



www.xperi.com

Michael C. Spillner
Vice President, Legal, Intellectual Property & Government Affairs
Direct: 408-321-2958
Email: michael.spillner@xperi.com

July 6, 2018

Via Email: PTABNPR2018@uspto.gov

Attn: Vice Chief Administrative Patent Judges
Michael Tierney or Jacqueline Wright Bonilla,
PTAB Notice of Proposed Rulemaking 2018
Mail Stop Patent Board
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA, 22313-1450

RE: Docket No. PTO-P-2018-0036: Xperi Corporation Comments in Response to 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 Sir or Madam:

Xperi Corporation submits the attached comments in support of the proposed "Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board," 83 FR 21221, Federal Register Volume 83, Issue 90 (May 9, 2018), Docket No. PTO-P-2018-0036.

If you have any questions about our comments, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Michael C. Spillner".

Michael C. Spillner

Corporate Headquarters
3025 Orchard Parkway
San Jose, CA 95134
T +1.408.321.6000



www.xperi.com

**Xperi Corporation Comments
in Response to 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), Docket No. PTO-P-
2018-0036**

I. CORPORATE OVERVIEW

Xperi Corporation (“Xperi”) is a publicly-traded technology company (NASDAQ: XPER) based in San Jose, California. Xperi researches and develops audio, imaging, and semiconductor technologies through its widely-recognized brands DTS®, HD Radio®, FotoNation®, Invensas®, and Tessera®.

Xperi licenses its technologies and the patents that protect them to its customers, who use those technologies in their own products. For example, Xperi licenses its DTS audio technologies to manufacturers of audio/visual equipment, including speakers, radios, televisions, and Blu-ray/DVD players, to enable these devices to play high quality sound in theaters, homes, cars, and mobile devices. Xperi’s HD Radio audio technology is licensed throughout the radio broadcasting ecosystem and enables the digital broadcast of local AM/FM stations. Xperi’s FotoNation imaging technologies enable features such as red eye removal, face detection/recognition, face beautification, and iris recognition in mobile devices. And Xperi’s Invensas and Tessera semiconductor technologies enable the advanced packaging and fabrication of semiconductor devices such as integrated circuits and sensors. Xperi’s technologies are used in more than 5 billion consumer electronic devices, and more than 100 billion semiconductor chips worldwide.

Xperi is actively engaged in and committed to long-term research and development. It employs over 700 people, including over 450 scientists and engineers. It has 28 offices around the world, including U.S. offices in California, Maryland, Michigan, New Jersey, and North Carolina. In 2017, the company generated \$373.7 million in total revenues, and invested \$105.8 million on research and development. About half of Xperi’s revenues come from licensing products, and the other half from licensing patents including those developed by the company’s scientists and engineers.

Xperi relies on the patent system to protect its investments in innovation. Xperi has over 5,500 patents and patent applications worldwide. Xperi was ranked #165 on IPO’s list of top 300 patent owners for 2017 (the same rank as Stanford University in 2017). IPO, *Top 300 Organizations Granted U.S. Patents in 2017* (June 18, 2018), http://www.ipo.org/wp-content/uploads/2018/06/2017_Top-300-Patent-Owners.pdf. Xperi and its subsidiary Invensas were separately ranked #6 and #19 on the 2017 IEEE “Patent Power Scorecard” for semiconductor manufacturing. IEEE, *Patent Power 2017 Scorecard* (Dec. 13, 2017), <https://spectrum.ieee.org/at-work/innovation/patent-power-2017>.



www.xperi.com

II. COMMENTS ON THE NOTICE

A. General Comments

Xperi strongly supports the U.S. Patent and Trademark Office (“PTO”)’s proposals: (1) to replace the broadest reasonable interpretation (“BRI”) claim construction standard currently used by the Patent Trial and Appeal Board (“PTAB”) with the standard enumerated in *Phillips v AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), that is used by federal courts and the U.S. International Trade Commission (“ITC”); and (2) to amend its rules to require the consideration of any prior claim construction determination concerning a term of the involved claim in a civil action or a ITC proceeding, that is timely made of record in an *inter partes* review (“IPR”), post-grant review (“PGR”), and the transitional program for covered business method patents (“CBM”) proceeding.

The PTO’s BRI claim construction standard has created unpredictability and uncertainty in the U.S. patent system because of the risk of inconsistent decisions, adjudicated under different standards, in different forums. Patent owners, the public, and potential infringers all need to have reasonable expectations of whether a patent is valid and how its claims should be interpreted. If a patent owner successfully defends the validity of its patent in court, the patent owner and public should be able to rely upon that judgment, including the claim interpretation, as confirmation of the validity of the patent. But because the PTAB uses different legal standards than courts, including different, more lenient standards for claim interpretation and invalidity, there is a significant risk that the PTAB will interpret the claims differently and find the same patent unpatentable. This creates a cloud of uncertainty over the value of patents. The proposed rule changes would help to remove this uncertainty.

B. Aligning the Claim Construction Standard with Federal Courts Would Bring Greater Predictability to the U.S. Patent System

A major difference between judicial/ITC and PTAB proceedings involves claim construction. District courts and the ITC construe patent claims according to their “ordinary meaning . . . as understood by a person of skill in the art.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139, 2142 (2016) (quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc)). By contrast, in IPR, PGR, or CBM proceedings, the PTAB gives patent claims their “broadest reasonable construction.” *Id.* at 2139, 2142, 2145 (quoting 37 C.F.R. § 42.100(b) and citing *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984)). As the Supreme Court has recognized, the BRI standard significantly “increases the possibility that the [PTAB] will find the claim too broad (and deny it),” *id.* at 2145, because a claim that is broadly construed is more likely to be found anticipated or obvious by prior art.

The different claim construction standards in the district courts/ITC and PTAB proceedings create a risk that the same patent may be treated differently in the two forums. It is not uncommon for the PTAB to disregard the claim construction of federal courts because it was not the broadest reasonable interpretation of the claims. See, e.g., *Seagate Tech. (US) Holdings, Inc. v. Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13-14, 2015 WL 5170256, at *9 (P.T.A.B. Sept. 2, 2015); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20-21, 2015 WL 3920037, at *12 (P.T.A.B. June 24, 2015); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6-13, 2014 WL 5320530, at *4-8 (P.T.A.B. Oct. 15, 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014).

This leads to unpredictable and inconsistent decisions, as the PTAB may cancel a patent that a court or jury has already found valid. For example, in 2013, InterDigital Communications, Inc. filed a civil action in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed InterDigital's asserted patent claims under the *Phillips* standard. *InterDigital*, Docket Nos. 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("the '244 patent") were valid (not obvious in light of prior art) and infringed. *Id.* Docket No. 440. In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. See *ZTE Corp. v. IPR Licensing, Inc.*, IPR2014-00525, Paper No. 1 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper No. 19 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper No. 48 (P.T.A.B. Sept. 14, 2015). In doing so, the PTAB applied the "broadest reasonable interpretation" of the claims, expressly acknowledged that the district court had applied a different standard, and rejected the district court's narrower construction (under which the jury had found the '244 patent was *not* obvious in light of the same prior art). *Id.* at 10-13 & n.4.

There are numerous other instances of the PTAB cancelling a patent that a court or jury has found valid. See *Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1006 (Fed. Cir. 2015); *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 WL 1600327, at *2 (E.D. Tex. Apr. 21, 2014), *aff'd sub nom. Versata Computer Indus. Solutions, Inc. v. SAP AG*, 564 F. App'x 600, 600-01 (Fed. Cir. 2014); Steve Brachman & Gene Quinn, *58 Patents Upheld in District Court Invalidated by PTAB on Same Grounds*, IPWatchdog (Jan. 8, 2018), <http://www.ipwatchdog.com/2018/01/08/58-patents-upheld-district-court-invalidated-ptab/> (finding that there have been at least 58 cases where the PTAB invalidated a patent on the same statutory ground the district court held valid); Steve Brachman, Gene Quinn, & Paul Morinville, *PTAB Facts: An Ugly Picture of a Tribunal Run Amok*, IPWatchdog (Jan. 8, 2018), <http://www.ipwatchdog.com/2018/01/08/ptab-facts-ugly-picture-tribunal-run-amok> ("there have been 220 patents that were found to be valid in various Federal District Courts that were also reviewed by the PTAB. Of those, 52 patents were determined to have valid



www.xperi.com

claims by the PTAB whereas 168 patents had claims, which were determined invalid by the PTAB. This means that 76.4% of those 220 patents found valid in Federal District Court were found defective by the PTAB”); *Kurt Orzeck, Paice Wins \$29M In Hybrid Tech Spat With Hyundai, Kia*, Law360 (Oct. 5, 2015), <https://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia> (noting that the PTAB found unpatentable two hybrid vehicle technology patents that a jury found valid and infringed just days later). Needless to say, in a properly functioning patent system that provides patent owners and the public with certainty and predictability, different legal standards in different forums should not result in the same patent being held both valid and invalid.

The difference in claim construction standards is sufficiently serious that Tessera, Inc., a subsidiary of Xperi, was willing to abandon the remaining term of one of its most valuable patents in an attempt to reduce the risk that the patent would be cancelled by the PTAB. Tessera brought arbitration claims alleging that its former licensee Amkor had failed to pay royalties for its use of certain Tessera patents, as required by a licensing agreement. The arbitrators, among other things, found that Amkor owed Tessera royalties for using one of Tessera’s patents and rejected Amkor’s validity challenge to that patent. Tessera was ultimately awarded \$128 million, and a California appeals court affirmed the award. See *Amkor Tech., Inc. v. Tessera, Inc.*, No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014); Kurt Orzeck, *Amkor To Pay Tessera \$155M To Settle Chip Patent Suit*, Law 360 (Jan. 15, 2015), <https://www.law360.com/articles/612183/amkor-to-pay-tessera-155m-to-settle-chip-patent-suit>.

While the arbitration proceedings were pending, Amkor filed an IPR petition against the patent in an effort to undermine the arbitration award. The PTAB agreed to initiate review. Had the PTAB cancelled Tessera’s patent in the IPR proceedings, it would not only have terminated Tessera’s patent rights going forward but could also have undermined the enforceability of the \$128 million arbitration award for past use of that patent. Although the patent had not yet expired, Tessera chose to relinquish its remaining term voluntarily in an attempt to achieve a more favorable claim construction standard before the PTAB and avoid an adverse IPR decision. (The PTAB uses the narrower *Phillips* claim construction standard when a patent has expired. See *In re Rambus*, 753 F.3d at 1256; Manual of Patent Examining Procedure § 2258G.) In doing so, Tessera forfeited prospective royalties for the remainder of the patent’s term. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2, 2014 WL 2135965 (P.T.A.B May 22, 2014).

Tessera’s decision to relinquish the remaining term on one of its most valuable patents just to avoid the BRI standard — and forfeit royalties it otherwise could have received from others for their use of that patent during that remaining term — highlights the extent to which the PTAB’s application of the BRI standard has created unfairness and unpredictability in the U.S. patent system that will be addressed by the proposed rule changes.



www.xperi.com

III. CONCLUSION

Thank you for providing Xperi with the opportunity to submit comments on the proposed “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board.” As noted above, we support the PTO’s proposals (1) to replace the BRI standard currently in place at the PTAB for construing unexpired patent claims; and (2) to consider prior claim constructions made in a civil action or ITC proceeding.

If you have any questions about these comments, please contact Michael Spillner, Vice President, Legal, Intellectual Property & Government Affairs, Xperi Corporation, at michael.spillner@xperi.com, or by telephone at (408) 321-2958.