

# 21C

THE COALITION FOR 21<sup>ST</sup> CENTURY PATENT REFORM  
Protecting Innovation to Enhance American Competitiveness  
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## RESPONSIBLE PATENT REFORM IS NEEDED NOW MORE THAN EVER

Following the publication by the Patent and Trademark Office of new rules for conducting challenges to patents in administrative proceedings by its Patent Trial and Appeal Board,<sup>1</sup> it was reported in BNA that patent owners would have a somewhat easier time defending patents.<sup>+</sup> These post-grant proceedings (Inter Partes Review or IPR and Post-Grant Review or PGR) were introduced into the patent law with the enactment of legislation known as the Leahy-Smith America Invents Act (AIA) in 2011.

As the title of the BNA article [~~M~~Mixed Bag in Proposed New Rules for PTAB Proceedings] suggests, however, the proposed rules would only marginally improve IPR and PGR proceedings and would not address the fundamental problems with IPR and PGR proceedings. The rules would not embrace the necessary changes contained in a bill, S. 1137, the ~~P~~PATENT Act,<sup>+</sup> reported by the Senate Judiciary Committee and currently awaiting action by the full Senate.

The Coalition for 21<sup>st</sup> Century Patent Reform, a diverse coalition of more than 40 companies from 18 diverse industry sectors, has proposed a number of reforms (many of which have been included in the PATENT Act) to address these problems. By contrast, the PTO's proposed rules would make only minor changes and do not effectively address the major failings found in IPR and PRG proceedings.

Perhaps the major issue for patent owners is the combined effect of the way the PTAB interprets the claims of patents in IPR and PGR proceedings coupled with its overly-stringent requirements for allowing claims to be amended. The PTO stated in its proposed rules that it will continue to construe the claims of all unexpired patents using the ~~b~~broadest reasonable interpretation<sup>+</sup> for the claims of such patents, rather than the approach used by federal courts which construe claims as they would be understood by a person of ordinary

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<sup>1</sup> "Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, available at <http://www.gpo.gov/fdsys/pkg/FR-2015-08-20/pdf/2015-20227.pdf>.

skill in the relevant technology, taking into account their examination history in the PTO that led to their grant.<sup>2</sup>

Not only does the PTO's approach lead to results in IPR or PGR proceedings that differs from results for the same patent in federal courts, but it totally disregards the rationale for using the broadest reasonable interpretation for claims in the first place. That rationale stems from a Federal Circuit Court of Appeals ruling in a decision regarding the interpretation of claims in a reexamination proceeding where, as in initial examination, a patent owner has an unfettered right to amend claims.<sup>3</sup> While patent owners do have a statutorily guaranteed right in IPR and PGR proceedings to propose substitute claims by filing a single motion to submit one substitute claim for each challenged claim, in reality, this right is illusory. As of June 5, 2015, the PTAB had only allowed motions to amend claims in four IPR proceedings in the nearly 1,400 that have been instituted.<sup>4</sup> So the PTAB is using a methodology for interpreting patent claims in IPR and PRG proceedings which is founded on a procedure which it essentially denies patent owners the right to use.

The proposed rules do seek to address some of the problems with IPR and PRG proceedings, but they come up short. For example, PTO regulations currently require three judge panels of the PTAB to decide whether to institute a requested IPR and PGR proceeding, and then also require the same three judges to decide the merits of an IPR or PGR proceeding they have decided to institute. The common perception is once the PTAB institutes a trial, they [the PTAB's judges] think that the patent is invalid, and it will be very difficult to change their minds in the final determination.<sup>5</sup> In its rules package, the PTO did request comments on a proposed pilot program that would involve one judge making the institution decision, but who would continue as a member of the merits panel along with two other judges. Even if the PTO actually adopts this approach to remove perceived initial bias from IPR and PGR proceedings, however, how likely is it that the other two judges will not be inclined to follow the lead of their colleague who has instituted a proceeding?

Similarly, the PTO proposes amending its rules to allow a patent owner to file new testimonial evidence with its preliminary response to an IPR or PGR petition. At the same time, the PTO proposes to dilute this opportunity by expressly precluding any right of cross-examination of a declarant before institution. It further tilts the playing field against patent

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<sup>2</sup> *Phillips v. AWH Corp.*, 415 F.3d 130 (Fed. Cir. 2005 (en banc)).

<sup>3</sup> *In re Yamamoto*, 740 F.2d 1569, at 1572.

<sup>4</sup> See "Patent Trial and Appeal Board Statistics," available at <http://www.uspto.gov/sites/default/files/documents/2015-07-31%20PTAB.PDF>.

<sup>5</sup> See "Lawyers: PTAB changes tackle many questions, more sanctions motions expected," available at [http://www.worldipreview.com/news/lawyers-ptab-changes-tackle-many-questions-more-sanctions-motions-expected-8764?utm\\_source=World+IP+Review&utm\\_campaign=df78037563-WIPR+Digital+Newsletter+14+08+2015&utm\\_medium=email&utm\\_term=0\\_d76dcadc01-df78037563-27084449](http://www.worldipreview.com/news/lawyers-ptab-changes-tackle-many-questions-more-sanctions-motions-expected-8764?utm_source=World+IP+Review&utm_campaign=df78037563-WIPR+Digital+Newsletter+14+08+2015&utm_medium=email&utm_term=0_d76dcadc01-df78037563-27084449).

owners by providing that any factual dispute that is material to the institution decision will be resolved in favor of the petitioner. The adoption of this rule allegedly proposed to level the playing field for patent owners will result in continuing an unwarranted imbalance that will continue to disadvantage patent owners at the institution stage of review proceedings.

In the same vein, the PTO proposes to amend its rules to include a Federal Rule of Civil Procedure Rule 11-type certification for all papers filed with the PTAB in IPR and PGR proceedings,<sup>6</sup> together with a provision for sanctions for noncompliance. While this proposal is constructive, it should be coupled with mandatory initial disclosures such as those required by most courts, requiring petitioners to disclose evidence within their control that is inconsistent with or tends to refute positions advanced in their petitions. Because discovery in IPR/PGR proceedings is extremely limited and the PTO does not propose to change its current practices, in the absence of such a disclosure requirement, petitioners will continue to be allowed to suppress evidence that may confirm the validity of the challenged patent.

Other improvements suggested by the user community, such as allowing testimony related to material disputes of fact and witness credibility to be heard live by the PTAB at final hearing, and precluding the institution of IPRs and PGRs if they raise the same or substantially the same issue as those previously considered by the PTO or in a court proceeding, are not addressed in the proposed rules.

In summary, the PTO's proposed rules to address the problems that 21C and other stakeholders have identified based on three years of experience with IPR and PGR proceedings fall short of the mark and reinforce the need for prompt enactment of the PATENT Act to restore basic fairness to the system.

The Coalition for 21<sup>st</sup> Century Patent Reform has more than 40 members from 18 diverse industry sectors and includes many of the nation's leading manufacturers and researchers. The coalition's steering committee includes 3M, Bristol-Myers Squibb, Caterpillar, Eli Lilly, ExxonMobil, General Electric, Johnson & Johnson, and Procter & Gamble. For more information, visit <http://www.patentsmatter.com>.

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<sup>6</sup> Rule 11 generally requires that an attorney or party certify that a paper is not being presented for any improper purpose; that any claims or other legal contentions are warranted by law; that any factual contentions have evidentiary support; and that any denials of factual contentions are warranted on the evidence.