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BY E-MAIL (PTABNPR2018@uspto.gov)

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

RE: NYIPLA Comments in Response to “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board,” Federal Register Notice, May 9, 2018, Vol. 83, No. 90 (Docket No. PTO-P-2018-0036).

Introduction

The New York Intellectual Property Law Association (“NYIPLA”) is a professional association comprised of over 1,200 lawyers interested in Intellectual Property law who live or work within the jurisdiction of the United States Court of Appeals for the Second Circuit, and members of the judiciary throughout the United States as *ex officio* Honorary Members. The Association’s mission is to promote the development and administration of intellectual property interests and educate the public and members of the bar on Intellectual Property issues. Its members work both in private practice and government, and in law firms as well as corporations, and they appear before the federal courts and the United States Patent and Trademark Office (“PTO”). The NYIPLA provides these comments on behalf of its members professionally and individually and not on behalf of their employers.

The NYIPLA appreciates the PTO for the work it has done and its outreach efforts as it seeks to improve post grant administrative review procedures as part of the America Invents Act (AIA). In the Federal Register of May 9, 2018, the PTO issued proposed

changes to 37 C.F.R. §§ 42.100, 42.200, and 42.300, relating to “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board” (83 Fed. Reg. 21221) (hereinafter “Proposed Changes”), and solicited comments from the public concerning its proposal.

The NYIPLA welcomes and appreciates efforts by the PTO to improve its PTAB trial proceedings, including specifically soliciting comments from the public. The NYIPLA is pleased to provide these comments in an effort to improve AIA trials conducted by the Patent Trial and Appeal Board (hereinafter “PTAB”).

Background

On September 16, 2011, the America Invents Act was signed into law. (Pub. L. 112-29, 125 Stat. 284 (2011)). Within one year, the PTO implemented rules to govern practice for new AIA trial proceedings (also referred to herein as “PTAB proceedings”) to be conducted before the PTAB, including *inter partes* review (“IPR”), post-grant review (“PGR”), and the transitional program for covered business method patents (“CBM”). The rules were set forth in a series of publications. See Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612 (Aug. 14, 2012); Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012); Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 FR 48734 (Aug. 14, 2012); Office Patent Trial Practice Guide, 77 FR 48756 (Aug. 14, 2012).

In its initial rulemaking, the PTO adopted the broadest reasonable interpretation (“BRI”) claim construction standard for construing unexpired patent claims and proposed new or amended claims. See 37 CFR 42.100(b), 42.200(b), and 42.300(b) (“A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it

appears.”). This standard is identical to the claim construction standard employed by the PTO during initial examination of patent applications and during reexamination proceedings.

The BRI standard, however, differs from the standard applied in federal district court and International Trade Commission (“ITC”) proceedings. In such proceedings, patent claims are construed in accordance with the so-called “*Phillips*” standard, defined by the principals set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). The United States Supreme Court has confirmed the PTO’s ability to select a claim construction standard in *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016) (approving the PTO’s use of the BRI standard as a “reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office”).

Now, following the initial years of PTAB trial proceedings, the PTO has proposed changes to the claim construction standard used in PTAB proceedings for interpreting unexpired patent claims and claims proposed in a motion to amend. Specifically, the PTO proposes replacing the BRI standard with the *Phillips* standard in IPR, PGR, and CBM proceedings, to better align with district court and ITC proceedings, and also proposes to amend the rules to add that the PTO will consider any prior claim construction determination from a civil action or ITC proceeding, if it is timely made of record in an IPR, PGR, or CMB proceeding. The NYIPLA supports these proposed changes.

The NYIPLA would like to take this opportunity to provide its views concerning these topics for which it feels it can provide useful input and suggestions for improvement to the USPTO. Specifically, the comments herein agree with the Proposed Changes and respectfully request that the PTO provide additional clarification regarding how certain practice aspects of trial practice will be affected by adoption of the Proposed Changes.

Discussion

1. Claim Construction Standard

a. Uniformity, Predictability, and Certainty

In the “Claim Construction Standard” sub-section of the proposal, the PTO recognizes that, although the BRI standard has long been used in PTO practice, the use of the BRI standard in PTAB trial proceedings versus the *Phillips* standard employed in district court and ITC proceedings, may result in different claim construction determinations being rendered in those various fora with respect to the same patent claims. The PTO also recognizes that greater uniformity, predictability and certainty would be provided if the same standard were to be used in those fora. The NYIPLA agrees with this position. As the PTO noted, 86.8% of patents at issue in AIA trial proceedings also have been the subject of litigation in the federal courts. 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) (<https://ssrn.com/abstract=2731002>). Also, it has occurred on occasion that patents have been invalidated in PTAB proceedings on the same grounds asserted in district courts where the patents ultimately were held to be valid, thus resulting in inconsistent outcomes. Steve Brachmann and Gene Quinn, *58 Patents Upheld in District Court Invalidated by PTAB on Same Grounds*, IPWatchdog (last visited June 27, 2018). The NYIPLA believes that these facts weigh in favor of adopting the *Phillips* standard for PTAB proceedings. Indeed, employing the same (*Phillips*) standard in PTAB proceedings as that used in district court and ITC proceedings would reduce the likelihood that there would be inconsistent outcomes in the various fora, and thus serve a public notice function by virtue of providing for more uniformity, predictability, and certainty. These benefits can enable better-informed business decisions to be made, which, in turn, can help the economy.

b. Fairness

The “Claim Construction Standard” sub-section of the PTO’s proposal also recognizes that use of the *Phillips* standard in PTAB proceedings addresses unfairness concerns of some patent owners. Indeed, there may be situations where, for example, a patent claim in litigation may be deemed too narrow to read on an infringing product owing to a narrow claim construction under *Phillips*, but broad enough under the BRI standard to read on invalidating prior art of the same scope as the infringing product, in a PTAB proceeding. In other words, a patent claim may be held invalid in a PTAB proceeding owing to a broader claim construction that could not be asserted in an infringement proceeding. The NYIPLA believes that, by making the PTAB claim construction standard consistent with the *Phillips* standard used in district court and ITC infringement proceedings, inconsistencies along those lines and unfairness can be alleviated, leading again to greater certainty, uniformity, and predictability for the public.

c. Efficiency

The “Claim Construction Standard” sub-section of the PTO’s proposal also recognizes that Congress intended the PTAB trial proceedings to be quick and cost-effective alternatives to court litigation. See H.R. Re. No. 112-98, pt. 1, at 48 (2011), as reprinted in 2011 U.S.C.C.A.N. 67, 78. To meet those objectives, the AIA requires that the PTAB issue a final written decision on the patentability of any challenged claim within one year of instituting a trial. The NYIPLA respectfully submits that adoption of the Proposed Changes to the claim construction standard in PTAB trials should have no detrimental effect on the expediency of those trials, subject to the considerations set forth in Sections 2(a) and 3 below, and thus expediency will remain. Instead, adoption of the Proposed Changes may have multiple efficiency-related and cost-effective benefits.

First, use of the same *Phillips* claim construction standard as that used in district court actions and ITC proceedings, has the likelihood of reducing duplication of claim construction determination efforts and associated costs across the various fora. As noted above, the majority of patents at issue in AIA trial proceedings also have been the subject

of litigation in the federal courts. The costs and resources needed to litigate claim construction issues based on differing standards across such multiple fora can be significant on the part of both the parties and adjudicative bodies involved in the different proceedings. This is inefficient and costly, in the NYIPLA's view.

Moreover, when a patent is involved in both a PTAB proceeding and a district court proceeding, oftentimes a party may seek to stay the latter type of proceeding in favor of awaiting the outcome of the PTAB proceeding. Some district courts have been reluctant to grant stays given the different claim constructions employed. By virtue of the PTAB adopting the *Phillips* standard as proposed, district courts will be less reluctant to grant stays, and will have the benefit of PTAB claim constructions that can be relied upon, without necessarily having to retry claim construction issues. This serves judicial economy and saves time and resources for all involved parties, in the NYIPLA's view.

d. More Accurate Claim Constructions

Additionally, as the PTO recognizes in the "Claim Construction Standard" subsection of the proposal, use of the *Phillips* standard versus the BRI standard in PTAB proceedings has the potential to provide for more accurate claim constructions.

During the iterative process of patent examination, the PTO applies the "broadest reasonable interpretation" (BRI) test for claim construction. "The PTO broadly interprets claims during examination of a patent application since the applicant may amend his claims to obtain protection commensurate with his actual contribution to the art." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (citation omitted). "Patent application claims are given their broadest reasonable interpretation during examination proceedings, for the simple reason that before a patent is granted the claims are readily amended as part of the examination process." *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) (citing *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969)); see also *In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004). The objective of the BRI test is not to determine the "actual meaning" of a claim, but rather to ascertain its outer boundaries and "reduce the possibility that, after the patent is granted, the claims

may be interpreted as giving broader coverage than is justified.” *In re Reuter*, 670 F.2d 1015, 1015 (C.C.P.A. 1981) (quoting *Prater*, 415 F.2d at 1404-05). As the Federal Circuit has explained:

The protocol of giving claims their broadest reasonable interpretation during examination ... is solely an examination expedient, not a rule of claim construction. Its purpose is to facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed.

In re Skvorecz, 580 F.3d 1262, 1267 (Fed. Cir. 2009). In contrast, during district court litigation, a patent owner is not permitted to amend the issued claims in dispute. See *Yamamoto*, 740 F.2d at 1572 (“An applicant’s ability to amend his claims to avoid cited prior art distinguishes [examination] proceedings before the PTO from proceedings in federal district courts on issued patents.... This opportunity is not available in an infringement action in district court.”). A district court accordingly determines the “ordinary meaning” of a challenged claim term to a person of ordinary skill in art in view of the patent’s specification and prosecution history, under the guidelines for claim construction set forth in *Phillips*, 415 F.3d at 1314, 1321.

The NYIPLA agrees that construing claim terms in accordance with the *Phillips* standard has the likelihood of resulting in more accurate claim construction determinations. Indeed, the Federal Circuit recently held, “[i]n order to be found reasonable, it is not necessary that a claim be given its *correct* construction under the framework laid out in *Phillips*.” *Google LLC v. Network-1 Techs., Inc.*, No. 2016–2509, 2018 WL 1468370, at *5 (Fed. Cir. Mar. 26, 2018) (petition for rehearing and rehearing en banc pending). See also *PCC Broadband, Inc. v. Corning Optical Comm’ns RF, LLC*, 815 F.3d 734, 740-42 (Fed. Cir. 2016) (“district courts seek out the correct construction—the construction that most accurately delineates the scope of the claimed invention—under the framework laid out in *Phillips*”).

Furthermore, the underlying policy of the BRI standard is that during examination of a patent application or reexamination of a patent, the applicant/patent owner is free to amend claims to clarify claim scope and further define terms to avoid prior art, for

example. Patent examinations/reexaminations are not adjudicatory in nature, and instead the applicant/patent owner and the examiner work together to ultimately determine an invention's scope. Such an iterative process can help to reduce the possibility that the claims, once issued, would be construed more broadly than justified. *Id.* However, unlike in traditional examination and reexamination processes, the ability to freely amend claims in PTAB proceedings, which are adjudicatory, is not permitted as a matter of right. See § 42.121(a) (a patent owner is permitted to file only a single motion to amend a patent). Thus, the underlying policy of the BRI standard is not implicated in PTAB proceedings, and for this reason, the NYIPLA believes that the use of the BRI standard in PTAB proceedings is misplaced. The NYIPLA believes that the *Phillips* standard is the appropriate standard to employ in PTAB proceedings.

2. PTAB Consideration of Prior Claim Construction Determinations

The proposed amendments to §§ 42.100(b), 42.200(b), and 42.300(b) include the addition of the following: “Any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the . . . proceeding will be considered.” The NYIPLA endorses this proposal, assuming that the *Phillips* standard is adopted for construing patent claims in PTAB proceedings. Indeed, after parties have spent significant effort and expense contesting the construction of claim terms under the *Phillips* standard in a district court or ITC proceeding, it is neither efficient nor cost-effective to necessarily have to re-present and re-litigate the same arguments/issues again in a PTAB proceeding. The NYIPLA believes that the proposed amendments provide for greater efficiency and cost savings, in addition to providing other benefits as well, including better adjudicative economy, greater uniformity, predictability, and certainty across fora, and greater claim construction accuracy.

While the NYIPLA endorses the above proposal, the organization takes this opportunity to raise the following concerns.

(a) Timeliness and Form: The proposal states that prior claim construction determinations will be considered “if timely made of record.” The Federal Register notice is silent as to what the PTO considers to be “timely.” As such, the following questions are outstanding: How does the PTO define “timely”? Does the “prior claim construction” need to be made of record during the petition phase prior to institution of a PTAB proceeding? Will the PTAB consider a prior claim construction determination that was made after institution of a PTAB proceeding? The NYIPLA looks forward to further details regarding what the PTO considers to be “timely”, in the context of the proposed rule change discussed above.

(b) Deference to Prior Construction: The proposal states that a prior claim construction determination “will be considered.” The Federal Register notice is silent as to the intended meaning of “considered.” As such, the NYIPLA respectfully suggests that the PTO provide further clarification in this regard. For example, what level of deference (if any) will the PTAB apply to prior claim construction determinations, and as to which particular findings? Does the PTAB intend to consider prior claim construction determinations deferentially such that they are binding on the PTAB, or does the PTAB intend to consider prior claim construction determinations as merely another piece of evidence to be considered when making its own claim construction determination? If the latter, what standards will the PTAB use to determine whether to adopt a prior claim construction determination, and does the PTAB intend to implement a new claim construction procedure akin to a *Markman* hearing used in district courts? Will the PTAB consider prior claim construction determinations *sua sponte*, irrespective of a party’s reliance or refutation of it? Also, will there be a procedure put into place to account for a circumstance where a PTAB decision has relied on a district court or ITC claim construction determination that is later changed, or otherwise overturned? What will be the effect of such a later adjudication on the PTAB proceeding? The NYIPLA looks

forward to further details from the PTO along these lines.

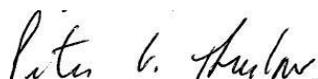
3. Implementation of the Proposed Changes

The NYIPLA recognizes that the timing and effective date of a rule change is an important consideration, and the Proposed Changes are no exception. As Congress has designed the PTAB trial proceedings to be “quick and cost effective”, the NYIPLA believes that the PTO should adopt an implementation plan mandating that the Proposed Changes apply only to existing and future PTAB proceedings that have not yet been instituted for trial by formal PTAB decision as of the effective date of the Proposed Changes, or which are instituted on the effective date, and also mandating that the Proposed Changes do not apply to PTAB trials that were instituted prior to the effective date. Indeed, the NYIPLA is mindful that retroactive application of the Proposed Changes to previously-instituted cases would be problematic and overly burdensome to the PTO and the involved parties, given that retroactive application likely would require re-litigating claim construction issues in the PTAB proceedings in view of the *Phillips* standard, leading to inefficiencies, higher costs, delays, and less certainty. As such, the NYIPLA recommends that the PTO adopt an implementation plan as described above.

4. Conclusion

Thank you for giving the NYIPLA the opportunity to provide feedback on the proposed substantive changes to the PTAB rules. We look forward to providing the PTO with additional feedback in the future concerning AIA trials and other matters.

Respectfully submitted,



Peter Thurlow
President, New York Intellectual Property Law Association