



July 9, 2018

The Honorable Andrei Iancu
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office
U.S. Patent and Trademark Office
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Via email: PTABNPR2018@uspto.gov

*Attention: Vice Chief Administrative Patent Judges Michael Tierney & Jacqueline Wright
Bonilla*

**83 FR 21221 - Changes to the Claim Construction Standard for Interpreting Claims in
Trial Proceedings Before the Patent Trial and Appeal Board**
Federal Register Volume 83, Issue 90 (May 9, 2018)

Dear Under Secretary Iancu:

TiVo appreciates the opportunity to comment on the above-referenced proposed rulemaking. As a leading innovator in the media and entertainment industry, TiVo relies on the US patent system to provide strong, reliable protection for its patented innovations. Predictable outcomes and consistency across fora considering the validity of a patent are essential elements of a patent system that provides this vital protection to US innovators like TiVo.

TiVo applauds the Office's efforts to harmonize claim construction standards used to determine validity of unexpired patent claims in *Inter Partes* Review (IPR), Post Grant Review (PGR) and Transitional Program for Covered Business Method Patents (CBM) proceedings with the claim construction standard used by all Federal District Courts and by the International Trade Commission (ITC), and with the standard used by the Office itself when evaluating the validity of expired patent claims in these same proceedings. Establishing this consistency across fora will increase certainty and promote judicial and administrative economy, allowing the Patent Trial and Appeal Board (PTAB) to benefit from the large existing body of District Court claim construction case law, thus reducing the number of duplicative challenges across fora, improving court schedules and reducing the costs of litigation.

TiVo agrees that the Office is acting within its authority when it revisits these claim construction standards. In its recent *Cuozzo Speed* opinion, the Supreme Court held that determining whether a claim construction standard other than the current broadest reasonable interpretation standard is



more appropriate as a policy matter is “a question that Congress left to the particular expertise of the Patent Office.”¹ Indeed, the Office’s proposed changes to the claim construction standards were made after analyzing years of data on PTAB outcomes and after numerous rounds of feedback from a broad cross-section of stakeholders.² TiVo supports the Office’s collection and use of data in decision making and believes that the substantial body of IPR outcome data should be objectively³ consulted when considering additional rulemaking on these proceedings, as this data will provide a factual baseline to the positions of interested stakeholders on the state of our post grant review system.

In 2011 when Congress enacted the America Invents Act (AIA), establishing the IPR, CBM and PGR proceedings at issue in this proposed rulemaking, it intended to provide a “timely, cost-effective alternative to litigation...”⁴ Congress made plain that these proceedings were to be limited in ways that *inter alia* prevented abusive serial attacks by challengers, impeded market entry or enforcement by patent owners and that respected a patent holder’s right to quiet title.⁵ In other words, Congress wanted these AIA trials to strike a balance between the interests of patent holders and challengers. Unfortunately, these proceedings have not achieved this desired result. IPR outcome data reveals a distinct imbalance favoring the interests of patent challengers. As of June 2017, 96% of IPR petitions that resulted in final written decisions invalidated at least one challenged claim.⁶

Because of this imbalance, the desired “timely, cost-effective alternative” to litigation is instead a long and costly addition to litigation, with over 86% of IPRs filed concurrent with litigation,⁷ thus increasing costs and delaying conclusion of patent disputes.⁸ The imbalanced deployment of AIA trials has resulted in a steady stream of judicial challenges and lobbying efforts to address

¹ *Cuozzo Speed Tech v. Lee*, 136 S. Ct. 2131, 2154 (2016).

² See <https://www.federalregister.gov/documents/2018/05/09/2018-09821/changes-to-the-claim-construction-standard-for-interpreting-claims-in-trial-proceedings-before-the> for background on outreach efforts by the Office.

³ Commentators have criticized the Office for presenting PTAB outcome statistics that failed to accurately represent the experiences of patent holders and challengers during IPR, for example by minimizing the number of patents being invalidated. See e.g., <http://www.ipwatchdog.com/2016/09/06/pto-statistics-hide-broken-ptab/id=72513/>. The Office should seek input from the public on how to properly provide such statistics and should make the data available to the public whenever possible to ensure it is evaluating the data in a manner that accurately portrays the impact on all stakeholders.

⁴ See https://www.uspto.gov/sites/default/files/aia_implementation/fr_specific_trial.pdf.

⁵ See https://www.uspto.gov/sites/default/files/aia_implementation/crpt-112hrpt98-pt1.pdf at p. 48.

⁶ See <http://www.ipwatchdog.com/2017/06/14/90-percent-patents-challenged-ptab-defective/id=84343/>.

⁷ 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).

⁸ The likelihood of PTAB findings of invalidity coupled with liberal rules enabling challengers to file multiple parallel IPR’s for per challenged patent places the cost of some of these types of IPR proceedings near the cost of the co-pending litigation, but the favorable treatment of patent challengers has made this an expense they have been willing to bear. See RPX Study at <https://www.rpxcorp.com/2016/06/17/iprs-balancing-effectiveness-vs-cost/>.



various aspects of these proceedings as well as the constitutionality of the IPR proceeding itself.⁹ In the absence of needed reforms, these challenges will continue as patent holders fight to regain fair protection for their inventions.

This proposed rulemaking will finally introduce a measure of long-needed balance to AIA proceedings, and in so doing will promote greater confidence in the US patent system among innovators. This will encourage additional investment in innovation, which is vital to our nation's economic well-being. It will also help curtail the pernicious practice of efficient infringement, which depends on the current skew of AIA trial outcomes favoring patent challengers.¹⁰

The outcome of patent validity challenges before the PTAB is primarily influenced by three standards applied in such proceedings.¹¹ These include (a) the standard by which a challenger's evidence must establish invalidity of a challenged patent claim (i.e., the burden of proof);¹² (b) the claim construction standard that is the focus of this proposed rulemaking;¹³ and (c) the standard applied in determining whether a patent holder may amend a challenged patent claim.¹⁴ Currently, PTAB proceedings implement each of these three standards in a manner that favors challengers over patent holders and inevitably results in outcomes substantially favorable to patent challengers.

The evidentiary standard used in AIA trials is “preponderance of the evidence,” which is the standard used during patent examination. This standard makes it possible to find a patent invalid by producing less compelling proof of invalidity than is required under the “clear and convincing” evidentiary standard used by the courts and the ITC.¹⁵ Thus, the AIA evidentiary standard favors a finding of invalidity at the PTAB compared to other fora. The claim construction standard for AIA trials is currently “broadest reasonable interpretation” (BRI) which enables challengers to apply more prior art to a challenged claim than the “ordinary and customary meaning” standard developed by the Federal Circuit in its *Phillips*¹⁶ decision (also

⁹ See, e.g., *Couzzo Speed Tech Id.* At 1, *SAS Institute, Inc. v. Iancu*, 584 U.S. ____ (2018), *Oil State Energy Services, LLC v. Greene's Energy Group, LLC*, 584 U.S. ____ (2018), see also Innovation Act at <https://www.congress.gov/bill/114th-congress/house-bill/9>, STRONGER Patents Act at <https://www.coons.senate.gov/imo/media/doc/STRONGER%20Patents%20Act%20of%202017%20Section-By-Section.pdf>.

¹⁰ See, e.g., <https://cpip.gmu.edu/2017/05/11/explaining-efficient-infringement/>.

¹¹ This is not to suggest the absence of other procedural and substantive issues regarding the conduct of AIA trials that impact outcomes. For example, the evaluation of motivation to combine in PTAB non-obviousness determinations which does not reliably comport with the rigor applied to such determinations in District Court, and the ease with which challengers can and do institute serial IPRs against the same challenged patent.

¹² See e.g., P.L. 112-29 at §6(e).

¹³ See https://www.uspto.gov/sites/default/files/aia_implementation/fr_specific_trial.pdf.

¹⁴ *Id.*

¹⁵ See e.g., https://www.law.cornell.edu/wex/clear_and_convincing_evidence.

¹⁶ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005).



referred to as the *Phillips* standard) and applied by Federal District Courts and the ITC.¹⁷ Thus, under these two standards a patent challenger at the PTAB may present more prior art than in court and the prior art presented need not be as compelling as it would need to be in court to reach a conclusion of invalidity.

Finally, and subject to a recent ruling designated as informative,¹⁸ the PTAB has generally denied a patent holder's motion to amend challenged claims in IPRs, placing the burden of persuasion on the patent holder to show that proposed amendments would result in valid patent claims, as opposed to placing the burden on patent challengers to establish that such proposed amended claims are invalid.¹⁹ This is at odds with the approach the Office follows in patent examination where amendments are entered upon submission by applicants and examiners bear the burden of demonstrating why such amendments fail to render rejected patent claims allowable.²⁰

The House Report indicates that in creating these new AIA trial proceedings, Congress intended to change prior reexamination proceedings to make them more adjudicatory and less examinational.²¹ However, the evidentiary standard chosen by Congress for these proceedings is the examinational not the adjudicatory standard. The claim interpretation standard chosen by the Office to this point has also been the examinational and not the adjudicatory standard. These examinational standards make it easier to argue a patent is invalid. Finally, the Office elected to make amendments nearly impossible for patent owners to obtain,²² even though the statute assures patent holders the right to move to amend claims.²³ While this approach is arguably more adjudicatory than examinational, it of course also makes it harder for patent owners to survive a validity attack. With each of these standards, the common thread was that they were implemented in a manner that favors challengers and in a manner contrary to their application in the courts (with respect to evidentiary and claim construction standards) and in patent examination (with respect to the ability to amend claims). It is little wonder that the outcomes of

¹⁷ See e.g., <http://www.sughrue.com/Broadest-Reasonable-Interpretation-vs-Ordinary-and-Customary-Meaning-8211-Challenges-Introduced-by-Applying-Different-Claim-Construction-Standards-at-the-PTAB-and-District-Courts-09-11-2014>.

¹⁸ *Western Digital Corp. v. SPEX Tech*, IPR2018-0082 (PTAB Apr. 25, 2018), available online at https://www.uspto.gov/sites/default/files/documents/IPR2018-00082%20Order%20-%20Information%20and%20Guidance%20on%20Motions%20to%20Amend.pdf?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=.

¹⁹ See *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017)

²⁰ See generally, MPEP §714 Amendments, Applicant's Actions

²¹ See House Report p 46, available at https://www.uspto.gov/sites/default/files/aia_implementation/crpt-112hrpt98-pt1.pdf.

²² As of September 2017 approximately 92% of motions to amend had been denied, this has improved since the Aqua Products decision but is still north of 80%. See e.g., <https://www.law360.com/articles/1052150/an-uptick-in-ptab-s-motion-to-amend-grant-rate>.

²³ 35 U.S.C. §316(d)-(e).



AIA trials have overwhelmingly favored challengers. Likewise, it is little wonder the public sees the system as having been designed to favor the interests of challengers over patent holders.

The proposed rulemaking is an important step toward balancing these standards. Since Congress chose to require the use of the pro-challenger “preponderance” evidentiary standard in AIA trials before any data on these proceedings existed, they denied the Office the opportunity to tune the evidentiary standard in view of actual outcome data. Consequently, the Office can only offset the pro-challenger slant of the required evidentiary standard by adjusting the standards for claim construction and amendments to be more favorable to patent holders. It is logical to expect that policy initiatives of this type by the Office will result in a more balanced set of outcomes from PTAB trials. In addition to the changes to the claim construction standards, TiVo urges the Office to consider further rulemaking to make amendments more available to patent holders, and in each case, to use outcome data to monitor whether such changes are having the desired impact on these proceedings.

Using the BRI claim construction standard in AIA trials and the *Phillips* standard in the ITC and District Court presents opportunities for patent challengers to engage in “claim construction arbitrage” between the fora, providing them with unfair advantages. The dual claim construction standard encourages patent challengers to advocate a broad claim scope at the PTAB, making it easier for that body to find invalidating prior art, while at the same time advancing a much narrower claim scope in an infringement proceeding in court to avoid a holding that its product infringes the patent claim – i.e., the classic sword and shield tactic. Thus, a challenger will often advance a claim scope in the PTAB (which does not rule on the issue of infringement) that is broad enough for its product to infringe in an effort to invalidate the patent, while concurrently advancing a narrower non-infringing claim scope, to a District Court judge, that would not be broad enough to be found invalid at the PTAB. This approach is contrary to the Federal Circuit’s observation in *Source Search Techs LLC v. Lending Tree, LLC*, that “it is axiomatic that claims are construed the same way for both validity and infringement.”²⁴ Moreover, the fact that most AIA trials include a concurrent litigation with a divergent claim interpretation standard means patent holders cannot rely on a validity holding from a District Court. Indeed, a patent holder that had obtained a summary judgement from a District Court holding its patent valid subsequently had its patent invalidated by the Federal Circuit which relied on an intervening PTAB invalidity determination under the BRI standard that occurred after summary judgement by the District Court but prior to the close of the trial.²⁵ A post grant system that deprives a patent holder of any certainty as to the validity of its patent and that encourages challengers to advance conflicting patent scope arguments across fora within a single patent dispute cannot be the correct policy choice for advancing US innovation. Instead, it reveals a system carefully

²⁴ 558 F.3d 1063 at 1075 (fed. Cir. 2009).

²⁵ See *Fresenius USA, Inc. v. Baxter International, Inc.*, 773 F.3d 1369 (Fed. Cir 2013). Although the PTO procedure was a reexamination as opposed to IPR it was conducted and invalidity was determined using the BRI standard. The almost complete coincidence of litigation highlights this problem of conflicting claim standards.



architected to aid patent challengers with little regard for fairness.

TiVo applauds the Office’s additional proposal in the current rulemaking to consider “any prior claim construction determination in any civil action or ITC proceeding if the court or ITC has construed a term of the involved claim previously, using the same standard”²⁶ TiVo further encourages the Office to apply the new claim construction standard to all pending PTAB proceedings to discourage tactical filing before or after the rule change.

This proposed rulemaking has met with significant opposition.²⁷ Opponents point to the Congressional goal of increasing the quality of patents through AIA trials. They argue that a narrower claim construction may permit invalid patents to survive these proceedings. But the quality of a patent system is more appropriately measured by both the number of invalid patents that are mistakenly granted, and the number of patents meeting legal standards for validity that are mistakenly invalidated, or worse still are intentionally invalidated under an artificial standard for validity that is the result of a post grant system built to advantage patent challenges. The current AIA trial process has seen to it that our quality issues are squarely with the latter metric. Sadly, public discourse on patent policy is not generally robust enough to examine such nuanced issues, as discussion too often falls to the loudest voices and simplistic hyperbole about the evils of “patent trolls.” US innovators deserve better, and TiVo appreciates the Office’s role in advancing policies informed by an appropriately holistic perspective on patent quality.

TiVo looks forward to working with the Office on future issues designed to further improve the US patent system.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Marc A. Ehrlich".

Marc A. Ehrlich
Senior Vice President, Patent Strategy
Rovi Corporation, a TiVo company

²⁶See <https://www.federalregister.gov/documents/2018/05/09/2018-09821/changes-to-the-claim-construction-standard-for-interpreting-claims-in-trial-proceedings-before-the>

²⁷ See e.g., <https://www.law360.com/articles/1051912/we-must-protect-the-ptab>, <https://rus.wolterskluwer.com/news/ip-law-daily/house-judiciary-committee-queries-uspto-director-on-post-grant-reviews-patent-eligibility-standards/52581>, comments in response to the June 2017 PTAB Judicial Conference include: <https://www.patentprogress.org/wp-content/uploads/2017/07/CCIA-Comments-On-AIA-Trial-Procedures.pdf>, <https://www.patentprogress.org/wp-content/uploads/2017/07/IA-Comments-On-PTAB-Procedural-Reform-Initiatives.pdf>, <https://www.patentprogress.org/wp-content/uploads/2017/07/PTAB-Suggestions-of-13-Companies.pdf>