

21C

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

www.patentsmatter.com

The Coalition for 21st Century Patent Reform’s Comments in Support of “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board”

The Coalition for 21st Century Patent Reform (“21C”) is a diverse coalition of American innovators and manufacturers. Its Steering Committee members, each of whom supports these comments, include 3M Company, Bristol-Myers Squibb, Caterpillar Inc., General Electric Company, Johnson & Johnson, Eli Lilly and Company, United Technologies Corporation, and Procter & Gamble Co. 21C’s full membership includes nearly 40 members representing a broad range of industries, including manufacturing, information technology, consumer products, energy, financial services, medical devices, pharmaceutical, and biotechnology.

Our members came together to form 21C in 2007, and have continued to support 21C since that time, because they share a deep and abiding interest in a well-functioning United States patent system. For decades, 21C companies have relied on U.S. patents to protect their inventions and have invested heavily in their creation, development and commercialization. 21C companies also license patents to and from others in furtherance of their business activities, and, when necessary, assert their patents against infringers and/or defend themselves against patents asserted against them.

21C strongly supports the proposed rulemaking of the United States Patent and Trademark Office (“USPTO”) that would replace the “Broadest Reasonable Interpretation” standard now used to construe patent claims in Inter Partes Reviews (“IPRs”), Post-Grant Reviews (“PGRs”), and Covered Business Method Proceedings (“CBMs”). Using the “*Phillips* standard” would require these claims to “be construed using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. § 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.”

21C believes that a strong U.S. patent system is essential to American innovation and is the key to the future prosperity of our country. As Thomas Friedman has written, the country that “endows its people with more tools and basic research to invent new goods and services is the

The Coalition for 21st Century Patent Reform represents 18 diverse industry sectors and includes many of the nation’s leading manufacturers and researchers. The coalition’s steering committee includes 3M Company, Bristol-Myers Squibb, Caterpillar Inc, General Electric Company, Johnson & Johnson, Eli Lilly and Company, United Technologies Corporation, and Procter & Gamble Co. For more information, visit <http://www.patentsmatter.com>.

one that will not just survive but thrive down the road. . . . We might be able to stimulate our way back to stability, but we can only invent our way back to prosperity."¹

Regrettably, the U.S. patent system has not fared well over the past decade. As USPTO Director Andrei Iancu has explained:

[T]oday, our patent system is at a crossroads. For more than just a few years, our system has been pushed and pulled, poked and prodded. The cumulative result is a system in which the patent grant is less reliable today than it should be. This onslaught has come from all directions. There has been major reform legislation, and proposed legislation. There have been massive changes brought about by major court cases. And the USPTO itself has taken a variety of actions in an effort to implement these changes. Plus, importantly, the rhetoric surrounding the patent system has focused relentlessly on certain faults in, or abuses of, the system—instead of the incredible benefits the system brings to our nation.²

21C agrees with Director Iancu that the importance of restoring high quality, reliable U.S. patent protection is a fundamental question of national innovation policy that should be a bipartisan priority deserving of immediate attention in all three branches of our government. If done right, patent reforms will stimulate the private sector to invest in innovation, economic development and job growth.

Created by the American Invents Act (AIA) and begun in 2012, IPRs and the other post-issuance review proceedings were intended to be faster, lower cost alternatives to district court litigation. The concept was that members of the public could request the USPTO Director to decide whether a newly created board of administrative law judges within the USPTO (the "PTAB") should consider the limited issue of whether a patent's claims were anticipated or made obvious by reason of the disclosure(s) of newly cited prior patents or printed publications. Congress envisioned that, if properly instituted by the Director, these proceedings would be fair, expeditious and inexpensive. If so, more expensive district court litigation might be avoided. Importantly, Congress never intended that IPRs would be tilted against patent owners or would make it much easier to invalidate patents than ever before.

Unfortunately, as implemented by the USPTO, IPRs have not fully provided the benefits envisioned by their supporters, 21C included, and many stakeholders argue they are achieving just the opposite results. Instead of being an alternative to district court litigation, the vast majority of all filed IPRs are adjuncts to already pending litigation, often extending the course of that litigation by 2 years or more and running up the total cost of patent enforcement and defense. Moreover, the unduly high rates of petition grants and adverse merit determinations have undermined confidence in the U.S. patent system and its ability to incentivize innovation,

¹ Friedman, Thomas L., "Invent, Invent, Invent," New York Times, June 27, 2009

² "Role of U.S. Patent Policy in Domestic Innovation and Potential Impacts on Investment," Keynote Address, April 11, 2018, <https://www.uspto.gov/about-us/news-updates/remarks-director-andrei-iancu-us-chamber-commerce-patent-policy-conference>

investment and job creation.³ One of the causes of these problems stem from the use of different standards and burdens in PRG, IPR and CBM proceedings than in district court and U.S. International Trade Commission patent infringement actions, including using the so-called “broadest reasonable interpretation” of a patent claim rather than the “Phillips” standard used in courts. Accordingly, adoption of the Phillips standard for claim construction would be an excellent first step towards increasing the predictability and reliability of issued U.S. patent claims.

Since the inception of PGR, IPR and CBM proceedings, 21C has consistently advocated that the issued patent claims challenged in them should be interpreted using the same standards in the USPTO as that used in the courts. See “Why It Is Inappropriate to Use the “Broadest Reasonable Interpretation” (“BRI”) for Patent Claims in Post-Grant Review, Inter Partes Review, and Covered Business Method Proceedings;” see also “Why The PTO’s Use of the Broadest Reasonable Interpretation of Patent Claims in Post-Grant and Inter Partes Reviews Is Inappropriate Under the America Invents Act,” both available at www.PatentsMatter.com. 21C’s view is grounded on its belief that it makes no sense to have the scope of an important property right interpreted one way before the USPTO and another way in the federal district courts. Uniformity in the construed scope of issued U.S. patent claims will improve predictability and reduce the possibility of inconsistent results which now induces the filing of serial challenges intended to exploit the differences in standards between the USPTO and the federal courts.

Unfortunately, switching to the *Phillips* standard will not alone restore the reliability and confidence needed in our issued U.S. patents. Additional steps also need to be taken to provide more predictable and balanced outcomes in IPR, PGR and CBM proceedings. However, harmonizing the claim construction standard used to interpret issued claims in the PTAB, courts and the International Trade Commission is a long-awaited and most welcome first step. 21C applauds the PTO for its proposed rule and strongly supports its adoption.

³ The US Chamber of Commerce’s 2018 report shows the United States dropping to number 12 in patent rankings, largely driven by the uncertainty caused by the IPR system.