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“Sovereign Immunity and the Intellectual Property System”

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Executive Summary of Supplemental Statement

Chairman Goodlatte, Chairman Issa, Ranking Member Nadler, and members of the Committee, on behalf of the Software and Information Industry Association (SIIA) and its members, thank you for this opportunity to provide supplemental testimony to the Subcommittee's November 7, 2017 hearing on "Sovereign Immunity and the Intellectual Property System." We submit this testimony to address several questions that arose during the hearing concerning the operation of the inter partes review procedure (IPR) created by the American Invents Act (AIA) of 2011.

SIIA is the principal trade association of the software and information industries and represents over 800 companies that develop and market software and digital content for business, education, consumers, the Internet, and entertainment. SIIA's members range from start-up firms to some of the largest and most recognizable corporations in the world, and one of SIIA's primary missions is to protect their intellectual property and advocate a legal and regulatory environment that benefits the software and digital content industries.

SIIA values the protection of intellectual property and is well aware of the important incentives that the patent system creates for innovation. Many of our members have built large and valuable patent portfolios to protect their ground-breaking innovations, based on billions invested in R&D. But our members also have experienced first-hand how invalid patents harm innovation by generating wasteful litigation and unwarranted licensing fees. This is a particularly significant issue in the software industry, where the threatened enforcement of poor-quality patents by non-practicing entities are widely-acknowledged problems.

SIIA strongly supports the IPR program as created by the AIA and implemented by the U.S. Patent and Trademark Office (PTO). Established features of the patent examination process, including its ex parte nature, the limited time an examiner may devote to an application, and the presumption that a patent should issue, result in

many invalid patents. IPR brings much-needed balance to the patent system by allowing the public to assist the PTO in correcting its mistakes by presenting prior art and arguments to the Office that it might have missed.

The data on the operation of IPR demonstrates that it is operating fairly. When the Patent Trial and Appeal Board (PTAB) has rendered a decision on the merits in IPR, some or all of the claims have survived in 68% of cases. Inconsistent decisions between IPR and district court are rare, having arisen only 20 times out of over 3000 patents challenged. IPR is working well towards achieving Congress's goal of improving patent quality by removing hundreds of invalid patents from the system that would otherwise generate uncertainty and wasteful litigation and stymie innovators.

Comparing Standards in IPR and District Court

It is important to understand that IPR is a type of reexamination that offers the PTO a second look at an earlier administrative grant of patent. It is not a litigation procedure and differs from litigation in material ways. Therefore, it is entirely appropriate that the PTAB apply standards that are similar to those used in initial examination rather than district court litigation.

For instance, the PTAB appropriately applies the broadest reasonable interpretation standard (BRI) to claims reviewed in IPR, as it does in every other examination and reexamination context where patentees have the opportunity to offer claim amendments. The claim interpretation used in an IPR must be one that a court could "reasonably" adopt, recognizing that different courts could reach differing (but valid) interpretations of the same claim. By adopting the broadest of those reasonable interpretations, the PTAB protects the integrity of the patent system by protecting against the situation in which claims whose validity was decided on a narrow interpretation are then broadly construed for purposes of infringement in district court. Much of the criticism of BRI ignores the fact that claim construction in district court according to *Phillips* and claim

construction as applied by the PTAB under BRI are both governed by the same general claim construction principles.

The AIA requires that in an IPR, “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” Congress was right to choose the preponderance standard for IPR rather than the clear and convincing evidence standard applied in district court. Courts grant the PTO this unusual level of deference because they recognize that generalist judges and juries have far less expertise in patent law and technical matters than the PTO and its examiners. But this reason does not apply when a panel of three expert PTAB judges consider whether a single patent examiner correctly issued a patent: the agency does not have to defer to itself.

No Off-Ramp or Additional Pathways to Amend Claims are Needed

Patent owners have the opportunity to submit amended claims during IPR, and a recent Federal Circuit decision, *In re Aqua Products*, has eased the burden of patent owners in getting those amendments allowed. In addition, patent owners can pursue claim amendments in an extended process through ex parte reexam or reissue applications before, during and after an IPR. Nothing further is needed. Proposals that would allow patent owners to stay IPR while they pursue ex parte amendments in response to arguments raised in the IPR would worsen patent quality and be the death knell of IPR.

When patent owners amend claims of issued patents, fundamental principles of fairness and predictability codified in the Patent Act protect the public through the doctrine of intervening rights. This doctrine should not be changed.

Supplemental Statement

I. IPR is a fair and balanced program that improves patent quality by allowing the PTO to correct its mistakes.

Congress enacted the post-issuance review proceedings, including IPR to “provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.”¹ The PTO received approximately 650,000 patent applications in 2016 and issued 334,000 patents,² placing a tremendous burden on its examiners and stretching the agency’s finite resources extremely thin. Research suggests that the average patent is examined for less than 20 hours before the PTO renders a decision.³ When an examiner grants a patent, no further review typically occurs within the agency; the patent issues without any check to ensure patent quality and validity.⁴ Despite this, patent examination is an *ex parte* process in which the burden is on the examiner to show unpatentability, rather than on the applicant to show patentability. Moreover, the applicant has no duty to search for prior art to present to the PTO.⁵ It is unsurprising that invalid patents issue.⁶

IPR brings much needed balance to the patent system by allowing the public to assist the PTO in correcting its mistakes issuing

¹ H.R. Rep. No. 112-98, pt.1, at 48 (2011).

² See U.S. Patent and Trademark Office, PTO Performance and Accountability Report for Fiscal Year 2016 15, 178 (2016), *available at* <https://www.uspto.gov/sites/default/files/documents/PTOFY16PAR.pdf>.

³ See Michael D. Frakes & Melissa F. Wasserman, *Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO’s Granting Patterns*, 66 Vand. L. Rev. 67, 72 n.16 (2013).

⁴ 35 U.S.C. §§131, 134.

⁵ See *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

⁶ See, e.g., Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 5–7 (2003) (discussing consensus that many patents are of questionable validity due to these features of the examination process).

invalid patents by presenting prior art and arguments to the Office that it might have missed. The AIA also ensures quality decision-making in IPR by assigning review to the Patent Trials and Appeals Board (PTAB), a group of technically and legally trained Administrative Patent Judges (APJs) who decide IPR petitions in panels of three. The depth of legal and technical experience among the Administrative Patent Judges is impressive, and they have won praise from the bar for the thoroughness of their preparation in deciding cases and the careful thoughtfulness of the opinions they typically issue.

The data on the operation of IPR demonstrates that it is operating fairly and belies any accusation that it has generated a crisis in the patent system. It is significant that patentees lose before the PTAB on validity issues less often than they do in federal court. According to the PTO's own statistics, as of October 31, 2017, the Board had rendered decisions on the merits of petitions by denying institution or issuing a final written decision in 3662 cases. Of those, it denied institution in 1845 cases (50.3%) and rendered a final written decision in 1817 cases. In only 1181 cases, or 32.3% of the time, did the Board find that all challenged claims were unpatentable.⁷ On appeal, the Federal Circuit fully affirmed 78% of decisions.⁸ In contrast, patentees lose on validity when decided in federal court 42% of the time.⁹ Far from indicating that IPRs make it too easy to invalidate patents, the statistics indicate the need for careful scrutiny of the underlying quality problems in asserted patents.

⁷ USPTO, Patent Trial and Appeal Board Statistics, 10/31/2017, slide 12, *available at* https://www.uspto.gov/sites/default/files/documents/trial_statistics_october_2017.pdf.

⁸ David C. Seastrunk et al, Federal Circuit PTAB Appeal Statistics – April 1, 2017, AIABlog (April 17, 2017), *available at* <http://www.aiablog.com/cafc-appeals/federal-circuit-ptab-appeal-statistics-april-1-2017/>.

⁹ John R. Allison et al, *Our Divided Patent System*, 82 U. of Chicago L.R. 1100, 1073-1154 (2015) (an evaluation of all court decisions made between 2009 and 2013 on patent cases filed in 2008 and 2009).

Assertions by critics of IPR that patentees **win** only 15% of the time are clearly and demonstrably false.¹⁰ As shown above, looking only at the subset of petitions for which the PTAB has rendered a decision on the merits, patentees have won approximately 68% of the time. The PTO's "waterfall slide,"¹¹ which carefully documents the outcome of every petition filed, shows that of the 7,685 petitions filed so far, only 1,181, or 15%, have resulted in a **loss** for the patentee of a written decision invalidating all claims.

Likewise, assertions that the PTAB and district courts disagree on validity determinations 76% of the time¹² are wrong. A careful analysis shows only a small number of disagreements between the two tribunals, and a disagreement rate in line with the disagreement rate between different courts. There have been 3,056 patents challenged in IPR through the third quarter of 2017 that have also been challenged in district court. Of that number, only about 43 patents, or 1.4%, have resulted in different outcomes on comparable statutory criteria, i.e., comparing decisions on obviousness.¹³ In over half of these, however, the district court and PTAB received different evidence and arguments, leaving **only 20 patents** (0.6%) for which the two tribunals heard similar evidence and came to different conclusions.¹⁴

¹⁰ See Sovereign Immunity and the Intellectual Property System: Hearing Before the Subcommittee on Courts Intellectual Property, and the Internet, 115 Cong. 9 (Nov. 7, 2017) (hearing Statement of Philip S. Johnson), *available at* <https://judiciary.house.gov/wp-content/uploads/2017/10/Testimony-Johnson.pdf>.

¹¹ USPTO, Patent Trial and Appeal Board Statistics, 10/31/2017, *available at* https://www.uspto.gov/sites/default/files/documents/trial_statistics_october_2017.pdf.

¹² Hearing Statement of Philip S. Johnson at 9.

¹³ CCIA Letter for the Record Submitted to House Judiciary Subcommittee on IP, Nov. 14, 2017, *available at* <https://www.patentprogress.org/2017/11/14/ccia-submits-letter-record-house-judiciary-subcommittee-ip/>.

¹⁴ EFF, "A Misunderstanding of Patent Data Leads to a Misunderstanding of Patent Law and Policy," Nov. 15, 2017, *available at*

Narrowing the data set to those 272 patents for which both the PTAB and district court addressed validity in some way results in a disagreement rate of only 7%. Other so-called “disagreements” were the result of designating unrelated outcomes, such as a district court’s acceptance of a settlement designating a patent as “not invalid” and a PTAB decision on the merits, as disagreements.¹⁵

Some disagreement is to be expected and is not a sign of a flawed IPR system. Rather it reflects the reality that different decision-makers can reach different conclusions when applying legal standards without bright lines to technical subject matter. For instance, the Federal Circuit disagrees with and reverses district court decisions on obviousness under Section 103 of the Patent Act as much as 25% of the time.¹⁶ The rate at which different district courts find patents invalid as obvious varies dramatically from 13% to 70%.¹⁷

In short, the IPR program is working well towards achieving Congress’s goal of improving patent quality by removing hundreds of invalid patents from the system that would otherwise generate uncertainty and stymie innovators. IPR has been the primary reason for the drop in NPE litigation over the past year.¹⁸ Funds that would otherwise have been spent defending against or licensing invalid patents have been put to better use supporting innovation.

<https://www.eff.org/deeplinks/2017/11/stupid-patent-data-month-misunderstanding-data-leads-misunderstanding-patent-law>.

¹⁵ CCIA Letter for the Record Submitted to House Judiciary Subcommittee on IP, Nov. 14, 2017.

¹⁶ See www.patstats.org, reporting that from 2000-2009, the Federal Circuit reversed 52 district court rulings on obviousness out of 204 opinions addressing the issue.

¹⁷ John Allison et al., “Understanding the Realities of Modern Patent Litigation,” 92 Tex. L. Rev. 1769, 1793-94 (2014).

¹⁸ See RPx Q3 Data Update, Oct. 2, 2017, *available at* <https://www.rpxcorp.com/2017/10/02/q3-data-update-patent-litigants-and-courts-adjust-to-recent-rulings-with-further-changes-brewing/> (showing a decline in NPE litigation in 2017 compared to the prior five years, although patent litigation levels remain high compared to historical standards).

II. The PTAB appropriately considers patent validity by giving claims their broadest reasonable interpretation (BRI) and reviewing them under a preponderance of the evidence standard, consistent with standards used in examination.

Despite the overwhelming evidence that IPR has been both beneficial to the patent system and fair to patent owners, some critics have complained that the procedure is unbalanced because of two differences between the IPR procedure and litigation in district court. First, in evaluating the validity of a patent claim, the PTAB applies the “broadest reasonable interpretation” (BRI) of the claim whereas courts interpret patent claims according to a framework set out in the Federal Circuit case *Phillips v. AWH Corp.*¹⁹ Second, the AIA requires that challengers in IPR demonstrate that a claim is invalid by a preponderance of the evidence whereas courts and juries consider validity under a clear and convincing standard.

Complaints about these differences misrepresent the fundamental nature of the IPR proceeding, the meaning and operation of the different standards, and the impact of those differences. As the Supreme Court has explained, IPR shares the same “basic purposes” as reexamination: it “offers a second look at an earlier administrative grant of a patent.”²⁰ The purpose of the proceeding is to evaluate the PTO’s original decision, not to adjudicate the patentee’s rights as against the challenger.

While IPR might streamline concurrent litigation, it is not a litigation procedure and there are significant differences. For instance, a patent may be challenged in IPR even if there is no concurrent litigation or if the challenger would have no standing to bring validity to a court. Unlike a court, the PTAB has broad discretion to decline to hear a challenge for myriad reasons, including concerns about its own workload. When the PTAB institutes a full

¹⁹ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

²⁰ *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136, 2143–44 (2016).

proceeding, it may continue its review even if the challenger settles.²¹ The challenger is therefore best thought of as an interested member of the public whose role is to aid the PTO in evaluating the correctness of its original issuance decision in order to protect “the public’s paramount interest in seeing that patent monopolies... are kept within their legitimate scope.”²²

The proper understanding of IPR and PTAB’s role within the PTO makes clear the importance of using standards that are akin to those used during examination rather than district court litigation. We expand on these points below.

A. The broadest reasonable interpretation (BRI) standard must be used in IPR.

The PTO has explained and defended its practice of applying the broadest reasonable interpretation to claims challenged in IPR on multiple occasions, including during rule making²³ and before the Supreme Court.²⁴ Indeed, the Supreme Court upheld the practice in the *Cuozzo* case. SIIA strongly supports the PTO’s practice of applying BRI in IPR.

BRI promotes consistency within PTO proceedings since the agency has used it in construing patent claims for decades and has applied it in millions of patent applications and reexaminations. It would be incongruous for the PTAB to reconsider the agency’s decision to issue a patent but apply a different approach to claim interpretation. The PTO applies BRI in every proceeding in which the patentee has the opportunity to amend its claims in order to promote

²¹ 35 U.S.C. §317(a).

²² *Cuozzo*, 136 S. Ct. at 2144.

²³ 81 Fed. Reg. 18750, 18751-54 (Apr. 1, 2016); Trial Practice Guide, 77 Fed. Reg. 48756, 48764 (Aug. 14, 2012).

²⁴ Brief of Michelle K. Lee as respondent, *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131, 579 U.S. ___, 195 L. Ed. 2d 423 (2016) (No. 15-446), available at http://www.scotusblog.com/wp-content/uploads/2015/12/15-446_cuozzo.pdf.

patent quality and clarity. Patent owners may choose between arguing that their claims, broadly but reasonably construed, are valid over the prior art; or amending to more clearly delineate the boundaries of the patent right and distinctions over the prior art. BRI and the opportunity to amend are two sides of the same coin. As long as IPR includes an amendment provision, the PTAB must apply BRI.

Much of the criticism of BRI misrepresents what it means and its relationship to the *Phillips* standard by greatly exaggerating their differences. The Federal Circuit has been very clear that claim construction according to *Phillips* and claim construction as applied by the PTAB under BRI are both governed by the same “general claim construction principles.”²⁵ Both seek to determine “the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention.”²⁶ Both look to the intrinsic evidence of the specification and the prosecution history to discern the meaning of the claims.²⁷ The PTAB’s interpretation must be “reasonable” in light of all principles also applied by courts. In other words, the claim interpretation used in an IPR must be one that a court could reasonably adopt.

This is important because a range of reasonable claim interpretations can emerge from the courts. Claim interpretation can be conducted on different records,²⁸ which support different conclusions.²⁹ Claims need not have one clear meaning to be valid and

²⁵ *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015).

²⁶ *Id.* at 1313.

²⁷ *Id.* at 1314; *Edmund Optics Inc v. Semrock Inc.*, IPR2014-00599, available at <http://ptabtrialblog.com/wp-content/uploads/2014/10/IPR2014-00599-Denying-Request-for-Rehearing-20141015.pdf>, (“The Federal Circuit admonishes us that even under the broadest reasonable interpretation, the Board’s construction cannot be divorced from the specification and the record evidence.”).

²⁸ *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S.Ct. 831, 839 (2015) (noting that “divergent claim construction stemming from divergent findings of fact . . . [may] occur”).

²⁹ *See Apple v. Virnetx*, IPR2014-00481, Paper 35 at 9-11 (PTAB, Aug. 24, 2015), (Board explained differences with claim construction in district court

different courts may view them differently.³⁰ The Federal Circuit frequently modifies the claim interpretations of district courts. In light of this truth, it is imperative that the Board chose the broadest of those reasonable interpretations to prevent the situation in which validity is judged based on a narrower interpretation than infringement. BRI is essential for avoiding that outcome, which would damage the integrity of the patent system.

Critics of BRI also greatly exaggerate the potential for inconsistent interpretations between IPR and district court. The PTAB can accommodate a district court claim construction ruling and in many cases, has adopted those rulings, commenting that they are consistent with the broadest reasonable interpretation.³¹ In several cases the Board has applied BRI in the decision to institute and a *Phillips* construction in the final decision because the claims expired during the proceeding, but found that no changes to the construction were needed.³² In those few instances when the PTAB interpretation

by the different records because patent owner had made conflicting arguments in the two venues).

³⁰ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (the Patent Act’s “definiteness requirement . . . mandates clarity, while recognizing that absolute precision is unattainable.”).

³¹ *See, e.g., Veeam Software Corp. v. Symantec Corp.*, IPR2013-00150, Paper 10 at 6 (PTAB, Aug. 7, 2013) (“On the record presented, we find this reasonable and, therefore, adopt the District Court’s construction.”); *Google Inc. v. Simpleair Inc.*, CBM2014-00054, Paper 19 at 11 (PTAB, May 13, 2014) (PTAB looked at the district court’s construction of nine claim terms in the co-pending litigation and determined that each was “consistent with their broadest reasonable interpretation in light of the specification.”); *Kyocera v. Softview*, IPR2013-00004, Paper 12 at 19 (PTAB, Mar. 29, 2013) (“[a]s discussed in our Decision to Institute, we construed the claim terms as the Petitioner represented they were construed by the District court in co-pending litigation. . . . [the constructions were] consistent with the broadest reasonable construction.”). *See also Vibrant Media Inc. v. GE*, IPR2013-00170, Paper 56 (PTAB, Jun. 26, 2014) (PTAB, in applying BRI, interpreted claim more narrowly than district court).

³² The only time the PTO does not use BRI is on re-examination of expired patents, when it is impossible to change the claim language. *See, e.g., Square Inc v. Carl Cooper*, IPR 2014-00157, Paper 36 at 6 (PTAB, May 14, 2015) (confirmed that applying the Phillips standard did not change construction);

is not reasonable under the *Phillips* principles, the Federal Circuit has reversed.³³

B. Congress’s decision to direct the PTAB to apply the preponderance of the evidence standard during IPR was correct.

The AIA requires that in an IPR, “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”³⁴ Some critics have contrasted this standard with the clear and convincing standard for proving invalidity used by district courts and juries. But Congress was right to choose the preponderance standard for IPR and SIIA strongly supports that decision.

In district court litigation, validity decisions fall to a generalist judge or a jury who require an unusually high burden of proof—clear and convincing evidence—before they will override the PTO and invalidate a patent. This high standard is typically reserved in civil litigation for those cases where critical civil liberty interests are at stake. For instance, clear and convincing evidence is required for involuntary civil commitment due to mental illness, deportation for

Cisco Systems Inc v. AIP Acquisition LLC, IPR2014-00247, Paper 39 at 7 (PTAB, May 20, 2015) (found that preliminary construction of terms did not change when applying a rule of construction similar to that used by district courts); *Google Inc and Yahoo! Inc v. CreateAds LLC*, IPR2014-00200, Paper 42 (PTAB, Apr. 29, 2015) (“The Board interprets claims of an expired patent under principles similar to those used during a district court’s review.”); *Motorola Mobility LLC v. Intellectual Ventures I LLC*, IPR2014-00500, Paper 15 (PTAB, Sep. 9, 2015) (“We note that we would reach this conclusion under both the broadest reasonable interpretation standard and the standard applied by the district courts”). See also *Rackspace Hosting Inc v. Clouding Corp*, IPR2013-00519, Paper 22 at 6 (PTAB, Jan. 29, 2015) (applying BRI but stated that the claim interpretation would be the same under *Phillips*).

³³David C. Seastrunk et al, Federal Circuit PTAB Appeal Statistics – September 1, 2017, AIABlog (September 22, 2017), available at <https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-august-1-2017-copy.html>

³⁴ 35 U.S.C. §316(e).

violation of immigration law, termination of parental rights, and withdrawal of life support from a relative. It is higher than the default standard in civil litigation—preponderance of the evidence.

Courts grant the PTO this unusual level of deference because they recognize that generalist judges and juries have far less expertise in patent law and technical matters than the PTO and its examiners. The PTO, however, need not defer to itself, and the PTAB consists of the most skilled experts within the agency. When a panel of three expert PTAB judges consider whether a single patent examiner correctly issued a patent, the reasons for deference simply do not apply. Beyond that, a highly deferential standard of proof like clear and convincing evidence has no place within an administrative process like IPR where an agency is simply reconsidering its own earlier decisions. This is especially true regarding decisions to grant a patent, which are made based only on a preponderance of the evidence and a presumption that every application should be granted unless the PTO can prove otherwise.

III. No off-ramp from IPR is needed because patent owners already have multiple effective pathways to amend claims that are subject to IPR.

Some critics of IPR have supported the so-called “IPR off-ramp,”³⁵ which would presumably allow patent owners to amend their claims in a new proceeding separate and apart from the IPR. They argue that an off-ramp is needed because it is supposedly too difficult to amend claims in IPRs.³⁶ These arguments misrepresent the available claim amendment procedures in three respects: (1) the reason that most amendments offered in IPR are rejected; (2) the

³⁵ See Sovereign Immunity and the Intellectual Property System: Hearing Before the Subcommittee on Courts Intellectual Property, and the Internet, 115 Cong. 16-17 (Nov. 7, 2017) (Statement of Philip S. Johnson); The Impact of Bad Patents on American Businesses: Hearing before the Subcommittee on Courts Intellectual Property, 115 Cong. 5-7 (Sept. 12 2017) (Supplemental Statement of Paul Michel).

³⁶ See, e.g., Michel Supp. Statement at 5-7.

nature of the amendment practice in IPR; and (3) the multiple avenues already available to patentees.

First, the primary reason that the PTAB rejects claim amendments offered during IPR is that they do not recite an invention that is sufficiently different from the public domain to warrant patent protection.³⁷ Patentees *rarely* request amendment of their claims during IPR, but when they do, the PTAB cannot allow claims to issue that do not meet the statutory criteria of patentability. To do so would drastically undermine the integrity of the patent system and exacerbate problems that IPR was created to address. The number of amendments accepted during IPR is not a sign of amendments being “too difficult” but of patentees not offering claims that are patentable. As the Supreme Court has recognized, the failure of a motion to amend at the PTAB “may reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all.”³⁸

Second, amendment practice in IPRs has changed. Very recently, the en banc Federal Circuit held that—contrary to prior PTO practice—the PTAB cannot place the burden of showing that amended claims are patentable on patent owners.³⁹ This shift arguably makes amendments easier for patent owners.

Third and most importantly, a new off-ramp is unnecessary because other pathways outside of IPR already exist for patent owners to amend or add claims before, during, and after an IPR proceeding. It is not unusual for patent owners to have a co-pending “child”

³⁷See U.S. Patent and Trademark Office, Patent Trial and Appeal Board Motion to Amend Study 4/30/2016 *available at*

<https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>.

³⁸ See *Cuozzo Speed Techs.*, 136 S. Ct. at, 2145.

³⁹ *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017) (“[T]he PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and [absent such a rule] the PTO may not place that burden on the [patent owner].”).

application that claims priority to the patent in IPR (or a common parent).⁴⁰ Patent owners can freely present prior art from the IPR and new claims to an examiner in this situation. When no co-pending application is available, the Patent Act provides well-established pathways to amend the claims of issued patents, including ex parte reexamination and reissue procedures, described below.

A. Ex parte reexamination

An important pathway for substantively amending the claims of an issued patent is ex parte reexamination. It allows the patent owner to request reexamination of patent claims based on “prior art consisting of patents or printed publications,”⁴¹ the same type of prior art allowed in IPR. (A closely related procedure called Supplemental Examination allows patent owners to present evidence beyond patents and printed publications and patentability issues beyond those considered in ex parte reexamination.)⁴² If the prior art raises a substantial new question of patentability, the patent will be reexamined.⁴³

Once ordered, reexamination proceeds generally along the lines of standard application examination.⁴⁴ The patent owner may submit claim amendments and/or additional new claims, along with evidence and argument supporting the patentability of the new and amended claims.⁴⁵ The examiner reviews the new and amended claims in light of the prior art for compliance with other statutory requirements applied in examination of patent applications.⁴⁶ As in IPR, amended claims may not broaden the scope of the claims in the patent,⁴⁷ but

⁴⁰ 35 U.S.C. § 120.

⁴¹ 35 U.S.C. § 301(a)(1); *id.* § 302.

⁴² 35 U.S.C. § 257.

⁴³ *Id.* § 303(a); § 304

⁴⁴ *Id.* § 305.

⁴⁵ 37 C.F.R. § 1.510(e).

⁴⁶ USPTO, Manual of Patent Examining Procedure (“MPEP”) § 2258, II.

⁴⁷ 35 U.S.C. § 305; 37 C.F.R. § 1.552(b); 35 U.S.C. § 316(d)(3).

there is no limit on the number of new or amended claims. A successful reexamination results in a reexamination certificate that incorporates the new and amended claims into the patent as issued.⁴⁸

Patent owners may submit a patent for reexamination before or during an IPR. It is not unusual for a patent owner to ask the PTO to reexam a patent in light of prior art that it found in order to obtain new claims that strengthen its patent before launching a litigation campaign. Patent owners can also seek reexamination to add new claims after an IPR concludes as long as a single claim remains in the patent.

B. Reissue applications

Reissue proceedings are similar to reexamination but more flexible in some regards. Any patent owner that believes its patent to be “wholly or partly inoperative or invalid” for one of several reasons, including “claiming more or less than he had a right to claim,” may file a reissue application to “correct the error.” Such reissue applications may enlarge the scope of the claims if applied for within two years from the grant of the original patent, and may narrow the claim scope at any time during the term of the patent. A successful reissue application results in a reissue patent and requires surrender of the original patent.⁴⁹

The Federal Circuit has liberally construed what it means to correct an error. It is permissible, for example, to file a reissue application to add narrowing claims without the cancellation or deletion of any broad claim. This allows the addition of dependent claims “as a hedge against possible invalidity” of broader claims that remain in the patent.⁵⁰

As with reexamination, patent owners may file a reissue application before or during an IPR. Reissue proceedings also give

⁴⁸ 35 U.S.C. § 307(a).

⁴⁹ *Id.* §§ 251(a), (d) 252.

⁵⁰ *See In re Tanaka*, 640 F.3d 1246, 1249-50 (Fed. Cir. 2011).

patent owners whose claims have all been canceled in IPR a way to seek new claims.⁵¹ The reissue statute allows reissue applications for patents that have been “deemed wholly or partly inoperative or invalid,” so that patents with all claims invalidated (*i.e.*, wholly invalid patents) are eligible for reissue.⁵²

C. Patent owners are using these pathways to amend patents that are subject to IPR

The PTAB has made clear that patent owners are permitted and indeed encouraged to use either reissue applications or ex parte reexamination to seek new or amended claims in response to IPR proceedings. According to the PTAB, such proceedings are particularly useful when “a patent owner desires a complete remodeling of its claim structure according to a different strategy.”⁵³

Patent owners’ only complaint against using the existing pathways to amend is that the PTAB sometimes exercises its statutory authority to stay a concurrent reexamination or reissue involving the same patent during an IPR. But this argument ignores the fact that the Board allows reissue and reexaminations to proceed unless there is good cause for a stay.⁵⁴ And even if the PTAB puts them on hold, it is for a limited time given the fast and predictable schedule of IPR and patent owners can pursue new claims at the conclusion of the IPR.

⁵¹ John E. Kind, *Post Invalidation Reissue: An Underused Tool in the Patent Arsenal?*, 57 IDEA 1 (2016).

⁵² 35 U.S.C. § 251(a). *See, e.g., Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 217 F.2d 39, 43 (9th Cir. 1954) (allowing patent owner to enforce reissue patent that was applied for after all original claims were held invalid).

⁵³ *See Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper No. 26 at 6 (PTAB June 11, 2013).

⁵⁴ *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper No.15 at 2 (PTAB Nov. 6, 2012) (“The Board will not ordinarily stay a reexamination because, in absence of good cause, reexaminations are conducted with special dispatch.”).

The PTAB requires a showing of “good cause” before staying concurrent reexaminations.⁵⁵ It typically denies stays and allows a reexamination to go forward alongside the IPR when the claims involved in the reexamination are new—e.g., not the subject of the IPR petition.⁵⁶ The PTAB typically stays reexamination where the claims are the same or very similar to claims in the IPR in order to avoid the problem of inconsistent results.⁵⁷ While patent owners cannot attempt an end run around the PTAB’s authority in an IPR by raising very similar issues elsewhere in the PTO, pathways for pursuing distinct claims are often available during IPR,⁵⁸ and certainly available after the IPR.

D. Proposed off-ramp procedures would worsen patent quality and kill IPR.

Some critics of IPR have called for an off-ramp procedure in which, after a petitioner invests considerable effort and expense in preparing a full petition laying out the best arguments for invalidity, the patent owner could file an ex parte reexamination request and stay the IPR. The patent owner would then negotiate with the examiner to overcome the petitioner’s arguments.⁵⁹ It is abundantly obvious why such a procedure would lead to worse rather than better patent quality and be the death knell of IPR. It would encourage patent owners to over-claim their inventions, then lie in wait for others to point out the flaws rather than pro-actively finding

⁵⁵ *Id.*

⁵⁶ *See, e.g., M & P Golf LLC v. Max Out Golf, LLC*, IPR2016-00784, Paper No. 33 (PTAB Mar. 10, 2017).

⁵⁷ *See, e.g., M & P Golf LLC v. Max Out Golf, LLC*, IPR2016-00785, Paper No. 32 (PTAB Mar. 10, 2017)

⁵⁸ We relied on the Docket Navigator database through July 2017 to identify all instances in which the PTAB had made a decision on whether to stay a proceeding that was concurrent with an IPR. Ignoring duplicative hits and multiple orders regarding the same reexamination, we found 44 stay orders: 16 denied stay, 16 granted stay on motion, and 12 sua sponte stayed concurrent proceedings.

⁵⁹ The Impact of Bad Patents on American Businesses: Hearing before the Subcommittee on Courts Intellectual Property, 115 Cong. 5-7 (Sept. 12 2017) (Supplemental Statement of Paul Michel).

the best prior art and seeking deserved patent protection. No petitioner would engage an IPR procedure designed this way. SIIA strongly opposes such proposals.

IV. Intervening rights law is essential to the integrity of the patent system and should not be altered.

Intervening rights protect the public when a patent owner changes its original patent claims after the patent has issued.⁶⁰ The policy behind the doctrine is simple. The patent owner should not be able to apply claims that have changed to actions taken or begun before the change. The new claims replace original (defective) claims. The public is entitled to order its affairs in view of the original claims. If the original claims were “too narrow,” the public avoided infringement by avoiding the narrow claims. If the original claims were “too broad,” so broad that they were invalid in view of the prior art, the public was entitled to ignore the invalid claims. Either way, the patent owner should not be allowed to surprise the public with a charge of infringement that the original claims could not support.

Intervening rights should be preserved regardless of how the patent owner amends original claims. Historically, the intervening rights doctrine was developed by the Supreme Court over a century ago in response to speculators abusing reissue practice.⁶¹ The doctrine was codified, with small changes, in the 1952 Patent Act and has been applied ever since to protect the public whenever the patent owner amends previously issued claims. New or amended claims in a reissue patent are subject to intervening rights.⁶² Likewise, intervening rights apply to claims amended in reexamination, in IPR, and in PGR.⁶³ Even advocates of the off-ramp have noted the importance of

⁶⁰ 35 U.S.C. § 252.

⁶¹ P.J. Federico, Intervening Rights in Patent Reissues, 30 Geo. Wash. L. Rev. 603, 611 (1962); *see also Miller v. Brass Co.*, 104 U.S. 350 (1881).

⁶² 35 U.S.C. §§ 251(a), 252.

⁶³ *Id.* §§ 307(b), 318(c), 328(c).

intervening rights.⁶⁴ There is no need to change or modify this important doctrine.

⁶⁴ Michel Supp. Statement at 7, 9.