

COMMENTS BY THOMAS L. CREEL

ON

U.S. PATENT AND TRADEMARK OFFICE PROPOSED RULES

“CHANGES TO THE CLAIM CONSTRUCTION STANDARD FOR  
INTERPRETING CLAIMS IN TRIAL PROCEEDINGS BEFORE THE  
PATENT TRIAL AND APPEAL BOARD”

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## I. OVERVIEW

These comments support the change of the claim construction standard for review of issued patent claims. However, it does so for three reasons not considered in the Executive Summary accompanying the proposed rules.<sup>1</sup> For these additional reasons, the PTO legally must (not merely should) use the ordinary and customary standard.

There can be no dispute that there is no reason in law or policy to reexamine a valid claim in an issued patent. Indeed, the entire premise of having the PTO review an issued patent claim is that there is a reasonable likelihood that the claim is invalid as issued. As the Supreme Court said in explaining how PTO review of issued patent claims came about: “Sometimes, though, bad patents slip through [the original examination process]” *SAS Institute Inc. v. Iancu*, No. 16-969, April 24, 2018, 584 U.S. (2018).

See also *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) explaining that all of the statutory schemes allowing the PTO to take a second look at issued patent claims were because claims should be kept within their legitimate scope:

“...inter partes review helps protect the public's ‘paramount interest in seeing that patent monopolies ... **are kept within their legitimate scope.**’ *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816, 65 S.Ct. 993, 89 L.Ed. 1381 (1945); see H.R. Rep., at 39-40 (Inter partes review is an ‘efficient system **for challenging patents that should not have issued**’).” (emphasis added).<sup>2</sup>

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<sup>1</sup> Although the author supports these as well. The three additional reasons are set forth hereafter in Section II. These comments concern only those parts of the proposed rules concerning review of issued patent claims. They do not comment on what standard should be used for proposed claims in a Motion to Amend.

<sup>2</sup> See also *Fresenius USA, Inc. v. Baxter Intern., Inc.*, 721 F. 3d 1330, 1338 (Fed. Cir 2013) “The reexamination statute thus authorized the PTO to reconsider patents of ‘doubtful’ validity, and to cancel ‘defectively examined and therefore erroneously granted patent[s].’ *Patlex*, 758 F.2d at 602, 604; see also *In re Swanson*, 540 F.3d 1368, 1378 (Fed.Cir.2008) (describing ‘Congress’ purpose of allowing for a reexamination procedure to correct examiner errors’).” As noted by the Supreme Court in *Cuozzo*, reexamination and review are basically similar second look proceedings. The purpose is the same. *Cuozzo*, 136 S. Ct. at 2144

Yet use of the Broadest Reasonable Interpretation (“BRI”) standard to review an issued patent claim has the potential to invalidate perfectly valid patent claims. The United States Supreme Court has recognized that using this standard on issued patent claims has the potential of exactly that effect: “...use of the broadest reasonable construction standard [rather than the ordinary and customary meaning standard] increases the possibility that the examiner will find the patent too broad (and deny it [the issued patent claim]...)” *Cuozzo*, 136 S.Ct. at 2145. The Executive Summary of the reasons for the proposed rules recognizes this possibility as well.

No court, not the Supreme Court nor the Federal Circuit, has addressed the question of how the Government (here the PTO) should or can permanently take valid patent property existing under a properly construed claim using the ordinary and customary standard by saying, “yes but” it would be invalid using the BRI standard. No mistake has been made by the PTO so there is no reason to take a second look at such a claim.

Public policy requires such a valid patent claim to be upheld. Patent owners, competitors and investors all need to be able to rely on such a patent’s validity to bring new products to the market to the benefit of the public. There is no policy reason why it should be reexamined, nor invalidated by the PTO. The use of the BRI undermines the whole purpose of the patent system- knowing the proper boundaries of a patent owner’s property so that inventors, investors and competitors can bring new products to market for the benefit of the public. It is not merely that the change will lead to uniformity, predictability and judicial efficiency as mentioned in the Executive Summary.

This public policy is embodied in the law establishing IPRs. The Legislative History provides that one of the purposes of the act was: “providing a more efficient system for challenging patents that should not have issued”(Report of the Judiciary Committee to the House of Representative, June 1, 2011 (Hereinafter “House Report”). See also the remarks of Rep. Goodlatte

noting that IPRs screen out bad patents...”, cited with approval in *Cuozzo* at 136 S. Ct. at 2140.

Indeed, the America Invents Act (“AIA”), which established IPR, requires approval by the PTO to institute an IPR. Opening of a second look proceeding is not automatic. The Director must determine that the claim is likely invalid. This is to protect the patent owner from unnecessarily diverting its attention and resources from R&D on the patented invention. Use of the BRI frustrates this legislative purpose because it makes the review more likely. It subjects the patent owner to needless harassment, effort and expense, in direct contravention of the statute’s purpose.

*This public policy is the first reason the ordinary and customary standard must be used.*<sup>3</sup>

*The second reason* is that such an issued patent claim is perfectly valid personal property existing under the Constitution. To take it away would be a taking of property without just compensation and without due process in violation of the 5<sup>th</sup> Amendment. The leading case upholding a second look of issued claims by the PTO against a 5<sup>th</sup> Amendment challenge did not consider what standard should be used. And in subsequent case law the author of that opinion states that the ordinary and customary standard must be used in second look cases. Without using the ordinary and customary standard, the policy reasons used in rejecting the 5<sup>th</sup> Amendment challenge in that case do not apply.<sup>4</sup>

All of the case law about the use of the BRI standard is based on the premise that no permanent harm will be done to the patent owner by the PTO taking a second look at an issued patent claim. This is based on one or both of two

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<sup>3</sup> It should be noted that *Cuozzo*, which approved the use of the BRI in IPRs, did not consider policy considerations. The Supreme Court said that policy considerations were to be addressed by the PTO in establishing its claim construction rules. *Cuozzo*, 136 S. Ct. at 2146.

<sup>4</sup> That case (*Patlex Corporation v. Mossinghoff*, 758 F. 2d 594 (Fed. Cir. 1985) (hereinafter *Patlex I*, modified on other grounds, 771 F.2d. 480 (Fed. Cir. 1985) (*Patlex II*)), as well as many Supreme Court cases, have found that patents are property subject to protection under the 5<sup>th</sup> Amendment. See discussion at pages 19-20 hereafter and Exhibit C summarizing these cases. *Patlex I* addressed a different issue with regard to the 5<sup>th</sup> Amendment than is discussed in these comments.

reasons. These are: (1) that the PTO made a mistake in issuing the original claim so “a bad patent slipped through” and/or (2) that the proper scope of protection for the invention can be obtained through amendment in the second look proceeding.<sup>5</sup>

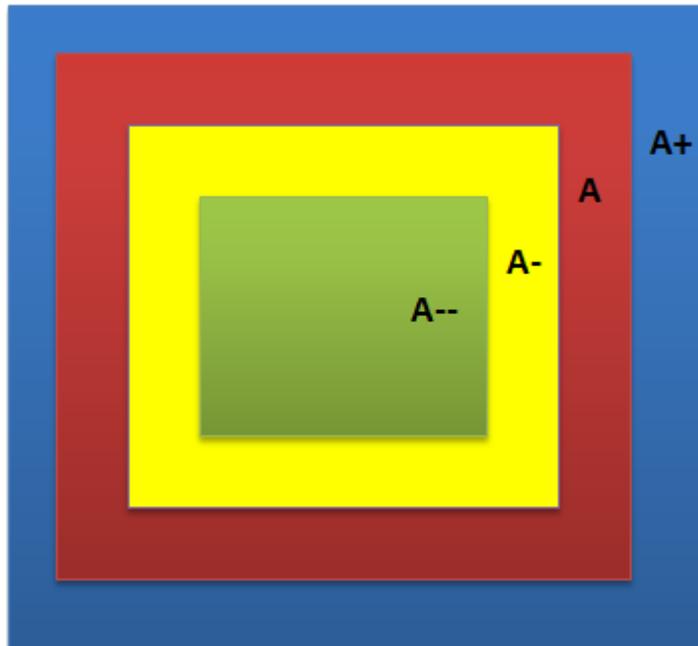
The latter reason is apparent when considering the different standard the PTO uses in taking a second look at unexpired and expired patent claims. As the Executive Summary recognizes, the PTO uses the BRI for unexpired claims, but uses the ordinary and customary standard for expired claims. The latter is because such expired claims are not subject to amendment. As stated in *1 Patent Office Litigation* § 4:70 “...the sole basis for the ‘broadest reasonable interpretation’ rubric is the ability to amend claims”<sup>6</sup>

But even as to unexpired claims, the right to amend in no way avoids the taking of valid patent property. This is explained using the diagram below.

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<sup>5</sup> See pages Section IV D hereafter discussing cases approving of the use of BRI in second look proceedings. See also Exhibit B which summarizes these cases.

<sup>6</sup> Cited with approval in *In re Rambus*, 753 F. 3d 1253, 1256 (Fed. Cir. 2014). In *Rambus* the Court used the ordinary and customary standard for expired claims because of the inability to amend. There the Court stated that where “a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed.Cir.2005). See, e.g., *In re Rambus, Inc.*, 694 F.3d 42, 46 (Fed.Cir.2012); see also M.P.E.P. § 2258(G) (In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle[s] set forth by the court in *Phillips*, ... should be applied since the expired claim[s] are not subject to amendment.’); *1 Patent Office Litigation* § 4:70 (justifying the shift from the broadest reasonable interpretation to the standard used by district courts because claims may not be amended in an expired patent and the sole basis for the ‘broadest reasonable interpretation’ rubric is the ability to amend claims”).” 753 F.3d at 1258.



Assume a patent with one claim has one term X that must be the subject of claim construction. Assume further that if the claim were litigated in court, the claim would be found to be valid and infringed when the claim construction of term X is A as a matter of law under the ordinary and customary standard, the boundary shown in red. Under this construction, assume further that the patent owner would be entitled to \$5 million per year as infringement damages and can exclude its main competitor from making an effective competing product.

But instead of a court proceeding, an IPR proceeding is instituted. The PTO judges use a claim construction of A+ (BRI), which is broader than the definition A would be using the ordinary and customary boundary. Using A+, the PTO judges invalidate the patent claim because A+ encompasses prior art that A does not. This is represented by the broader boundary shown in blue. The patentee has lost its \$5 million per year for past damages, its right to exclude going forward and prospective damages, even though the patent property is valid when using the boundary A, as it should be under binding court precedent.

Assume further that the PTO allows an amendment so a new claim issues which reads A-<sup>7</sup> (the boundary shown in yellow), which makes the patent allowable under the BRI standard. That is still taking property in violation of the Constitution. If contested in court, the court will either construe the ordinary meaning of the claim term X in the new claim as A- or a narrower A- - (shown in green). With the claim construction in court of A-, the patentee has had its rightful property existing between the A and the A - boundaries taken (the area shown in red). With the court claim construction A- -, the patented has had its property taken between A and A- - (the areas shown in red and yellow).

Regardless of amending, there is no way that the amended claim could embrace the valid A boundary. No broader claim can be allowed<sup>8</sup> and a narrower claim would not cover the entire A boundary.

Further, under either narrower construction of A- or A--, assume further that the patent is no longer infringed. This means that the patentee, even with the new valid (but narrower) patent claim, loses the \$5 million/year it was entitled to under the proper construction as a matter of law and the right to exclude going forward under the broader and valid A construction which it was originally granted.

Conversely, assume that under the A- or A- - construction, the patent is still infringed. That nevertheless means that the patentee has lost damages from the date of the original valid patent claim to the date of the issuance of the new claim. Such an amended claim would not relate back time wise to the original A claim. A patentee is not entitled to damages pre-dating issuance of a new or amended claim unless such claim is "identical" to a claim of the original patent. (35 U.S.C. § 318 (c) and 252). Such new or amended claims are identical to their original counterparts if they are “without substantial change.” *Seattle Box Co. v. Industrial Crating & Packing*, 731 F.2d 818, 827-28 (Fed. Cir. 1984).

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<sup>7</sup> Amendments are seldom allowed in IPR proceedings.

<sup>8</sup> 35 U.S.C. Sec. 316(d)(3).

*Finally, the third* reason is that use of the BRI in deciding whether to institute a second look proceeding tips the scales towards instituting a review. This is improper under Federal Circuit law. Such a decision must be neutral to avoid diversion of resources for R&D of the invention by patent owners through unnecessary second-look proceedings.<sup>9</sup>

## II. ADDITIONAL REASONS SUPPORTING THE PROPOSED RULES

These three additional reasons require that the PTO legally must use the same standard as developed by the courts. This is not just a matter of uniformity, predictability and judicial efficiency, the reasons given by the PTO for the proposed rules. These addition reasons are:

1. There are strong public policy reasons why the BRI standard must be abandoned in second look proceedings. The entire patent system is to incentivize the introduction of new products, both by the patentee and by competitors. The use of the BRI dis-incentivizes the introduction of new products because of uncertainty about the scope of a patent's valid boundary. Furthermore, reviewing claims which are valid under the customary and ordinary standard is a waste of valuable resources and prejudicial for all interested parties, including the government, the patent holders, competitors, investors and the public. This is not just a matter of judicial efficiency. (Page 11-15 hereto)

2. Use of the BRI to assess validity of issued patent claims results in an unconstitutional taking of property and denial of due process under the 5<sup>th</sup> Amendment to the Constitution. The recent Supreme Court cases concerning IPR proceedings do not address this issue, nor preclude 5<sup>th</sup> Amendment applicability. The only Federal Circuit case upholding second look proceedings against a 5<sup>th</sup> Amendment attack did not address what claim construction standard should be used. The policies addressed there and subsequent show that use of the BRI on claims valid using the ordinary and customary standard violates the 5<sup>th</sup> Amendment guarantees. (Pages 15-25 hereto)

3. Use of the BRI in assessing whether a second-look proceeding should be instituted is in violation of law as established by the Federal Circuit. That is because it tips the scale towards instituting a review. Whether to institute or

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<sup>9</sup> See *Patlex II* and discussion thereof in Section V.

not should be neutral under the second look authorizing legislation. The Federal Circuit has so held in invalidating Manual of Patent Examining Procedures (“MPEP”) procedures that required instituting a second-look proceeding where the issue was in doubt as to whether a substantial new question of patentability was raised in the petition. Use of the BRI has exactly that same effect, i.e., to tilt the scales in a close call to instituting a proceeding. (Pages 25-29 hereto)

### III. REASON I

THE ORDINARY AND CUSTOMARY STANDARD MUST BE USED TO MEET THE OBJECTIVES OF THE CONSTITUTION AND THE PATENT LAWS TO PROMOTE PROGRESS OF THE USEFUL ARTS. THAT STANDARD MUST BE USED TO BENEFIT ALL STAKEHOLDERS- THE PATENT OWNER, COMPETITORS, INVESTORS AND THE PUBLIC.

In approving the use of the BRI in *Cuozzo* as reasonable and, as a general matter, not unfair to the patent holder in any obvious way, based on the facts and arguments made in that case, the Court did not address the policy arguments advanced by *Cuozzo*. Rather, it said such policy issues were things the PTO should consider is deciding what standard to apply.<sup>10</sup>

In addressing policy in connection with the proposed rules, it is clear that the ordinary and customary standard must be used in second-look proceedings. Important business decisions are made on the basis of known patent protection. For example, a company may commit substantial funds to bring a product to market which is protected by a valid patent claim. It will do so only knowing that it will have an exclusive market for this patent-protected product for the life of the patent. Likewise, competitors must know the proper boundaries of a patent so that they can commit funds to bring out competitive products without fear of being charged with infringement. The Courts have long recognized the need for certainty in making such commitments. They have stressed the need for notice to all (e.g., competitors and investors, as well as the patent owner) of the boundary of an issued patent. This is accomplished for all concerned by being able to discern with some certainty the proper patent boundary.

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<sup>10</sup> “[W]hether there is a better alternative as a policy matter [to the BRI standard]...is a question that Congress left to the particular expertise of the Patent Office.” (*Cuozzo*, 136 S.Ct at 2146)

See, e.g.:

“The encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude. As the Supreme Court observed in *Kaiser Aetna v. United States*, 444 U.S. 164, 176, 100 S.Ct. 383, 391, 62 L.Ed.2d 332 (1979), the ‘right to exclude others’ is ‘one of the most essential sticks in the bundle of rights that are commonly characterized as property’. And as this court stated in *Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-78, 219 USPQ 686, 689-90 (Fed.Cir.), *cert. denied*, \_\_\_ U.S. \_\_\_, 104 S.Ct. 493, 78 L.Ed.2d 687 (1983), without the right to exclude ‘the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously undermined.’ This right is implemented by the licensing and exploitation of patents.” (*Patlex I*, 758 F.2d at 599-600).

This encouragement of investment-based risk requires those committing to such risks to know with reasonable certainty what would infringe a valid patent claim and what not. For example, the Supreme Court in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) stated that uniformity in claim construction is critical because:

“[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public.... It was just for the sake of such desirable uniformity that Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases.”<sup>11</sup>

The policy grounds advanced by the industry as to why the BRI cannot be used for issued claims (and not considered by the Supreme Court in *Cuozzo*) are set forth in detail in the dissenting opinion by Judge Newman in the

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<sup>11</sup> See also *Nautilus, Inc. v. Biosig Instruments*, 572 U.S. \_\_\_, 134 S. Ct. 2120, 2149 (2014): “a patent must be precise enough to afford clear notice of what is claimed, thereby ‘appris[ing] the public of what is still open to them.’ *Markman*, 517 U.S., at 373, 116 S.Ct. 1384 (quoting *McClain v. Ortmayer*, 141 U.S. 419, 424, 12 S.Ct. 76, 35 L.Ed. 800 (1891)). Otherwise there would be ‘[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims.’ *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236, 63 S.Ct. 165, 87 L.Ed. 232 (1942).”

Federal Circuit’s refusal to hear the *Cuozzo* case *en banc*. These policy considerations clearly show why the ordinary and customary standard must be used. They are repeated here verbatim from Judge Newman’s opinion in *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1297, 1304-1305 (Fed. Cir. 2015):

“All of the *amici curiae* criticize the panel majority position and urge *en banc* attention to this ‘matter of exceptional importance.’ The brief filed by the 3M Company, Caterpillar Inc., Eli Lilly and Company, General Electric Company, GlaxoSmithKline LLC, Illinois Tool Works Inc., Johnson & Johnson, Pfizer Inc., Procter & Gamble, and Sanofi US, states that together they ‘spend tens of billions of dollars annually and employ over a half million scientists, engineers and others in the United States alone to develop, produce, and market new products,’ and that they ‘collectively hold tens of thousands of patents [and] participate extensively in patent litigation.’ *Amicus Curiae* Br. of 3M *et al.* at 1. They advise the court that ‘the PTO’s decision to use the BRI Rule is inconsistent with the AIA and sound patent policy.’ *Id.* at 2.

These *amici* ‘urge the Court to grant *en banc* review,’ and stress the importance of resolving this concern expeditiously, citing the thousands of current IPR proceedings. They state: ‘The lack of certainty as to the meaning (and therefore value) of a patent is costly to the inventive community and discourages innovation; it adversely affects patent licensing, design-around activities, and other critical business decisions, contrary to the goals of the AIA.’ *Id.* at 4. They observe that the ‘application of different standards in the PTO and judicial proceedings also means that each proceeding’s claim construction has no estoppel effect for subsequent proceedings, further encouraging gamesmanship,’ and urge this court to correct the PTO’s departure from congressional intent. *Id.*

The Intellectual Property Owners Association, citing its membership of ‘over 200 companies and 12,000 individuals involved in the association through their companies or as inventor, author, executive, law firm or attorney,’ Br. of IPO as *Amicus Curiae* at 1, states that: ‘The use of BRI in IPR proceedings is rapidly undermining the public’s confidence in the patent system. The [*Cuozzo*] panel’s decision upsets the settled expectation of inventors, patentees, and all others who

depend on the patent system.’ *Id.* The IPO urges the *en banc* court to review the panel’s ruling, for ‘[i]nvestment decisions relating to research and development of new inventions and the commercialization of previously patented ones are now being chilled.’ *Id.* at 4.

The Pharmaceutical Research and Manufacturers of America reminds the court that pursuit of medical advances requires enormous investments—roughly \$40-50 billion annually—‘made possible by clearly defined and predictable patent law protections.’ Br. of *Amicus Curiae* PhRMA at 1. The *amicus* describes the broadest reasonable interpretation standard in the new post-grant proceedings as an issue of ‘particular importance.’ *Id.* *Amicus* New York Intellectual Property Law Association reiterates that the ‘issue is of great importance and should be re-heard *en banc.*’ *Amicus Curiae* Br. of NYIPLA at 4.

The *amici* explain the commercial, economic, and pragmatic implications of the majority position. They stress the need for clarity and predictability in the law on which commercial decisions are made, they emphasize the legislative purpose of the America Invents Act, and ask this *en banc* court to guide agency understanding of the statute.

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The *amici curiae* stress the need for investment-reliable patent rights, and the AIA’s purpose of establishing this new administrative adjudicative authority. This purpose collapses if the PTO applies a unique rule of patent claim construction, different from the law of claim construction that is applied in the courts. The public interest in technological advance, and the national interest in a vigorous economy served by growth, employment, creativity, and trade, require that this court accept the petition for *en banc* rehearing.”

#### IV. REASON 2

USING THE BRI IN DECIDING WHETHER OR NOT AN ISSUED PATENT CLAIM IS VALID VIOLATES THE CONSTITUTIONAL GUARANTEES OF THE 5<sup>TH</sup> AMENDMENT AGAINST TAKING OF PROPERTY WITHOUT JUST COMPENSATION AND WITHOUT DUE PROCESS

## A. BASIC PRINCIPLES

The ordinary and customary standard is used to determine the legal boundary of a patent owner's property. This has been established in case law going back over a century.

The BRI is a rule of the PTO. It is not mandated by any statute or case law. In addressing the legality of agency rules, the Federal Circuit has said:

“Congress in performance of its legislative functions may leave it to administrative officials to establish rules within the prescribed limits of the statute. *United States v. Grimaud*, 220 U.S. 506, 517, 31 S.Ct. 480, 483, 55 L.Ed. 563 (1911). A statute that is valid on its face may nevertheless be administered in such a way that constitutional or statutory guarantees are violated.” (*Patlex II*, 771 F.2d at 482)

The recent *Oil States* Supreme Court case<sup>12</sup> upheld the IPR process against a constitutional challenge under Article III and the 7<sup>th</sup> Amendment to the Constitution. However, the Court was clear that its Constitutional holding was narrow and did not decide any taking or due process issues under the 5<sup>th</sup> Amendment.

“We emphasize the narrowness of our holding. . . . we address only the precise constitutional challenges that Oil States raised here. . . . **Nor has Oil States raised a due process challenge. Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.**” (cite), emphasis added.

As the Executive Summary notes, the Supreme Court found in *Cuozzo* that the use of the BRI was appropriate in a second look IPR proceeding. However, no 5<sup>th</sup> Amendment taking, due process or other constitutional argument was made or considered. Rather, in reviewing the statutory language and past PTO practice it found use of the BRI was not “unfair to the patent holder in any obvious way” because there was the right to amend (page 2145). It was not “unreasonable” because the PTO used the BRI in other proceedings. (page 2146)

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<sup>12</sup> *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, No. 16-712, April 24, 2018, Slip Opinion at 17.

So the recent Supreme Courts cases have addressed some issues concerning IPRs. However, no case in the Supreme Court or elsewhere, has addressed whether the use of the BRI standard in assessing the validity of an issued patent claim was an unconstitutional taking of valid patent property and in violation of due process. The two concepts (BRI in second look proceedings and the 5<sup>th</sup> Amendment guarantees) have not previously been addressed in the same case.

*Patlex I*, in upholding reexamination against a different 5<sup>th</sup> Amendment challenge, did not address what claim construction standard should be used. Rather, the Court addressed policy issues which it said were necessary in deciding a 5<sup>th</sup> Amendment challenge. Among these were the challenged action's economic impact and interference with reasonable investment-backed expectations.<sup>13</sup> But in a recent case the opinion's author expressed other policies she said show that the BRI must not be used in second look proceedings.

Taking these cases together, it is clear the policies applicable to the 5<sup>th</sup> Amendment show that the use of the BRI in review of issued claims would be taking without just compensation and in the process is in violation of due process.<sup>14</sup>

There have also been several cases affirming the use of the BRI standard in PTO examination of issued patent claims in second look reissue, reexaminations and inter partes review . None address the 5<sup>th</sup> Amendment issue. These cases all are based on the premise that no prejudice will occur to a patent owner. It was thought that the appropriate claim coverage could be obtained though amendment. But as shown above, amending does not ensure that the rightful patent boundary for the invention claimed is obtained.<sup>15</sup> And as noted, *Cuozzo* did not address any policy issues.

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<sup>13</sup> *Patlex I*, 758 F.2d at 602.

<sup>14</sup> These two opinions are discussed *infra* in Section IV E.

<sup>15</sup> See discussion in Section IV D, *infra*. See also Exhibit B which summarizes these cases.

## B. *CUOZZO* IS NOT DISPOSITIVE

The Supreme Court in *Cuozzo* found that Congress did not specify what claim construction standard to use in IPRs. It therefore considered whether the PTO rule requiring use of the BRI standard was "reasonable" in light of the "text, nature and purpose of the statute" (*Cuozzo*, 136 S.Ct. at 2146).

The Court made a narrow holding based on the limited facts and arguments presented to it. It held that use of the BRI "is, as a general matter, not unfair to the patent holder in any obvious way" because of the ability to amend (page 2145) and it did not find that use of BRI was "unreasonable".

In making that narrow holding, however, the Court did not consider any of the following. Apparently no one raised these issues, so they were not "obvious".

1. There was no constitutional challenge, nor any argument about whether patents are property under the 5th Amendment. The entire opinion reads in terms of reasonableness and fairness. There is no consideration whatsoever of whether use of the BRI is constitutional or not. Nor were any policy issues considered.

-The Court presented the issue before it as one of the BRI rule's reasonableness. It said:

"[w]here a statute leaves a gap or is ambiguous, this Court typically interprets a congressional grant of rule-making authority as giving the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute." (*Cuozzo*, 136 S.Ct at 2142)

In reaching this reasonableness conclusion, the *Cuozzo* Court did not consider any of the policy considerations raised by *Cuozzo*. It said that the PTO is the one which should consider policy issues when it is deciding what standard to use (*Cuozzo*, 136 S.Ct. at 2146). Constitutionality under the 5<sup>th</sup> Amendment, likewise, requires an analysis of policy considerations, including the economic effect of the Government action and its interference with reasonable investment-backed expectations. (*Patlex I*, 758 F.2d at 602).

2. That the PTO as a matter of practice uses two claim construction

standards.

-For expired patents, the PTO uses the ordinary and customary standard. There was no recognition at all that the PTO uses two standards. Rather the Court said that "past practice supports the Patent Office's regulation. The Patent Office has used this standard [BRI] for more than 100 years". (page 2145).

3. There is no recognition that the right to amend is irrelevant where the claim is valid as issued under the ordinary and customary standard, but invalid when using the BRI.

-On the fairness issue, *Cuozzo* argued unfairness because there was no absolute right to amend in IPRs. So the Court addressed the limited ability to amend available in an IPR. It found that the ability to move to amend, together with the original prosecution, offered enough opportunities to amend such that "use of the broadest reasonable construction standard is, as a general matter, nor unfair to the patent holder in any obvious way." The reason the PTO has determined the ordinary and customary standard was not to be used for unexpired patents was because of the right to amend in second look cases. But as shown above, amendment cannot save an issued, unexpired claim which is valid using the ordinary and customary standard, but which is invalid when using the BRI. Such a valid claim cannot survive an IPR which uses the BRI regardless of the right to amend or not.

4. That valid patent rights may be permanently lost through use of the BRI in second look proceedings.

-The *Cuozzo* Court applied the purpose of the statute in making its determination (an "efficient system for challenging patents that should not have issued", that patent monopolies "are kept within their legitimate scope" and that reexamination "helps ensure precision" (*Cuozzo*, 136 S. Ct. at 2144-2145). However, for a valid claim using the ordinary and customary standard, there is no need for any agency action. Such claims are already "within their legitimate scope" and precise enough under the law. For an amended claim in a second look proceeding, as shown in the diagram, there is a permanent loss of rights both for the red A area and for the time before the amended claim issues for a claim otherwise valid when using the ordinary and customary standard. The purpose of the statute was only to address invalid claims- not a valid one.

*Cuozzo* also relies on *Yamamoto* as support for reexamination helping to "ensure precision while avoiding overly broad claims." (ibid) However, as

shown in Section D below, Yamamoto is not authority that valid claims using the ordinary and customary standard need be reexamined to avoid over breadth. They are already of the necessary breadth and precision in accordance with the patent law requirements.

5. That the AIA statute requires the Commissioner to make a determination of a reasonable likelihood of success on an invalidity challenge before instituting an IPR.

-The purpose of this requirement in the AIA was to avoid the patentee's harassment through unnecessary challenges. An unnecessary challenge is one where a patent claim is valid when construed using the ordinary and customary standard, but invalid when using the BRI.

### C. PATENTS AS PROTECTED PROPERTY

The Federal Circuit has squarely held that patents are protected property subject to the requirement of the 5<sup>th</sup> Amendment.<sup>16</sup> In so doing, it relied on Supreme Court law going back almost 150 years.

“It is beyond reasonable debate that patents are property. In Consolidated Fruit Jar Co. v. Wright, 4 Otto 92, 96, 94 U.S. 92, 96, 24 L.Ed. 68 (1876) the Supreme Court stated:

A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.

In Leesona Corp. v. United States, 599 F.2d 958, 966-69, 220 Ct.Cl. 234 (1979) that court affirmed that patents are property and therefore subject to the principles of eminent domain. See Johnson & Johnson, Inc. v. Wallace A. Erickson & Co., 627 F.2d 57, 59, 206 USPQ 873, 876 (7th Cir.1980), wherein the court wrote:

The seventeen-year exclusion is a right and not a matter of grace or favor.... It is a property right ... of which the patentee cannot be deprived without due process of law.” (*Patlex I*, 758 F. 2d at 599).

There is a long line of Supreme Court and Federal Circuit cases indicating that patents are protectable property under the 5<sup>th</sup> Amendment. Some of

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<sup>16</sup> See discussion of *Patlex I*, *infra*, in Section IV E.

these are summarized in Exhibit C hereto. As noted, the narrow holding in *Oil States* did not address whether patents are protected property under the 5<sup>th</sup> Amendment.<sup>17</sup>

#### D. BRI AND THE COURTS

The PTO uses the ordinary and customary standard in reviewing expired claims. It does so because there is then no opportunity to amend to obtain new claims, which would supposedly allow proper claim coverage to be obtained.<sup>18</sup>

As to unexpired claims, the courts originally distinguished between claims not yet patented and issued claims. It was held that the BRI was appropriate for not yet patented claims because “at that time, they may be amended to obtain protection commensurate with the inventor(s) actual contribution to the art.”<sup>19</sup> The court contrasted that with an issued claim. As to issued claims, it explained: “this is contrasted with a patent claim in court. There a court may construe an issued claim as covering only patentable subject matter so as to be valid over the prior art.” (ibid).

Later, the Federal Circuit was faced with the question of what standard should be used in reexamination. It found in *In re Yamamoto*, 740 F. 2d 1569 (Fed. Cir. 1984) that the BRI standard should be used. This was because the court believed that in reexamination the patent owner may amend to obtain appropriate coverage for the invention with express claim language, i.e., it “had an opportunity during reexamination in the PTO to amend his claims to correspond with his contribution to the art.”

Because of this right to amend, the Court equated reexamination with original prosecution. In so doing, it stated as to the former: “Applicants' interests are not impaired since they are not foreclosed from obtaining appropriate

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<sup>17</sup> In addition, the Patent Act provides that, “[s]ubject to the provisions of this title, patents shall have the attributes of personal property.” 35 U. S. C. §261.

<sup>18</sup> See footnote 7, *supra*.

<sup>19</sup> *In re Prater*, 415 F.2<sup>nd</sup> 1393, 1404-1405 (CCPA 1969). See also *In re Rambus*, *supra*, footnote 7.

coverage for their invention with express claim language.”, citing the *In re Prater* case.

All of the subsequent cases approving the use of the BRI rely on the right to amend and that this means there is no prejudice to the patent owner.<sup>20</sup> They seem to say that the PTO should be able to say "We made an error in granting a patent claim. Therefore, we should be able to correct that error. And this is so regardless of whether the claim is valid under the legally mandated test of its customary and ordinary meaning.” And, furthermore, no valid rights are lost.

But as shown in the diagram above<sup>21</sup>, the right to amend does not ensure that valid patent property is not taken to the patent owners’ prejudice. None of the cases recognize this possibility.

Indeed, *In re Yamamoto* is cited by the Supreme Court in *Cuozzo* to support the finding approving the use of the BRI in IPR proceedings.<sup>22</sup> The Supreme Court said the IPR process at issue in *Cuozzo* was essentially the same as reexamination, which was the process addressed in *Yamamoto*. The Court stated: “The proceeding [IPR] involves what used to be called a reexamination...Although Congress changed the name from ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change the basic purposes...” (136 S.Ct. at 2144). Indeed, the Supreme Court has recognized elsewhere that all of the original examination and second look examination are basically the same. As the Court said in *Oil States*: “The primary distinction between inter partes review and the initial grant of a patent is that inter partes review occurs *after* the patent has issued.” (Slip Opinion at 9)

*Yamamoto* first explains why BRI is used in original examination:

“The PTO broadly interprets claims during examination of a patent application since the applicant may "amend his claims to obtain

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<sup>20</sup> The cases approving of the use of the BRI are summarized in Exhibit B.

<sup>21</sup> See Section I, *supra*.

<sup>22</sup> *Cuozzo*, 136 S. Ct. at 2145.

protection commensurate with his actual contribution to the art." *In re Prater*, 415 F.2d 1393, 1404-05, 162 USPQ 541, 550, 56 CCPA 1381, 1395 (1969). This approach serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified. Applicants' interests are not impaired since they are not foreclosed from obtaining appropriate coverage for their invention with express claim language. *Id.* 1572\*1572 at 1405 n. 31, 162 USPQ at 550 n. 31, 56 CCPA at 1396 n. 31." (Yamamoto, 740 F.2d at 1571-1572)

Then it supports use of the BRI in reexamination further by analogy to reissue proceedings. But in the reissue proceedings the applicant is seeking reexamination because an error has been made in the original examination.<sup>23</sup> This does not support the use of the BRI where the patent owner is claiming no error has been made and the claim is valid as issued.

Furthermore, none of the cases approving of the BRI use for unexpired patent claims addressed the 5<sup>th</sup> Amendment taking and due process issues. The only case addressing taking a second look at unexpired claims and the 5<sup>th</sup> Amendment requirements (*Patlex I*), did not address what standard should be used and addressed a different 5<sup>th</sup> Amendment issue.

Such emphasis on the right to amend is focusing on the trees and ignoring the forest. It ignores the policy behind the entire patent system. It also ignores the many court cases that find a patent's boundary (claim construction) should be definite and determined by judges so that patent owners, investors and competitors are able to make sound business decisions as to whether a product or system is within or without the area protected by the patent. Use of the BRI on issued claims de-incentivizes new products and systems

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<sup>23</sup> See 35 U.S.C. Sec. 251 (Pre-AIA): "Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. "

entering the market, both by the patentee and competitors. And it ignores that the right to amend does not ensure that valid property is not destroyed.

#### E. 5<sup>TH</sup> AMENDMENT PATENT CASES

There is only one case making a substantive analysis in upholding the PTO right to take a second look at an issued patent claim in the face of a 5th Amendment takings and due process challenge. That is *Patlex I* which involved *ex parte* reexaminations.

In *Patlex I*, the alleged 5<sup>th</sup> Amendment violation was the retroactive effect on an issued patent by reexamination. In holding that reexamination did not violate the 5<sup>th</sup> Amendment, the court did not mention what claim construction should be used by the PTO when considering an issued patent claim. It did not mention the BRI standard at all. Indeed, it did not mention claim construction.

The court assumed that a valid claim would not be affected by a second look by the PTO. It stated:

“for purposes of analysis, we assume without deciding that re-examination *per se* does not intrude on [the patent owner’s] patents...”  
(Page 602)

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“we also consider that the effect, if any, of re-examination is temporary with respect to correctly granted patents. If the patents are upheld upon reexamination, [the patent owner] will continue to possess the entire bundle of property rights that accompany a valid patent.”  
(Page 603).

But, as shown above, using the BRI standard can result in the permanent loss of valid patent rights.

The entire *Patlex I* analysis is based on the fact that a reexamination could not affect valid patent claims. Rather it could only reaffirm valid claims: not nullify them using a different standard. It is important to note that Judge

Newman wrote the opinion in *Patlex I* and *Patlex II*.<sup>24</sup> She also dissented in the panel decision and the *en banc* decision not to grant rehearing of the panel decision in *Cuozzo*. In the latter, she said that the PTO must use the same ordinary meaning standard that a court does.

Judge Newman wrote in *Patlex I* that in assessing constitutionality under the 5<sup>th</sup> Amendment, the Supreme Court placed great weight on policy considerations. She said that in *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978), the Court set out a multifactor inquiry for determining the effect of a particular governmental action as to its constitutionality, including “the character of the governmental action, its economic impact, and its interference with reasonable investment-backed expectations”. ( p. 602). The policy considerations she relied on in sustaining *ex parte* reexamination in *Patlex I* are the same ones she said in her dissent in the panel opinion in *In re Cuozzo* and in her dissent in denying the petition for an *en banc* rehearing were to the contrary when using BRI. For instance, in *Patlex I* she discussed that reexamining patents would increase “certainty” in patent rights, e.g., she said that reexamination would reinforce “investor confidence in the certainty of patent rights” (p. 602). *Cf.* her dissent in *In re Cuozzo*, discussed *supra*, where she quoted with favor the *amici curiae* briefs that “[t]he lack of certainty as to the meaning (and therefore value) of a patent [when using the BRI standard] is costly to the inventive community and discourages innovation, it adversely affects patent licensing , design-around activities and other critical business decisions contrary to the goals of the AIA.” (*Cuozzo*, 793 F.3d at 1304) The Supreme Court recognized in *Cuozzo* that use of the differing claim construction standards could lead to different validity results- hardly certainty. It said “A district court may find a patent claim to be valid, and the agency may later cancel that claim in its own review. We recognize that that is so.” (Slip Op. at 19)

She also noted in *Patlex I* that reexamination is temporary with respect to correctly granted patents. She said that:

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<sup>24</sup> See discussion of *Patlex II*, *infra*, in Section V.

“[i]f the patents are upheld upon reexamination Gould [the patentee] will continue to possess the entire bundle of property rights that accompany a valid patent. Control Laser and the Commissioner remind us that Gould may recover damages from those who have infringed in the interim. The full recompense that Gould seeks in his licensing program is not barred from ultimate recovery.” (p. 603)

But as shown in the example above, using the BMI standard can result in permanent lost of both the right to damages and to exclude others for what are valid patent claims when using the legal ordinary and customary standard.

Furthermore, even if an amended claim were approved in the IPR, damages for such a claim would only be available from that claim’s issuance. Damages on the original valid (but PTO-refused claim) would be permanently lost.<sup>25</sup>

Another factor she mentioned in *Patlex I* was that the legislative history of the reexamination statute made clear that its purpose is to cure defects in administrative agency action with regard to particular patents. But as shown in the example, using the hypothetical BMI standard does not necessary show that there has been a defect to cure. The issued claim at issue may very well be valid when using its proper legal boundary

The *Patlex I* holding was reaffirmed in *Joy Technologies, Incorporated v. Manbeck*, 959 F. 2d 226 (Fed. Cir. 1992), cert. denied 506 U.S. 829 (1992). There the patent owner again asserted a Fifth Amendment violation in the PTO reexamining an issued patent claim. It conceded that its position did not differ from that of the patentee in *Patlex I*. Therefore, the Court did not address any 5<sup>th</sup> Amendment issues.

## F. CONCLUSION

No cases have considered the interplay between use of the BRI in second-look proceedings and the guarantees of the 5<sup>th</sup> Amendment. All of the cases approving of the use of BRI in second look proceedings have assumed the right to amend means no valid patent property is taken. This is not true, as

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<sup>25</sup> See discussion in Section I.

shown above in the diagram.

Considering the public policies applicable to the 5<sup>th</sup> Amendment, use of the BRI can result in an unlawful taking of property under this Amendment.<sup>26</sup>

## V. REASON 3

SINCE USE OF THE BRI STANDARD FAVORS INSTITUTION OF A SECOND LOOK PROCEEDING, IT IS UNLAWFUL. WHETHER OF NOT TO INSTITUTE A SECOND LOOK PROCEEDING MUST BE NEUTRAL UNDER THE ENABLING STATUTES.

In reexamination, the PTO must first decide that there is a substantial new issue of patentability before a reexamination is commenced.<sup>27</sup> No one is entitled on his or her own to commence a reexamination merely by filing a request to do so. This part of the reexamination statute was to protect the patent owner from harassment and diversion of resources from R & D of inventions. The Federal Circuit explained that “the only purpose of the procedure established by 35 U.S.C. § 303 [was to] : ‘carefully’ ...protect holders of issued patents from being subjected to unwarranted reexaminations.” (*Patlex II*, 771 F.2d. at [?]). In so stating, the Court quoted with approval from the legislative history of the reexamination statute:

“Study of the genesis of the reexamination statute leaves no doubt that the major purpose of the threshold determination whether or not to reexamine is to provide a safeguard to the patent holder. As described by then PTO Commissioner Diamond:

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<sup>26</sup> See also Dolin and Manta, “*Taking Patents*”, 73 Wash. & Lee L. Rev. 719 (2016). This review article argues that the IPR proceedings as then conducted violate the 5<sup>th</sup> Amendment takings prohibition. The analysis, however, is somewhat different from that of this memorandum. The article’s conclusions are responded to in Hrды and Picozzi, “*The AIA Is Not a Taking: A Response to Dolin & Manta*”, 72 Wash. & Lee L. Rev. Online 472 (2016), <http://scholarlycommons.law.wlu.edu/wlulr-online/vol72/iss3/6>. This response likewise does not address directly the analysis set forth in this memorandum.

<sup>27</sup> 35 U.S.C. § 303 provided in part: “[w]ithin three months following the filing of a request for reexamination ... the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request...”

‘[The statute] carefully protects patent owners from reexamination proceedings brought for harassment or spite. The possibility of harassing patent holders is a classic criticism of some foreign reexamination systems and we made sure it would not happen here.’<sup>28</sup>

In *Patlex II*, the Federal Circuit struck down instructions to the examiners to resolve any doubt as to whether a substantial new question of patentability is raised in favor of granting the request for reexamination.<sup>29</sup> The Court explained that this instruction contradicted the clear intent of Congress, as set forth above. The Court held:

“We conclude that those portions of the MPEP which require the PTO to resolve doubt in the direction of granting the request for reexamination are contrary to the statutory mandate of 35 U.S.C. § 303, and void.” (*Patlex II* at 486).

The Court held that whether to institute a second look proceeding must be neutral to comply with the purpose of the statute. It reasoned:

“As discussed *supra* in connection with 37 C.F.R. § 1.530(a), Congress' major purpose in enacting § 303 was to protect patentees against doubtful reexaminations. The implementing regulations, on which public comment was invited, contain no reference to a "rule of doubt" in deciding whether to grant reexamination. This instruction appears only in the MPEP. We find no support for it in the statute or its legislative history. (771 F. 2d at 487)

We have discerned no other interpretation for MPEP §§ 2240 and 2244 than that which contradicts the clear intent of Congress. When

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<sup>28</sup> See also the legislative history of Post Grant Review legislation: “[v]arious safeguards and estoppels have also been included to prevent the use of PGR for harassment. Every petition to institute a PGR must raise a substantial new question of patentability (Patent Reform Act of 2007, Senate Rpt. 110-259, January 24, 2008)

<sup>29</sup> MPEP § 2240 stated that “[w]here doubts exist, all questions should be resolved in favor of granting the request for reexamination. MPEP § 2244. Any question as to whether a substantial new question of patentability exists should be resolved in favor of granting the request for reexamination.”

Congress enacted 35 U.S.C. § 303 for the purpose of protecting the patentee, it could not have intended an implementation that would negate this protection. We can not endorse such a diversion of the statutory purpose.

[The courts] must reject administrative constructions of the statute, whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement.

*Federal Election Commission v. Democratic Senatorial Campaign Committee*, 454 U.S. 27, 31-32, 102 S.Ct. 38, 41-42, 70 L.Ed.2d 23 (1981). The challenged rule is not "reasonably related to the purposes of the enabling legislation",”

In the AIA, Congress made the requirement to institute an IPR even more stringent. It requires the Director to determine that the information presented in the petition shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition. (35 U.S.C. Sec. 314(a)). The legislative history shows that the standard was raised to make it harder to subject a patent to a second look. The legislative history explains:

“[r]easonable likelihood of success” for instituting inter partes review. The threshold for initiating an inter partes review is elevated from “significant new question of patentability”—a standard that currently allows 95% of all requests to be granted—to a standard requiring petitioners to present information showing that their challenge has a reasonable likelihood of success.

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The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation. Further,

such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.” (cite?)

Since the BRI standard, according to the Supreme Court, “increases the possibility that the examiner will find the patent too broad (and deny it)”, using the BRI standard favors institution when there is doubt as to whether there is a reasonable likelihood the petitioner would prevail in the validity challenge. Thus, use of the BRI standard in determining whether to institute is improper under Federal Circuit law. It has the same effect as the PTO rules found to be illegal in *Patlex II* of illegally favoring taking a second look at issued patent claims. This is particularly troublesome in view of the purpose in changing the requirement from a “new question of patentability” to the more stringent “reasonable likelihood” of prevailing. Congress intended to make it more difficult to start an IPR than existed for a reexamination.

As the *Cuozzo* Court held, the legality of the PTO rules on the claim construction standard is determined based on the “nature and purpose of the statute.”(*Cuozzo* at 2142) Use of the BRI in assessing whether to institute a proceeding violates the whole spirit, nature and purpose behind Congress setting up these pre-institution requirements. It is illegal.

Respectfully submitted,

/s/Thomas L. Creel

Thomas L. Creel

EXHIBIT A

QUALIFICATION OF THOMAS L. CREEL

**ARBITRATOR AND SPECIAL MASTER**

Currently a full-time arbitrator with JAMS, specializing in patent, other intellectual property and technology disputes. Has served as arbitrator for over 30 years in scores of such proceedings. He has been selected by his peers for inclusion in Super Lawyers as an arbitrator. The arbitrations have concerned a broad range of technologies, from biotechnology and computer technology to medical devices, electronics and chemistry.

He is listed on the approved arbitrator panels of many domestic and international organizations. In addition to his activities in technology areas, he has authored scores of decisions relating to anti-cybersquatting of trademarks as an arbitrator under the rules adopted by the Internet Corporation for Assigned Names and Numbers (ICANN).

Recognized for his capabilities in both patent litigation and as an arbitrator, Mr. Creel has been appointed by several federal district judges to serve as a Special Master to provide proper patent claim construction, supervise all pretrial discovery, review documents on claims of privilege and recommend rulings on summary judgment motions.

He is the editor of *The Guide to Patent Arbitration*, published by BNA Books. Mr. Creel also frequently writes and speaks on ADR of IP disputes, covering

topics such as "How to Avoid Disputes Through Use of ADR" and "ADR in the 21st Century." He was the chairperson of the ADR Committee of the New York Intellectual Property Law Association, Inc.

### **AREAS OF EXPERTISE**

Most of Mr. Creel's arbitrations and litigations have been in the patent area, but he has frequently also been involved in the areas of technology, trade secrets, entertainment, trademarks, copyrights and unfair competition.

Many of the world's largest companies entrusted their major litigations to Mr. Creel. The technologies involved run the gamut from complex chemistry, pharmacy and biotechnology to microprocessors, surge protectors, electronic light dimmers, computers and copiers. His experience as an arbitrator has also been wide-ranging in terms of technology. Many of these involved licensing disputes.

### **PUBLICATIONS**

Mr. Creel is the author of the book "Patent Claim Construction and Markman Hearings" published by the Practising Law Institute as part of its Treatise Series. The book is updated yearly. It has been described as a "superb treatise" (former Chief Judge of the Court of Appeals for the Federal Circuit), a "wise addition to any trial lawyer's at-hand resource selection" (renowned IP trial lawyer) and as containing an "analysis of legal rules...mixed with sage practical advice" (IP professor at a major law school).

He is also the editor of *The Guide to Patent Arbitration*, published by BNA Books.

He has written widely on the intricacies of ADR and litigation of patent, other intellectual property and technology disputes and on substantive intellectual property law. His annual review of the law of patent damages was considered to be the "bible" on the law of patent damages by at least one Federal Circuit judge.

### **ADVOCATE AND COUNSELOR**

Practiced over 30 years as a first chair intellectual property litigator and counselor. Was head of the Intellectual Property Litigation Practice as a partner at Goodwin Procter LLP; co-chair of the Patent Litigation Group while a partner at Kaye Scholer, Fierman, Hayes and Handler and a senior litigating partner at Kenyon & Kenyon.

During government service, handled administrative patent infringement claims against the U.S. government, participated in patent infringement litigation in the U.S. Court of Federal Claims and was responsible for export clearances for certain types of important information.

### **TEACHING**

Co-taught the patent and trade secret law course at Columbia University Law School for almost 20 years. He originally taught using his own course materials.

### **PEER RECOGNITION**

Listed in the *Euromoney Guide to the World's Leading Patent Law Experts*, the *Euromoney Guide to the World's Leading Trademark Law Experts and Chambers USA: America's Leading Lawyers for Business*. These publications select lawyers for inclusion after conducting extensive surveys of lawyers and clients. Mr. Creel is also listed in *The Best Lawyers in America* and *Super Lawyers*, as an arbitrator.

### **PROFESSIONAL ACTIVITIES**

Mr. Creel served as president of the New York Intellectual Property Law Association, Inc. and has been active in other bar associations.

Mr. Creel chaired an annual seminar on patent litigation for many years and is often invited to speak at and chair other conferences on substantive patent law, patent litigation and arbitration. He was the chairperson of the annual PLI seminar "Claim Construction and How to Prepare and Conduct Markman Hearings" for many years.

### **BAR AND COURT ADMISSIONS**

Mr. Creel is registered to practice before the U.S. Patent & Trademark Office. He is also admitted to the bars of New York and Michigan; the U.S. Supreme Court; the U.S. Courts of Appeals for the Federal, Second, Fourth and Fifth Circuits; the U.S. District Courts for the Southern and Eastern Districts of New York, the Northern District of Mississippi and the Central District of California; and the U.S. Court of Federal Claims.

## **EDUCATION**

LL.B., University of Michigan Law School

B.S., University of Kansas

## EXHIBIT B

### SUMMARIES OF RELEVANT CASE LAW ON USE OF THE BRI.

The cases are in chronological order.

1. ORIGINAL PROSECUTION BEFORE ANY PATENT CLAIMS HAVE ISSUED- *In re Prater*, 415 F.2<sup>nd</sup> 1393, 1404-1405 (CCPA 1969)-

Claims not yet patented are to be given their broadest reasonable interpretation. That is because at that time, they may be amended to obtain protection commensurate with the inventor(s) actual contribution to the art. This is contrasted with a patent claim in court. There a court may construe an issued claim as covering only patentable subject matter so as to be valid over the prior art.

No mention of any constitutional issues.

2. REISSUE APPLICATION- *In re Reuter*, 670 F.2d 1015, 1019 (CCPA 1981)-

BRI standard is used in reissue proceeding.

No mention of any constitutional issues. This is understandable since the applicant is voluntarily submitting the patent claim for examination. No presumptively valid patent claims are being reviewed because the applicant must aver that the claim as issued is defective in some way. That is why reissue is sought.

3. INTERFERENCE COUNT- *Reese v. Hurst*, 661 F. 2d 1222 (CCPA 1981)-

BRI standard is used in determining priority of invention of the interference count.

No mention of constitutional issues.

4. REEXAMINATION- *In re Yamamoto*, 740 F. 2d 1569 (Fed. Cir. 1984), cited with approval in *Cuozzo*, 136 S. Ct at 2145.

BRI is used in reexaminations. This is because the patent owner may amend to obtain appropriate coverage for the invention with express claim language.

No mention of constitutional issues.

5. NOT USED IN REEXAMINATION OF EXPIRED PATENT CLAIM- *In re Rambus*, 753 F. 3d 1253, 1256 (Fed. Cir. 2014)-

BRI standard is not used in reexamination of expired patent claims. That is because the patentee is not allowed to amend expired patent claims.

No mention of constitutional issues.

6. INTER PARTES REVIEW- *Microsoft Corp. v. Proxyconn, Inc.*, 789 F. 3d 1292 (Fed. Cir. 2015)-

BRI standard is used in IPR proceedings.

The Court says it is bound by its *Cuozzo* decision, 778 F. 3d 1271 (Fed. Cir. (2015), in denying a challenge based on limited ability to amend claims. No mention of 5<sup>th</sup> Amendment specifically.

7. INTER PARTES REVIEW- *Cuozzo Speed Technologies LLC v. Lee*, 579 U.S. \_\_\_, 136 S. Ct. 2131(2016)-

BRI standard as used in IPR proceedings is approved.

The Court does not address constitutional concerns or policy issues. Says latter is for the PTO to do.

## EXHIBIT C

### PATENTS AS PROTECTED PROPERTY

(in reverse chronological order).

See also *35 U.S.C. Section 261*: “...patents shall have the attributes of personal property.”

#### *1. OIL STATES ENERGY SERVICES, LLC, PETITIONER v. GREENE’S ENERGY GROUP, LLC, ET AL., 584 U. S. \_\_\_\_ (2018)*

This is the recent Supreme Court affirming the legislation creating the IPR procedure against challenges under the Article III and the 7<sup>th</sup> Amendment. In so holding, the Court said:

“...Oil States challenges this conclusion [that the Constitution does not prohibit the Board from resolving patent validity outside of an Article III court.] , citing three decisions that recognize patent rights as the ‘private property of the patentee.’ *American Bell Telephone Co.*, 128 U. S., at 370; see also *McCormick Harvesting Machine Co. v. Aultman*, 169 U. S. 606, 609 (1898) (‘[A granted patent] has become the property of the patentee’); *Brown v. Duchesne*, 19 How. 183, 197 (1857) (‘[T]he rights of a party under a patent are his private property’). But those cases do not contradict our conclusion. Patents convey only a specific form of property right—a public franchise..... We emphasize the narrowness of our holding. We address the constitutionality of inter partes review only. We do not address whether other patent matters, such as infringement actions, can be heard in a non-Article III forum. Moreover, we address only the precise constitutional challenges that Oil States raised here. Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued. Nor has Oil States raised a due process challenge. Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due

Process Clause or the Takings Clause. See, e.g., *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U. S. 627, 642 (1999); *James v. Campbell*, 104 U. S. 356, 358 (1882).”

2. *Horne v. Dept. of Agriculture*, 576 U. S. , 135 S. Ct. 1039 (2015):

“Nothing in this history suggests that personal property was any less protected against physical appropriation than real property. As this Court summed up in *James v. Campbell*, 104 U. S. 356, 358 (1882), a case concerning the alleged appropriation of a patent by the Government:

‘[A patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, with out just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser.’”

3. *Abbott Laboratories v. Cordis Corp.*, 710 F. 3d 1318, 1327 (Fed. Cir.2013)

A patent is a property right protected by the Due Process Clause

4. *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 US 627, 642 (1999)

This case was cited by the Court in *Oil States* as support for its statement that *Oil States* was a narrow holding and that it did not address whether patents were property protected by the 5<sup>th</sup> Amendment.

A major issue before the Court in this case was whether patents were protected property under the 14<sup>th</sup> Amendment. The Court found they were. Therefore, a State could not infringe a patent and provide no remedy therefor to the injured patent owner. Without any remedy, there was a violation of due process under the 14<sup>th</sup> Amendment.

The Court explained:

“Patents, however, have long been considered a species of property. See *Brown\_v.Duchesne*, 19 How. 183, 197 (1857) ("For, by the laws of the United States, the rights of a party under a patent are his private property"); cf., *Consolidated Fruit-Jar Co.\_v.\_Wright*, 94 U. S. 92, 96 (1877) ("A patent for an invention is as much property as a patent for land"). As such, they are surely included within the "property" of which no person may be deprived by a State without due process of law. And if the Due Process Clause protects patents, we know of no reason why Congress might not legislate against their deprivation without due process under § 5 of the Fourteenth Amendment.”

5. *College Sav. Bank v. Fla. Prepaid Educ. Expense Bd.*, 148 F. 3d 1343, 1349-1350 (Fed. Cir. 1998) .

“ It is, of course, beyond cavil that the patent owned by College Savings is property.

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In subjecting the states to suit in federal court for patent infringement, Congress sought to prevent states from depriving patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment. The Constitution itself, by recognizing the importance of securing the rights of inventors to their inventions, *see* U.S. Const. art. I, § 8, signals a reason for Congress to secure patent property from risk of deprivation.”

6. *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571, 39 USPQ 2d 1065, 1068 (Fed.Cir.1996), *vacated on other grounds*, \_\_\_\_ U.S. \_\_\_\_, 117 S.Ct. 1466, 137 L.Ed.2d 680 (1997).

“Indeed, the United States' "unlicensed use of a patented invention is properly viewed as a taking of property under the Fifth Amendment.”

7. *Patlex Corporation v. Mossinghoff*, 758 F. 2d 594, 599-600 (Fed Cir. 1985). The Court found patents are protected property under the 5<sup>th</sup> Amendment. It explained:

“[i]t is beyond reasonable debate that patents are property. In *Consolidated Fruit Jar Co. v. Wright*, 4 Otto 92, 96, 94 U.S. 92, 96, 24 L.Ed. 68 (1876) the Supreme Court stated:

A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.

In *Leesona Corp. v. United States*, 599 F.2d 958, 966-69, 220 Ct.Cl. 234 (1979) that court affirmed that patents are property and therefore subject to the principles of eminent domain. See *Johnson & Johnson, Inc. v. Wallace A. Erickson & Co.*, 627 F.2d 57, 59, 206 USPQ 873, 876 (7th Cir.1980), wherein the court wrote:

The seventeen-year exclusion is a right and not a matter of grace or favor.... It is a property right ... of which the patentee cannot be deprived without due process of law.

But for the position urged by Control Laser and the Patent and Trademark Office,<sup>[7]</sup> we would not belabor the point that patent property rights, necessarily including the right "to license and exploit patents", fall squarely within both classical and judicial definitions of protectable property. Suffice to cite the scholarship of Jeremy Bentham, who defined property as "the collection of rules which are presently accepted as governing the exploitation and enjoyment of resources. So regarded, property becomes `a basis of expectations' founded on existing rules; that is to say, property is the institutionally established understanding that extant rules governing the relationships among men with respect to resources will continue in existence.... It is supposed that men will not labor

diligently or invest freely unless they know they can depend on rules which assure them that they will indeed be permitted to enjoy a substantial share of the product as the price of their labor or their risk of savings."<sup>[8]</sup>

Bentham's analysis is particularly apt with respect to patent property, which is granted by the government for precisely the reasons he presents. The encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude. As the Supreme Court observed in *Kaiser Aetna v. United States*, 444 U.S. 164, 176, 100 S.Ct. 383, 391, 62 L.Ed.2d 332 (1979), the "right to exclude others" is "one of the most essential sticks in the bundle of rights that are commonly characterized as property". And as this court stated in *Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-78, 219 USPQ 686, 689-90 (Fed.Cir.), *cert. denied*, \_\_\_ U.S. \_\_\_, 104 S.Ct. 493, 78 L.Ed.2d 687 (1983), without the right to exclude "the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously undermined." This right is implemented by the licensing and exploitation of patents."

8. *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606, 609 (1898):

"It has been settled by repeated decisions of this Court that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has had affixed to it the seal of the Patent Office,... It has become the property of the patentee, and as such is entitled to the same legal protection as other property."

In so doing, it relied on three previous Supreme Court cases:

*Seymour v. Osborne*, 11 Wall. 516; *Cammeyer v. Newton*, 94 U.S. 225; *United States v. Palmer*, 128 U.S. 262, 271, citing *James v. Campbell*, 104 U.S. 356. These cases are summarized below.

9. *United States v. Palmer*, 128 U.S. 262, 271 (1888):

”That the government of the United States, when it grants letters patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.”

10. *United States v. American Bell Telephone Co.*, 128 U. S. 315, 370 (1888):

“[T]he government and its officers are acting as the agents of the people, and have, under the authority of law vested in them, taken from the people this valuable privilege conferred it as an exclusive right upon the patentee. This is property, property of a value so large that nobody has been able to estimate it.”

11. *Consolidated Fruit Jar Co. v. Wright*, 4 Otto 92, 94 U.S. 92, 96, 24 L.Ed 68 (1876):

“A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.”

12. *James v. Campbell*, 104 U.S. 356, 358 (1882):

“That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

The government of the United States, as well as the citizen, is subject to the Constitution, and when it grants a patent, the grantee is entitled to it as a matter of right, and does not receive

it, as was originally supposed to be the case in England, as a matter of grace and favor.”

13. *Cammeyer v. Newton*, 94 U.S. 225, 234 (1876):

“Sect. 22 of the Patent Act provides that every patent shall contain a grant to the patentee, his heirs and assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the said invention or discovery throughout the United States.

Agents of the public have no more right to take such private property than other individuals under that provision, as it contains no exception warranting any such invasion of the private rights of individuals.”

14. *Seymour v. Osborne*, 11 Wall. 516, 78 U.S. 516, 533 (1870):

“Inventions secured by letters patent are property in the holder of the patent, and as such are as much entitled to protection as any other property consisting of a franchise during the term for which the franchise or the exclusive right is granted.”

15. *Brown v. Duchesne*, 60 U.S. 183, 197 (1857):

“...[B]y the laws of the United States, the rights of a party under a patent are his private property; and by the Constitution of the United States, private property cannot be taken for public use without just compensation.”