



June 29, 2018

United States Patent and Trademark Office
600 Dulany Street
P.O. Box 1450
Alexandria, VA 22313

RE: Docket No. PTO-P-2018-0036

To whom it may concern:

Conservatives for Property Rights (CPR), a coalition of policy organizations representing tens of thousands of Americans, wholeheartedly supports the changes proposed in the Notice of Proposed Rulemaking PTO-P-2018-0036, replacing the current “broadest reasonable interpretation” (BRI) standard of patent claim construction in all postgrant proceedings with the more appropriate *Phillips* standard that Article III courts apply in patent validity cases.

We commend the U.S. Patent and Trademark Office (PTO), and particularly Director Andrei Iancu for his leadership, on this well-crafted step to recast an aspect of the office’s operations, standards, procedures, and processes so as to ensure quality, efficiency, fairness, and faithful pursuit of the spirit of our nation’s patent laws. This NPRM is in concord with the vision and intent of the Founders: the promotion of science and useful arts to the benefit of the United States. CPR agrees with and applauds “the overall goal of ensuring predictable, high quality patent rights,” as Director Iancu told the U.S. Senate. This proposed claim construction standard is one small step on process, but a giant leap toward resetting our patent system.

In short, CPR urges that the PTO enact the changes proposed in this NPRM. Replacing the claim construction standard the Patent Trial and Appeals Board (PTAB) uses when determining patent validity after a patent has been examined and issued would help shore up and add certainty to constitutionally grounded, exclusive private property rights in one’s invention.

Claim Construction Standard

The proposed shift to applying the *Phillips* standard in all trial proceedings of the Patent Trial and Appeals Board, replacing the use of the BRI construction of patent claims in these venues, is not only appropriate, but highly advisable. CPR agrees with the PTO’s goal of this and contemplated regulatory fairness initiatives “to implement a fair and balanced approach, providing greater predictability and certainty in the patent system.”

At the stage of patent examination, patent examiners appropriately interpret the terms describing the claimed invention in the broadest reasonable manner. When a patent application undergoes scrutiny in the examination process, examiners seek to ascertain what differentiates the claimed invention from other inventions and discoveries already known, in use, sold, etc. Thus, comparing the language describing specific patent claims with claims found in prior art,

and reading claims about the new invention more broadly, provide a sound basis for determining whether the claimed invention is indeed novel, useful, and nonobvious and therefore patentable.

However, once a patent has been issued, the “property boundaries” of the invention or discovery have been established and deeded. Distinct private property rights to the invention within those newly established boundaries attach. Exclusivity over that property in exchange for public disclosure of the critical details about the newly patented invention constitute the “patent bargain” and enable science and useful arts to progress from the new knowledge.

At that stage, any challenges to patent validity must be held to higher standards. One of those standards regards interpretation of claim construction. As the Federal Circuit aptly ruled in *Phillips v. AWH Corp.*,¹ “words of a claim are generally given their ordinary and customary meaning, . . . the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application.”

The contrast between the BRI and *Phillips* standards weighs heavily in favor of the claim construction replacement proposed in this NPRM.

First, the difference in timing, discussed above, between more broadly interpreting the wording of patent claims during examination and an ordinary, customary reading of terms after patent issuance, is a material difference. The former occurs before certain property rights have been secured via patent, while the latter occurs after a claimed patent has duly and successfully undergone examination.

Second, as the NPRM explains, citing relevant judicial rulings, the purpose of construing patent claims when a patent comes under validity challenge is to “seek out the correct construction — the construction that most accurately delineates the scope of the claim invention.”² Correct claim construction postissuance relates to the fact that the invention’s characteristics upon issuance do not render the patent invalid later, merely because progress of science and useful arts in the same area of technology has proceeded. The only appropriate question at this point is what the words chosen meant when each claim was put into words.

Third, the elements laid out in *Phillips* guide the claim construction that is most appropriate after a patent issues. Words describing patent claims, when a federal court or the International Trade Commission (ITC) assesses them, rightly ascertain their (1) ordinary meaning, their (2) customary meaning, and their (3) meaning to someone with ordinary skill in the art (4) at the time of invention. Each of these elements is important. To apply a broad reading, years after the state of the art has progressed, is unreasonable and puts property rights in one’s invention at undue risk. Such a practice, as used currently in PTAB proceedings, unjustly ignores these contextual limitations superior fora use — with serious consequences.

Each of these reasons supports the application of the *Phillips* standard in each type of PTAB proceeding — inter partes review, postgrant review, and covered business method patents review — as well as to both original patent claims and proposed amended claims. And because the replacement of the inappropriate BRI standard with the appropriate *Phillips* standard corrects an erroneous standard that has deprived rightful patent owners of private

¹ 415 F.3d 1303 (Fed. Cir. 2005) at 1312-14.

² *PPC Broadband*, 815 F.3d at 740-42.

property and property rights, applying the new standard immediately and to all cases before PTAB is entirely in order.

Judicial Versus PTAB Inconsistencies

The America Invents Act (AIA), which established PTAB and its postgrant proceedings, injected into the Patent Office an adversarial venue where private parties pursue what is tantamount to property rights litigation, but without the constitutional rights of the Fifth Amendment being afforded patent owners.

Whereas prior U.S. versions of patent reexamination involved the patent owner and the PTO in a more collaborative endeavor, post-AIA postgrant review pits private interests, with PTAB operatives sitting as decisionmakers. Among the several glaring deficiencies and irregularities that characterize PTAB proceedings, the different claim construction standards applied in validity cases by PTAB and by federal courts and the ITC is one.

As discussed above, the appropriate time and place for applying the BRI standard of claim construction is during patent examination, whereas the correct standard once a patent has been issued is the one used in federal courts. The potential consequence of taking away duly secured private property rights requires consistency across fora in the standards applied at comparable stages in the challenged patent's life, including the standard for claim construction in regard to patent validity. Whereas the vast majority of patents challenged before PTAB have also been hauled into federal court for validity litigation, using the same claim construction standard in different venues is critical for ascertaining the correct claim interpretation. Similarly, the proposal that PTAB take into consideration the claim construction determination of a court or the ITC should also be implemented. Indeed, PTAB should defer to such a determination, unless strong grounds exist for not doing so in a given instance. All this is a matter of judicial efficiency, certainty, predictability, and consistency, as the NPRM notes.

It also is a matter of private property rights. Section 282(a) of Title 35 of the U.S. Code provides that an issued patent "shall be presumed valid." Further, the burden of proving invalidity rests squarely upon the challenging party. The application, after patent issuance, of the BRI standard by PTAB undermines the integrity of the legal presumption of validity. Further, it increases the likelihood of different outcomes in different fora on what is essentially the same question at the same stage of the challenged patent's life. BRI usage at PTAB, therefore, diminishes the integrity of patent rights and associated private property. Further, this application of different standards denies equal justice under law while creating a type of forum shopping that makes predatory litigators in personal injury and class action cases look like amateurs.

Among the most telling differences between PTAB's use of BRI and Article III courts' use of the *Phillips* standard is the wide difference in patent invalidation rates. PTAB invalidates nearly two-thirds (65%) of all of a challenged patent's claims and another 17% of a portion of the challenged claims in post-AIA inter partes actions for proceedings that reach a final written decision.³ In contrast, federal courts invalidate roughly 30% of patent claims.⁴ PTO figures show that from 1981 to 2016, ex parte reexaminations invalidated all the claims of a given patent only 12% of the time. Pre-AIA inter partes, between 1999 and 2012, canceled all the claims in a patent in 32% of its cases.⁵ Undoubtedly, other factors help explain this wide

³ U.S. Patent & Trademark Office, Inter Partes Reexamination Filing Data, 2012-2017.

⁴ John R. Allison, et al., "Understanding the Realities of Modern Patent Litigation," 92 Tex. L. Rev. 1769, 1787 (2014).

⁵ U.S. Patent & Trademark Office, Reexamination Filing Data, 1981-2017.

differential between federal court and PTAB invalidation rates, but use of one context-based, accuracy-oriented standard in courts and a much more liberal interpretation standard at PTAB ranks among the explanatory elements.

Thus, changing the claim construction standard for PTAB, as proposed in the NPRM, would begin to address the stark difference in outcomes between judicial and PTAB proceedings on essentially the same legal questions. Such a change would advance the goals of this proposed reform.

* * *

In conclusion, Conservatives for Property Rights concurs with the stated goals of fairness, balance, “greater predictability and certainty in the patent system.” Such qualities would contribute to restoring quiet title in one’s intellectual property. Therefore, the proposed switch to the *Phillips* standard for patent claim construction would align postgrant proceedings in this respect with the standard used in other adversarial venues, in which private property rights in one’s invention are also at stake.

Inventors invest substantial time, effort, and money into inventing something that is patentable. Then they invest substantial time, effort, and money into securing their patent. They do this to secure certain property rights, including exchanging public disclosure of explicit technical details for what is a legally enforceable deed to private property that is inherently theirs because they created it or discovered it. And they would be perfectly within their rights to keep secret and use their invention or discovery as a trade secret — without society gaining the advancement in knowledge represented in the “patent bargain.”

Once the PTO has performed a patent examination and determined that the invention described in the patent application meets the criteria for a patent, the PTO has done its job. Like the county registrar of deeds, the patent examiner has ascertained the boundaries of property and registered its title, only this is newly created property instead of land exchanging hands. That is why the broadest reasonable interpretation standard of claim construction, just as wide review of prior art, is in order at this juncture. Just as with the registrar of deeds, the patent officer had nothing to do with the creation of the property.

Once a patent is issued, the strong presumption set forth in statute and until recently understood by our courts is that the issued patent is valid. It should be extraordinarily difficult to take away someone’s private property and deprive them of their exclusive rights, just as the Fifth and Seventh Amendments guarantee, including with respect to patents and inventions.

Thus, CPR supports the proposed changes in this NPRM as a well-founded step to correct the application of the wrong standard for interpreting claim construction in a proceeding in which property rights questions are at issue.

Respectfully,

James Edwards
Executive Director
Conservatives for Property Rights

Jenny Beth Martin
Honorary Chairman
Tea Party Patriots Action

Kevin L. Kearns
President
U.S. Business & Industry Council

Colin Hanna
President
Let Freedom Ring

Paul Caprio
Director
Family PAC Federal