July 9, 2018

VIA EMAIL: PTABNPR2018@uspto.gov

Mail Stop Patent Board
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: Vice Chief Administrative Patent Judges Michael Tierney and Jacqueline Wright Bonilla

RE: Docket No. PTO–P–2018–0036

Dear Judge Tierney and Judge Bonilla:

Dell Inc. ("Dell"), the High Tech Inventors Alliance ("HTIA"), and CableLabs are pleased to submit their comments on the proposed rule of the United States Patent and Trademark Office ("PTO" or "Office") published at 83 Fed. Reg. 21221 (2018) (Docket No. PTO-P-2018-0036) (the "proposed rule"). The proposed rule would amend 37 C.F.R. § 42 to alter the claim construction standard used in *inter partes* review ("IPR") and post-grant review ("PGR") proceedings, as well as proceedings under the transitional program for covered business method patents ("CBM") (collectively "post-issuance proceedings"). Under the proposed rule, the Patent Trial and Appeals Board ("PTAB" or "Board") would no longer apply the broadest reasonable interpretation test to determine the proper construction of claim terms at issue, but rather would interpret claims under the standards set forth for Article III federal courts in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

By way of background, HTIA is a group of the U.S's most innovative and dynamic tech companies. HTIA's members include Adobe, Amazon, Cisco, Dell, Google, Intel, Oracle and

Salesforce. These companies collectively own over 115,000 U.S. patents and invested over $63 billion in research and development last year. Dell, together with its affiliated companies, owns more than 20,000 patents and applications worldwide, and has participated in scores of *inter partes* reviews and other post-issuance proceedings before the Office. CableLabs is a non-profit R&D lab founded in 1988 by members of the cable television industry. CableLabs develops technologies and specifications for the secure delivery of high speed data, video, voice and next generation services, and provides testing, certification facilities and technical leadership for the industry.

We appreciate that a well-functioning patent system protects investments in research and development. But we also know that when the patent system becomes clogged with low-quality patents that are invalid or have unclear scope, it undermines rather than supports innovation to the detriment of all Americans - inventors, investors and consumers. Invalid patents waste precious resources on unwarranted litigation and licensing that are better spent on innovation and job creation. Overbroad or overreaching patents undermine public confidence in the patent system, which actually weakens patents for the true inventors who need a strong patent system to defend their inventions.

We believe that amending the claim construction standard in the way proposed by the Board would undermine, rather than advance, patent quality. The Office's proposed rule would lead to situations where a district court may construe a claim more broadly than the PTAB, resulting in a situation where subject matter that is in the prior art nonetheless may infringe the patent. Further, it would discourage, rather than incentivize, patentees from writing clear claims in the first place, or amending their claims in a way that would promote the public notice function of patents. And it would lead to incongruous results in which amended claims would be construed differently depending on whether the amendment takes place in the context of an IPR,

PGR, or CBM proceeding on the one hand, or an *ex parte* review or reissue proceeding on the other hand.

Thus, we urge the Office to reconsider its proposed rule. If, however, the Office proceeds to enact the proposed rule, we respectfully submit that the Office should, at the same time, amend the appropriate provisions of 37 C.F.R. § 42 to ensure greater clarity of the record regarding the Board's claim constructions, and a greater opportunity for the parties to be heard regarding 1) the correctness of the construction in the context of their broader dispute, and 2) the impact of the construction on the proceeding before the Board.

I. THE OFFICE SHOULD MAINTAIN THE BROADEST REASONABLE INTERPRETATION STANDARD

The proposed rule effects a significant and ill-advised departure from the Office's long-standing, universal use of the BRI standard to construe unexpired patents, both during initial examination process as well as in post-issuance review processes. *See* Brief of Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, *Versata Dev. Group, Inc. v. SAP Am., Inc. et al.*, No. 2014-1194 (Fed. Cir. May 1, 2014) at 40. We urge the PTO to reconsider its proposed rule, to retain the broadest reasonable interpretation standard, and to address any perceived unfairness associated with IPR procedures in other ways.

A. BRI Prevents Subject Matter that Should Invalidate a Claim from Being Held to Infringe

It is a fundamental tenet of patent law that technology "which would literally infringe if later in time anticipates if earlier." *Upsher-SmithLabs., Inc. v. Pamlab, L.L.C.* (Fed. Cir. 2005) (citations and quotation marks omitted); *accord Peters v. Active Mfg. Co.* (1889) ("That which infringes, if later, would anticipate, if earlier."). The broadest reasonable interpretation standard ensures that a proper district court construction will never be broader than a proper PTAB

construction. As a result, subject matter that is earlier in time will anticipate (in the PTAB), rather than infringe (in district court). Repealing the broadest reasonable interpretation standard could upend this core principle. It could allow a finding that earlier technology infringes a patent, when instead that technology should invalidate the patent. The result would be to impede, rather than to promote, the progress of science and useful arts. *Cf.* U.S. Const., Art. I, § 8, cl. 8.

At least two circumstances could give rise to this result. First, the record in the district court may be substantially different from the record before the PTAB. Under *Teva Pharm. USA, Inc. v. Sandoz, Inc*., to determine the proper construction under *Phillips*, a tribunal may need to make factual findings based on evidence before it, including the testimony of experts. 135 S. Ct. 831, 839 (2015). A district court may therefore have a different record before it, which may lead it to a different—potentially broader—claim construction. Indeed, the Supreme Court has observed that claim interpretation conducted on different records can support different results, and that claims need not have one clear meaning. *Id.; Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). Thus, under the proposed rule, a district court judge properly following the applicable claim construction guidance could construe a claim more broadly than the PTAB APJs in the IPR proceeding – leading to the illogical result that the claims encompass subject matter that predates the claimed invention.

Second, even in the absence of a difference in the record, the district court may disagree with the PTAB as to the metes and bounds of the proper construction under *Phillips*. Indeed, if both tribunals apply the *Phillips* standard, a patent owner has a strong incentive to advocate a

broad claim construction in the district court and a narrow one in the PTAB.[1] Under a regime in which the BRI standard is applicable in the PTAB, a district court is unlikely to apply a construction that is broader than that adopted by a panel of expert PTAB judges considering patentability. The same is not true, however, if the PTAB judges are merely providing their opinion under the *Phillips* standard, a legal standard that a district court judge may feel equally qualified to interpret and apply.

Importantly, if the district court reaches a claim construction that is broader than the one applied by the PTAB, an accused infringer may be estopped from challenging validity under the district court's broader construction. *See* 35 U.S.C. §§ 315(e) & 325(e). If the accused infringer is indeed estopped, the result would be that there is no avenue to challenge the validity of the patent based on prior art patents or printed publications. Subject matter that falls within that broader interpretation would infringe, but the same subject matter would not be available for use in an invalidity challenge. This is plainly an untenable result, and this possibility alone strongly counsels in favor of retaining the BRI standard.

B. BRI Promotes Clarity and Public Notice By Incentivizing a Patentee to More Clearly Delineate the Boundary Between Its Patent Rights and the Prior Art

Public policy likewise strongly supports the retention of the broadest reasonable interpretation standard. Giving patent claims their broadest reasonable construction "serves the public interest by reducing the possibility that the claims, finally allowed, will be given broader scope than is justified." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). Importantly, applying BRI during the AIA proceedings leads to clearer patent claims that align with inventors' understanding of their inventions and provides the public with better notice of what

[1] At least unless such an argument is barred by a doctrine such as prosecution history estoppel or issue preclusion.

subject matter falls within the claims. Using BRI, the Board can "achieve a complete exploration of the applicant's invention and its relation to the prior art." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). That way, "ambiguities [in the claim language] should be recognized, scope and breadth of language explored, and clarification imposed." *Id*. "[U]ncertainties of claim scope [are] removed, as much as possible, during the administrative process" and the claims ultimately allowed by the PTO "are precise, clear, correct, and unambiguous." *Id*. at 322. Thus applying BRI comports with the Congressional intent that the AIA proceedings "provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98, pt.1, at 48 (2011).

Construing claims broadly in the patent office makes sense, because the patentee "has the opportunity to amend the claims to obtain more precise claim coverage." *In re Am. Academy of Science Tech Ctr*., 367 F.3d 1359, 1364 (Fed. Cir. 2004). In particular, a patentee has a statutory right to propose a reasonable number of substitute claims for each claim challenged in an *inter partes* review or post-grant review. 35 U.S.C. § 316(d)(1)(B). Further, a patentee has alternative routes to amend its claims as well. For example, a patentee may initiate *ex parte* review for its own patent, or a patentee may seek to initiate reissue proceedings. In both of these avenues, the patentee will have the opportunity to amend its claims to more clearly delineate the scope of the subject matter sought to be claimed.

C. BRI Ensures That Claims Will Be Interpreted Consistently Among Different PTO Proceedings

Utilizing a narrower standard in IPRs and PGR proceedings, and a broader standard in other PTO proceedings, would lead to incongruous and incompatible results. Suppose a patentee has a choice between pursuing an amended claim in an *ex parte* review or in an IPR. The same claim might be rejected in *ex parte* review under the BRI standard while being allowed in an

IPR, even in light of the same prior art reference. Not only is this result anomalous, but it presents a Hobson's choice to patent holders, who may prefer the more generous procedural routes to amendment in *ex parte* review and reissue proceedings, but be hesitant to pursue those routes due to uncertainty regarding claim construction. Ultimately, in any patent office proceeding where a patentee may amend its claims, the Office should employ a BRI claim construction standard to ensure that the patent's claims are properly tailored in light of the prior art.

D. The Statutory Presumption of Validity in Federal Court Is Not a Basis for the PTAB to Employ the *Phillips* Standard

Some have argued that the PTAB should employ the narrower *Phillips* standard because patents should be entitled to a presumption of validity, and that the BRI standard results in the invalidation of too many patents. But this argument misunderstands the nature of the presumption of validity. There is no statutory or policy reason to apply the presumption of validity *in litigation* to proceedings before the PTAB.

Under 35 U.S.C. § 282, a patent is presumed valid, but only in federal court proceedings. The presumption of validity "encompasse[s] not only an allocation of the burden of proof but also an imposition of a heightened standard of proof." *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 102, 131 S. Ct. 2238, 2246, 180 L. Ed. 2d 131 (2011). Thus, where a defendant in district court seeks to prove invalidity, Section 282 "requir[es] proof of the defense by clear and convincing evidence." *Id.*

Congress, however, provided that the statutory presumption of validity would *not* apply in IPR, CBM, or PGR proceedings. Rather, in these proceedings, "the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." 35 U.S.C. § 316(e) & § 326(e). Likewise, the presumption of validity does not apply in other patent

office proceedings, such as reissue and reexamination. *In re Etter*, 756 F.2d 852, 855-59 (Fed. Cir. 1985). There too, the presumption of validity does not apply. *See id.* at 858-59.[2]

The structure of the Patent Act confirms that the presumption of validity is intended to apply only to federal court litigation, not to patent office proceedings. Section 282 is the second section of Chapter 29 of Title 35, which is where all the Patent Act's provisions regarding actions in district court are collected. By its terms, § 282(a) speaks to whether a patent is "valid," which is what a district court considers in an "action involving the validity … of a patent, (*see* § 282(b))" whereas § 318 and § 328 authorize the agency to find that a patent is "unpatentable." Section 282(a) is surrounded by other provisions such as causes of action (§ 281) and defenses (§ 282(b)) that apply only in district court.

Moreover, the presumption of validity—which is rooted in the judicial presumption that an agency does its job correctly—does not logically apply to proceedings in the PTO, the way it does to proceedings in a district court. A central purpose of IPR, PGR, and CBM proceedings is to allow the agency to check the work of its own examiners. In contrast, an Article III court finds itself in the position of second-guessing the work of an expert administrative agency. It is because of this differential in expertise that the presumption of validity applies in district court. *E.g.*, *Klein*, 86 U.S. 433, 463 (1873) (court must "presume[], until the contrary is made to appear, that the commissioner did his duty correctly in granting [a] patent"); *see also* 35 U.S.C.

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[2] Indeed, in the context of indefiniteness, the Supreme Court has confirmed that the "presumption of validity does not alter the degree of clarity that § 112, ¶ 2 demands from patent applicants; to the contrary, it incorporates that definiteness requirement by reference." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130, 189 L. Ed. 2d 37 (2014) (citing 35 U.S.C. § 282, ¶ 2(3) for the proposition that "defenses to infringement actions include invalidity of the patent or any claim in suit for failure to comply with any requirement of § 112") (internal brackets, ellipses, and quotation marks omitted).

§ 6(a) (requiring Board members to have "competent legal knowledge and scientific ability"). The same policy rationale simply does not apply to proceedings before the PTAB.

E. Perceived Unfairness Associated with the Use of BRI Can Be Addressed in Other Ways

We believe that IPR, CBM, and PGR proceedings have proven to be fair and efficient ways to have a patent's validity adjudicated by an expert patent judge, and have led to highly accurate results at a fraction of the cost of analogous proceedings in an Article III court. But we acknowledge that some have criticized these proceedings. While specific alternative proposals are beyond the scope of these Comments, we have consistently engaged with the Office on collaborative approaches to identify ways in which IPR, PGR, and CBM proceedings can best serve all stakeholders. And we commit to continuing to further this productive dialogue.

The particular change proposed by the Office to abandon the BRI standard, however, threatens to fundamentally undermine the fairness and accuracy of these review processes. We support productive changes to the IPR, CBM, and PGR procedures; but this change is not one that will enhance fairness or accuracy.

While we support productive changes to AIA trial practice, any change the Office does make should be prospective only. The Office should not significantly change trial practice with retroactive effect—and certainly not in the way proposed by the NPRM. *But see* 83 Fed. Reg. at 21224 ("[T]he Office intends that any proposed rule changes adopted in a final rule would be applied to all pending IPR, PGR and CBM proceedings before PTAB."). Making changes to substantive standards applied by the Board midstream and applying the new standard to already-pending proceedings would substantially disrupt these proceedings, dramatically increase expense, and in many instances would make it impossible to complete these proceedings within the one-year statutory time frame. 35 U.S.C. §§ 316(a)(11) & 326(a)(11); *cf. SAS Institute v.*

Complementsoft, 835 F.3d 1341, 1351 (Fed. Cir. 2016) ("[A]n agency may not change theories in midstream without giving [the parties] reasonable notice of the change and the opportunity to present argument under the new theory."). Such a midstream change would also be unfair to parties who had already formed their strategies and arguments based on a different claim construction standard. Thus, when evaluating future revisions to trial practice, the PTO should give the public ample warning in advance of the change so that challengers can draft petitions with the applicable standard in mind.

II. THE PTAB SHOULD NOT CONSTRUE CLAIMS TO PRESERVE VALIDITY

In addition to proposing the elimination of the BRI standard for IPR, PGR, and CBM proceedings, the Notice of Proposed Rulemaking ("NPRM") states that "consistent with Phillips and its progeny, the doctrine of construing claims to preserve their validity would apply to AIA trials." 83 Fed. Reg. 21221, 21223 (2018), citing *Phillips*, 415 F.3d at 1327-28. The NPRM itself recognizes that, even in district courts, the doctrine of construing claims to preserve validity has only "limited utility" and "should be used as a last resort." *Id*. In patent office proceedings, however, the "limited utility" of the doctrine diminishes to zero. This doctrine would be an extraordinarily dangerous one to import into post-issuance proceedings, and we urge the Office, at minimum, to exclude from consideration the effect a particular construction would have on the validity of challenged claims.

The court in *Phillips* stated that, in the narrow circumstances where the rule might be applicable in district court, it is only in the face of an otherwise hopelessly ambiguous patent claim. In such an instance, a court might "look[] to whether it is reasonable to infer that the PTO would not have issued an invalid patent." 415 F.3d at 1327. These theoretical underpinnings are entirely absent in PTAB proceedings. The PTAB need not speculate on whether it intended to

issue an invalid patent. If there is ambiguity as to the meaning of a claim, the ambiguity should be resolved in the patent office through amendment not through claim construction.

Put another way, there is no place in a patent office proceeding for a doctrine providing for *interpretation* of an ambiguous claim to preserve its validity. The patentee, instead, should be required to *amend* its claims to eliminate ambiguity and preserve validity. It is antithetical to the public notice function of patent claims to have a rule in which the patent office would permit the confirmation of an admittedly ambiguous claim, reinterpreted in the prosecution history in a manner that tacitly resolves the ambiguity in a way that renders the claim valid. There is no reason why, faced with an ambiguous and possibly invalid claim, the patentee should not be required to simply amend the claim to address any invalidity issue.

We therefore submit that any rule issued by the Office should preclude the Board from considering, in the course of a claim construction analysis, the effect of a particular construction on the validity of the claim.

III. THE OFFICE SHOULD ADOPT PROCEDURES ENSURING CLARITY OF THE IPR RECORD REGARDING CLAIM CONSTRUCTION

We also propose that the Office should take steps to ensure that the Board's claim constructions are set forth in a clear and unambiguous manner to ensure clarity of the record for any subsequent litigation proceedings. These proposals are critical regardless of the claim construction standard.

A. The Board Should Issue a Claim Construction Order at an Early Stage of the Proceeding

We propose that the Board issue a claim construction order at an early stage of the proceeding. Ordinarily, the Board's claim construction should be found in its institution decision, and in that decision, the Board should construe any terms that are likely to require construction in the Board's final written decision. If it later becomes apparent that further claim

construction is required, the Board should issue a supplemental claim construction order before the final written decision, and give the parties a very brief opportunity to address the impact of the order on their positions.

This process is important for a number of reasons. First, the parties should have the opportunity to present their arguments under the Board's claim construction, which may differ from the constructions proposed by the parties. In *SAS Institute v. Complementsoft*, 835 F.3d 1341 (Fed. Cir. 2016), the Federal Circuit explained that the Administrative Procedure Act (APA) requires that both parties in an IPR are "entitled to notice of an agency hearing [and] shall be timely informed of . . . the matters of fact and law asserted." 5 U.S.C. § 554(b)(3). In the context of an IPR, this means that "an agency may not change theories in midstream without giving [the parties] reasonable notice of the change and the opportunity to present argument under the new theory." *Id.* at 1351 (*quoting Belden Inc. v Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015)). "Changing theories midstream" can involve the Board's change of position from the institution decision on claim construction issues not contested by the parties, as in the *SAS* case. It can also involve the Board's reliance on the interpretation of a term the parties had not identified and addressed or contested as dispositive of its patentability decision. The law requires that parties be given an opportunity to present evidence and argument in these situations, and failing to provide that opportunity can result in a remand following appeal. The efficiency of the proceeding would benefit from guidance in the Trial Guide on how the Board will provide that opportunity in a meaningful way.

Second, this practice would help mitigate the harm associated with a district court utilizing a claim construction broader than the one adopted by the Board. *See supra*, § I.A. A patentee's arguments during IPR proceedings are part of the prosecution history and may

constitute prosecution history estoppel. *Aylus Networks, Inc. v. Apple Inc*., 856 F.3d 1353, 1361 (Fed. Cir. 2017). Thus, if a patentee advocates patentability under the Board's construction, then the patentee's arguments may constitute a clear and unmistakable disavowal of claim scope binding on a district court. *See id.*

Third, even where there is no prosecution history estoppel, our proposal would lead to more consistency between district court and PTAB claim construction orders by ensuring that the broader perspective of the parties is fully heard. There may be situations where the PTAB announces a narrow claim construction that would lead to a final written decision in favor of a patentee. Nonetheless, the patentee, concerned about the viability of its infringement theory, may intentionally decline to apply or defend this narrow construction. In that case, the parties would be able to squarely present the contours of their claim construction dispute, both to the Board and to the Federal Circuit. Both tribunals could then render a decision fully informed by the arguments of the parties, who would have taken into account the impact of the various claim constructions on their broader litigation. If, however, the Board formulates and applies its final claim construction ruling only in the context of the final written decision, neither the Board nor the Federal Circuit will have had the benefit of the broader context of the dispute between the parties.

Fourth, an early, clear understanding of the Board's claim construction allows a patentee to formulate the most effective and appropriate claim amendments. Patentees may find it difficult to propose claim amendment where the meaning of the unamended claim is still in dispute. Early, clear guidance on the meaning of the claim in the PTAB will assist patentees in determining what aspects of their claim needs to be clarified or narrowed.

B. The Board's Construction Should Be No Narrower Than a Construction Advocated by the Patentee in District Court

We also advocate greater clarity as to how the Board would address contentions and rulings in district court proceedings. In particular, we propose that the Board issue guidance providing that:

- the PTAB will consider a construction advocated by a patentee in district court proceedings and whether its construction should be at least as broad;
- the PTAB will consider the breadth of subject matter covered by a patentee's infringement contentions; and
- in no event should the PTAB's construction be narrower than the construction adopted by a district court in litigation.

These reforms would help mitigate the situation, described above, in which a patentee advocates a narrow construction before the PTAB and a broad construction in district court.

IV. CONCLUSION

We respectfully ask that the Office decline to enact the proposed rule requiring the use of the *Phillips* claim construction standard in place of the broadest reasonable interpretation standard in IPR, PGR, and CBM proceedings. We further ask that the Board craft a new rule requiring greater clarity and notice in the formulation of claim construction orders in these proceedings, and consideration of contentions and proceedings in parallel district court actions. We also urge the Office, if it does change the claim construction standard, to do so only prospectively and not to apply the new standard to already-filed petitions. Finally, we look forward to continuing dialogue with the Office regarding ways in which these successful proceedings can become even more fair, accurate, and efficacious for all participants.

Sincerely,

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