of claims invalidated. Additionally, in trials that reach final decisions, the USPTO should report how often the single overlap APJ voted to invalidate one or more of the challenged claims, compared to how often the other two non-overlapping APJs did so. That way, interested parties can determine whether the current IPR system does indeed create a bias against patent owners. Further, if the USPTO decides to allow for rehearing of an institution decision, it should report the number of requests for rehearing, the number of rehearings that took place, the outcome of those rehearings, and the size of each rehearing panel.

If the USPTO decides to utilize two separate three-APJ panels at the institution and trial stages, as proposed above, the USPTO should report the specific number of petitions, institutions, trials, and final decisions that occurred. The USPTO should also report the total number of claims challenged and invalidated. Additionally, the USPTO should report how each of the three APJs on the institution panel voted regarding whether to institute trial. In trials that reach final decisions, the USPTO should report how each of the three APJs on the trial panel voted regarding the validity of the challenged claims. This will allow comparisons between the views held by the institution panel and the trial panel to better assess the extent to which an inherent bias exists.

**E. Question 5: Are there any other suggestions for conservation and more efficient use of the judicial resources at the PTAB?**

Nokia submits that the USPTO should also reconsider its position regarding the burden of proof and claim construction standard applied in IPR proceedings as part of the Pilot Program. Specifically, Nokia submits that APJs should apply the same clear and convincing evidence standard applied by district courts with respect to all claims that have not been amended during the IPR proceedings. This standard should be applied both at the institution and final hearing stages. Unlike the prior reexamination proceedings, IPRs are adjudicative proceedings like litigation and should therefore have the same standards as used by district courts. IPR proceedings very often involve parallel district court litigation. Patent owners should not have to face the untenable situation in which the validity of their patents is judged using a more lenient preponderance of the evidence standard in IPR proceedings, while validity of the same patents is judged under a stricter clear and convincing evidence standard in district court litigation. Nor should petitioners have an unfair advantage when adjudicating the validity of a patent in an IPR proceeding. IPR proceedings are supposed to be a fair, less expensive alternative to costly litigation. They are not supposed to make it easier for accused infringers to invalidate patents. Moreover, in IPR proceedings, as in district court litigation, patents are entitled to a presumption of validity. Allowing petitioners to cancel patents based on a more lenient preponderance of the evidence standard does violence to this presumption. Therefore, the PTAB should utilize the clear and convincing evidence standard at both the institution and final hearing stages of IPR proceedings.<sup>1</sup>

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<sup>1</sup> If the patent owner amends the claims during the IPR, Nokia agrees that it is appropriate to use a preponderance of the evidence standard.

For similar reasons, Nokia submits that the PTAB should apply the same standard for claim construction that is used by district courts. That standard looks to the ordinary meaning of a claim term in construing its meaning, and does not use the “broadest reasonable construction” approach. The PTAB should apply the narrower approach because, unlike reexamination proceedings, there is very little opportunity to amend claims during an IPR proceeding. As noted above, an IPR proceeding is adversarial in nature and is intended as a lower cost alternative to litigation. It does not make sense to evaluate validity using a construction of a claim that is broader than the construction that would be afforded in litigation unless the patent owner has wide latitude to amend the claims during the IPR proceeding. The current amendment provisions lack such latitude. Accordingly, the PTAB should construe the claims according to the same plain and ordinary meaning standard applied in district court.

Sincerely,

A handwritten signature in blue ink that reads "John D. Haynes". The signature is written in a cursive style with a horizontal line underneath the name.

John D. Haynes