

# THE COALITION FOR 21ST CENTURY PATENT REFORM

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## **POINT-BY-POINT RESPONSE TO CRITICISMS OF LEGISLATION REQUIRING THE USPTO TO INTERPRET CLAIMS IN IPR, PGR & CBM CONSISTENTLY WITH HOW CLAIMS ARE INTERPRETED BY COURTS**

This paper provides a point-by-point response to arguments raised by opponents of provision section 7(b) of S. 1720, the Patent Transparency and Improvements Act of 2013, and section 9(b) of H.R. 3309, the Innovation Act, both of which specify that claims of issued patents being challenged in Post Grant Review (PGR) or Inter Partes Review (IPR) be construed as they are in the courts, not as they would have been were they being presented for examination in a newly filed or re-filed patent application.<sup>1</sup>

When a patent application is first filed in the United States Patent and Trademark Office (USPTO), it must contain a written description of an invention, and one or more claims defining the protection sought for that invention. The application is then assigned to a patent examiner who is an expert in the field to which the invention pertains, whose job is to construe the claims to determine their scopes, and to determine whether what is claimed is new, useful and unobvious.

Since patent examiners at the beginning of the examination process have nothing to rely on other than the description of the invention and the language of the proposed claims, they employ a protocol that entails reviewing these two sources to arrive at a broadest reasonable interpretation (BRI) of the claims, and then they look to see whether prior patents, printed publications, or other information already in the public domain falls within, or renders obvious, the subject matters of those claims. If so, the patent examiner will issue an Office Action rejecting one or more of these claims on this basis.

Patent applicants may respond to an Office Action with narrowing amendments and/or limiting arguments for the patent examiner to then consider. Taking these amendments or arguments into account, the patent examiner may then issue a second

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<sup>1</sup> Section 18 of the America Invents Act further establishes a Transitional Program allowing certain covered business method patents to be challenged under these PGR procedures. As used in this paper, such so-called "CBM" proceedings are treated as a sub-set of PGR proceedings.

Office Action, again rejecting and/or allowing some or all of the applicant's claims. This back and forth process continues as long as necessary either until the patent applicant and examiner come to an understanding on what is patentable, or the applicant elects to appeal the examiner's final rejection. Once complete agreement on patentability is reached, the patent issues and both it and the written record of the negotiations between the applicant and patent examiner (known as the prosecution history) become matters of public record.

Once patents issue, patent owners and the public may rely on the scope of patent claims by giving them their ordinary and customary meanings as understood from this prosecution history. Patent owners, for example, rely upon their issued patents to protect their investments in further R&D efforts, in building factories to produce the invention, in hiring the employees needed to make and market the invention, and in deciding whether and at what price their patents should be licensed to others who may wish to do the same. Members of the public, including potential new entrants, start-ups and existing competitors, similarly rely upon the scopes of the claims in the issued patents of others in deciding how to design their future products to avoid those patents and/or in deciding whether, and at what prices, to take licenses under them.

In the event disputes arise between patent owners and persons alleged to be infringing, courts similarly construe claims as the public does, by relying upon their prosecution histories in the USPTO and the ordinary and customary meanings of the claim terms, to decide any challenges as to patent validity and to determine whether the accused infringer's activities constitute an infringement of the patent.

A major goal of the America Invents Act was to establish post-issuance proceedings in the USPTO that could serve as cheaper and faster alternatives for challenging patent validity than in federal district court proceedings. Unfortunately, in promulgating its implementing regulations, the USPTO defaulted to its examinational approach of using BRI to construe claims in PGR and IPR, rather than in honoring its established practice of using the courts' ordinary and customary meaning approach in situations such as those where patent owners may no longer freely amend their claims. To remedy this error, section 7(b) of S. 1720 and section 9(b) of H.R. 3309 clarify that, as the AIA intends, patent claims in PGR and IPR proceedings are to be construed according to their ordinary and customary meanings in view of their prosecution histories. Stated differently, in conducting these PGR and IPR proceedings, the USPTO should interpret the claims of the patent as would the courts: by looking at the entire record in the USPTO examination that led to the granting of the patent, not by ignoring this record and construing the patent as if the USPTO never had examined it.

Opponents to section 7(b) of S. 1720 and section 9(b) of H.R. 3309 have advanced six contentions as to why the USPTO should use BRI in PGR, CBM and IPR proceedings. 21C responds to each below:

1. Contention: Given the positive initial evidence that the PGR, CBM and IPR procedures are working, it would be imprudent to weaken them after only a year in operation.

*Response: The initial evidence regarding PGRs, IPRs, and CBMs shows that it is not, as intended, a level playing field for patent owners to have the USPTO determine the validity of their patents, as an alternative to litigation. Most of these review proceedings are taking place concurrently with litigation,<sup>2</sup> as a way for challengers to seek new, broader claim constructions from the USPTO than they could obtain in court, which will lead to more invalidity rulings than would have been obtained in the courts where the original USPTO-determined claim constructions are applied. As implemented by the USPTO, patent owners face an unfair double-standard: in court, they must prove infringement under the narrower “ordinary and customary meaning standard,” yet in the USPTO, they must defend against validity challenges under the broader BRI standard. This double standard, which tilts the validity-infringement playing field against all patent owners, is not what Congress intended when it set out to create an expeditious, cost-effective alternative to litigation.*

2. Contention: Changing away from a BRI standard would reduce the PTO's ability to eliminate, narrow, or clarify ambiguous or otherwise improper patents.

*Response: The USPTO, during its original examination and any reexaminations of the subject patent, has already used BRI to eliminate, narrow, or clarify ambiguous or improper patents. If its further use is needed, any member of the public may ask the USPTO to initiate an ex parte reexamination of the patent. In such a reexamination BRI will be appropriately used in the context of a procedure that allows the patent owner to freely amend the patent's claims, and/or to make appropriate narrowing arguments, to arrive at any needed adjustments in the claims.<sup>3</sup>*

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<sup>2</sup> 100% of CBM and about 80% of IPRs stem from earlier lodged charges of infringement or litigation between the patent owner and IPR requester.

<sup>3</sup>Some critics contend that the USPTO is justified in applying BRI because the patentee has the ability in PGR, IPR, and CBM proceedings to cancel claims of his patent and to propose a reasonable number of substitute claims. These critics argue that this is the same as being able to amend claims during original examinations and reexaminations, and that both the CCPA and the Federal Circuit have recognized that the use of BRI by the USPTO is appropriate because it serves an important public interest and because patent owners are provided a “unique

3. Contention: Requiring the PTO to use a different standard for evaluating patents under the new review procedures would create inconsistency with the PTO's other patent examinations.

*Response: This contention is simply incorrect. The use of BRI in PGR, CBM and IPR proceedings would be consistent, not inconsistent, with other claim interpretation proceedings conducted by the USPTO involving patents where the claims cannot be freely amended. In a reexamination proceeding involving claims of an expired patent, examiners are instructed to follow the claim construction set forth in Phillips v. AWH Corp.<sup>4</sup> (words of a claim “are generally given their ordinary and customary meaning” as understood by a person of ordinary skill in the art in question at the time of the invention) since the expired claims are not subject to amendment.<sup>5</sup>*

4. Contention: Requiring the PTO to use the same claim construction analysis as district courts could increase significantly the cost and time of the new procedures.

*Response: There is no basis for this statement. Using either approach it remains incumbent on the USPTO to interpret each claim to determine its scope in order to decide whether the invention or subject matter defined by each claim meets the requirements of validity. The ordinary-and-customary meaning approach will in fact be easier for the USPTO to use, as the USPTO will no longer be required to ignore its own prior work product as reflected in the prosecution history of the patent at issue. In most cases, the USPTO will simply review this prosecution history and adopt the claim construction that it endorsed at the time of patent allowance, just as the courts now do. By not “starting over” on claim construction, as the BRI approach requires, the public notice function of issued patents will be preserved, and patent scope predictability will be enhanced.*

5. Argument: Claim constructions that are submitted to the PTO should not be binding upon the PTO.

*Response: Neither section 7(b) of S. 1720 nor section 9(b) of H.R. 3309 would make any claim construction submitted “binding on the PTO.” While there is a*

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opportunity” to amend their claims, citing cases such as *In re Prater*, 415 F.2d 1393 (CCPA 1969). However *Prater* and its progeny all refer to the use by the USPTO of BRI in initial examination or reexamination of unexpired patents – not in PGR, IPR, and CBM proceedings, where there is no effective right to engage in iterative amendments to overcome USPTO rejections.

<sup>4</sup> [415 F.3d 1303, 1313 \(Fed. Cir. 2005\)](#) (*en banc*).

<sup>5</sup> MPEP § 2258, ¶ G.

*sound public policy argument that an accused infringer who has previously litigated an issue against a patent owner should be bound to the judicial outcome there achieved, under well-established principles of issue preclusion, neither of the above-mentioned bills enacts such preclusion.*

6. Argument: Patentees themselves will benefit from the BRI standard because it leads to stronger patents.

*Response: To the extent patent owners benefit from the use of BRI protocol, they do so during the original examinations of their patents, when they have the opportunity to participate in an iterative examination process that is based upon an applicant's statutory right to freely amend their patent claims and/or present limiting arguments in response to USPTO rejections.<sup>6</sup> Having invested considerable time and expense in reaching the end of this process in the form of the allowances of their patents, their interest then is that the USPTO-agreed scope of the patent be respected, and not be disturbed either by the USPTO or the courts.*

*The prosecution history normally demonstrates how one of ordinary skill in the field understands the invention as defined in the claims, and reflects what, if anything, the inventor has disavowed through any limiting arguments presented. As in the courts, the prosecution history of the original examination and any reexaminations of the patent at issue should be the principal intrinsic evidence relied upon by the USPTO in interpreting the patent's claims, as this is normally the best evidence of the agreement reached between the USPTO and the inventor that led to the allowance of the patent.*

Finally, while it is true that former Director Kappos wrote in June, 2013 that BRI "has for decades been uncontroversial, because it represents good policy and strikes a fair balance ... [and] produce[s] "clear and defensible patents at the lowest cost point in the system," he has since come to understand the conflict that the inconsistent standards

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<sup>6</sup> In contrast to initial examination and reexamination in which multiple rounds of claim amendments and additional new claims are permitted, the Leahy-Smith America Invents Act does not give the patentee an unlimited right to amend in PGR, IPR and CBM proceedings. In these new post-grant proceedings, the patent owner is restricted to just "1 motion to amend the patent." 35 U.S.C. §§ 316(d)(1), 326(d)(1). The scope of such an amendment is circumscribed: it can only be used to cancel a challenged claim, and only a "reasonable number of substitute claims" are permitted. 35 U.S.C. §§ 316(d)(1)(A) and (B), 326(d)(1)(A) and (B); see also 37 C.F.R. § 42.121(a)(3) which establishes a presumption that only one substitute claim is needed to replace each challenged claim. And, very importantly, unlike in initial examination and reexamination, the patentee has no opportunity to further amend the substitute claims after the Board's final decision. These various limitations impose serious constraints on the ability of a patent owner to effectively amend its claims and make any comparison to the examination process totally inapposite.

are creating. He testified about this conflict before the House Committee on the Judiciary this past October, stating:

The speed mandated for post-grant procedures is leading to greater interaction between court interpretations and USPTO interpretations of the same patent claims, and having the USPTO apply a different standard than the courts is leading, and will continue to lead, to conflicting decisions. Moving the USPTO to a consistent standard with that of the courts would resolve such conflict.

For the reasons outlined above, sections 7(b) of S. 1720 and 9(b) of H.R. 3309 clarify the original intent of the America Invents Act, and should be adopted to eliminate the USPTO's current use of inconsistent standards in PGR, IPR, and CBM proceedings.

The Coalition has approximately 50 members from 18 diverse industry sectors and includes many of the nation's leading manufacturers and researchers. The coalition's steering committee includes 3M, Caterpillar, General Electric, Johnson & Johnson, Eli Lilly and Procter & Gamble. Visit <http://www.patentsmatter.com> for more information.