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July 9, 2018

VIA EMAIL: PTABNPR2018@USPTO.GOV

Mail Stop
Patent Board
Director of the United States Patent and Trademark Office (“PTO”)
Attention: Vice Chief Administrative Patent Judges
Michael Tierney & Jacqueline Wright Bonilla
Docket Number PTO-P-2018-0036
P.O. Box 1450
Alexandria, VA, 22313– 1450

RE: Proposed “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board” of May 9, 2018

Dear Sir/Madam:

InterDigital develops advanced mobile technologies that are at the core of devices, networks, and services worldwide. Our attached comments on the “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board” (the “*Notice*”) aim to share our knowledge and to offer feedback on some of the concepts contained in the Notice.

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

Regards,



Jannie K. Lau
Chief Legal Officer, General Counsel and
Corporate Secretary

Attachment

Comments of InterDigital, Inc., on the Proposed “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board” of May 9, 2018

I. Introduction

A. Corporate overview

InterDigital was founded in 1972 with the objective of developing advanced wireless technologies. It became a publicly traded company in 1981 and is now a significant commercial research and engineering organization, with a long history of investment in researching, developing, patenting and licensing technologies that enable and enhance wireless telecommunications, including 2G, 3G, 4G and IEEE 802-related products and networks. In 2017, the company’s total revenues were \$532.9 million, with current revenues predominantly derived from licensing patents covering innovations developed by the company’s scientists and engineers.

InterDigital is actively engaged in and committed to long-term research. It employs close to 200 research and development (“*R&D*”) staff in nine locations in five countries. In fact, InterDigital has invested over \$700 million in R&D during the past decade (compared to \$5.2B in revenue from 2007-2017). InterDigital additionally invests many millions of U.S. dollars supporting the attendance and participation of its engineers in meetings of standards development organizations (“*SDOs*”) (at which InterDigital’s engineers often hold leadership positions). This includes attendance at more than 100 engineering and academic conferences per year.

InterDigital does not manufacture devices (although it builds its own test systems). Instead, the company focuses on innovation through advanced research. InterDigital undertakes research at a more fundamental level than most manufacturers, partnering with many universities in research that is not directly product-oriented. The company has therefore made, and continues to make, a unique contribution to standardization, playing an important role as a company that bridges academic and commercial approaches.

B. InterDigital’s participation in standardization

InterDigital’s engineers look at the challenges of current technology to identify future issues that will require solutions. SDOs have historically begun developing standardized technologies roughly 7 to 8 years prior to market adoption, but InterDigital often begins its research several years before SDO work begins.

InterDigital has been involved in mobile standardization since the formation of 3GPP, the mobile industry's central forum, in 1998. InterDigital is also involved in several other SDOs, including ITU, IEEE, TTA, IETF, OMA and oneM2M.

Standards development operates at the leading edge of technology. Within that process, there is strong competition among top engineers from the leading companies in the world to identify and develop the best possible technical solutions, enabling new and better products. This competition promotes innovation, giving rise to significant inventions and driving up the overall quality of the standard itself.

Today, InterDigital is actively working on innovations relevant to 5G and other key technologies, such as bandwidth management and standards-based machine-to-machine communications. These technologies lead toward the development of dynamic networks that intelligently manage spectrum resource, achieving efficiencies that will greatly increase system capacity and flexibility, thereby enabling networks to accommodate the rapidly growing demand for wireless services.

C. InterDigital's business model

InterDigital's business model is predominantly based on its ability to obtain licensing income from the patent portfolio that protects its innovations. Importantly, InterDigital's total patent portfolio is primarily the result of internal investment and research, leading to inventions that have been made at and developed by InterDigital. Our long-term investment in working alongside, but often in competition with, other leading innovators participating in SDOs has created a "virtuous circle" in which InterDigital's licensing income is re-invested in further research. As of December 31, 2017, the company held a patent portfolio of approximately 19,000 patents and patent applications.

InterDigital has concluded numerous licenses with sophisticated licensees. Many of the company's licenses are to companies that also participate in standardization efforts, with InterDigital's past and current licensees comprising many of the world's most successful technology brands and manufacturers of wireless equipment, including Samsung, HTC, Nokia, Sony / Sony Ericsson, Ericsson, Fujitsu, BlackBerry (formerly Research in Motion), Panasonic, Pantech, Pegatron, Toshiba, NEC and Sharp. Notably, Sony and InterDigital launched a joint venture in 2013 that continues to thrive today, driving new research in the field of machine-to-machine wireless communications and other connectivity areas.

InterDigital has been able to succeed with this business model due to (a) its foresight in identifying the challenges that lie ahead in wireless development and (b) its ability to develop solutions to those

challenges by virtue of the quality of its research. However, this business model carries significant risk, because such long-term investment decisions commit substantial resources to particular research projects, and there can be no certainty that any given research project will ultimately result in technology that is adopted in a standard or otherwise deployed by the industry.

II. Comments on the Notice

A. *General Comments*

The PTO's rule in its current form undermines patentees' legitimate property rights. Indeed, the PTO's adoption of an artificially broad construction standard for adjudicating patent validity in the Patent Trial and Appeal Board ("**PTAB**") has introduced inefficiency and instability by creating conflicting standards for adjudicating patent validity.

InterDigital appreciates the PTO's effort to change the claim construction standard for interpreting claims in trial proceedings before the PTAB, specifically related to unexpired patent claims and claims proposed in a motion to amend. We support the PTO's proposal to replace the broadest reasonable interpretation ("**BRI**") standard currently in place at the PTAB with the standard enumerated in *Phillips v AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), that is used by Federal Courts and the International Trade Commission.

B. *The PTO's rule undermines patentees' legitimate property rights*

The PTO's BRI standard for PTAB post-grant proceedings diminishes the substantive rights of inventors in ways that Congress never intended.

First, the PTO's rule weakens Congress's statutory guarantee that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). In a district court action, an accused infringer can overcome the statutory presumption of validity only by proving that the claims, as correctly construed, are invalid over prior art "by clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In the PTAB, because currently claims are instead given their "broadest reasonable interpretation," they are more likely to be found invalid (anticipated or obvious) in light of prior art. See 35 U.S.C. §§ 102, 103. By refusing to accord patentees an accurate characterization of the metes and bounds of their claims when deciding their validity, and instead saddling them with artificially broad claim constructions that are more likely to read on prior art, the PTAB's rule undercuts Congress's statutory guarantees and diminishes patentees' substantive property rights.

Second, the PTO's rule gives accused infringers two bites at the apple to avoid liability in two different forums under two different standards, violating the well-established principle that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("A patent may not, like a 'nose of wax,' be twisted one way [for purposes of validity] and another [for infringement]." (citation omitted)). In district court litigation, an accused infringer benefits from the court's narrower (correct) construction, under which it is easier to show non-infringement. Then, in a parallel PTAB challenge to the patent's validity, the accused infringer benefits from the PTAB's broader (hypothetical) construction, under which it is easier to show invalidity. The accused infringer gets the best of both worlds and the patentee gets the best of neither. There is no evidence that Congress intended to put patentees at such an acute and unfair disadvantage.

C. The PTO's rule introduces inefficiency and instability by creating conflicting standards for adjudicating patent validity

The PTO's adoption of an artificially broad construction standard for adjudicating patent validity in the PTAB has had immediate and destabilizing effects that Congress could not have intended. It creates an unworkable system in which supposedly "alternative" forums systematically reach contradictory conclusions about the validity of the same patents. Far from encouraging faster and more efficient adjudication of patent validity in a single streamlined proceeding before the agency, as Congress intended, the PTAB's use of the "broadest reasonable interpretation" system has "enhanced" duplicative litigation by accused infringers eager to secure a tactical advantage. In several instances already, patent owners have obtained jury verdicts of validity and infringement in district court under the correct construction of their claims, only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

For example, in 2013, InterDigital brought suit in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed InterDigital's asserted patent claims based on what they mean to a person of ordinary skill in the art. *Id.*, ECF Nos. 253, 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("**244 patent**") were infringed and not invalid (i.e., not anticipated or obvious in light of prior art). *Id.*, ECF No. 431 at 4, 7.

In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. *ZTE Corp. v. InterDigital Tech. Corp.*, IPR2014-00525, Paper 1, 2014 WL 1159058 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper 48, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2015) (correct date of decision noted on PTAB public electronic docket). In doing so, the PTAB applied what it found to be the “broadest reasonable interpretation” of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied. *Id.* at 10-13 & n.4, 2014 WL 10405879, at *6-8 & n.4.

The situation InterDigital faced was not unique. The PTAB has frequently disregarded the claim construction of a district court or the Federal Circuit because it was not the “broadest reasonable interpretation” of the claims. See, e.g., *Seagate Tech. (US) Holdings, Inc. v. Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13-14, 2015 WL 5170256, at *9 (P.T.A.B. Sept. 2, 2015); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20-21, 2015 WL 3920037, at *12 (P.T.A.B. June 24, 2015); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6-13, 2014 WL 5320530, at *4-8 (P.T.A.B. Oct. 15, 2014), modified on rehearing on other grounds, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014).

For example, in 2015 the PTAB found invalid two hybrid vehicle technology patents that a jury found valid and infringed just days later. See Kurt Orzeck, Paice Wins \$29M In Hybrid Tech Spat With Hyundai, Kia, Law360 (Oct. 5, 2015), <http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia>. And the Federal Circuit has already encountered multiple cases in which the PTAB reached a different conclusion on validity from the district court. *Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1006 (Fed. Cir. 2015); *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 WL 1600327, at *2 (E.D. Tex. Apr. 21, 2014), *aff'd sub nom. Versata Computer Indus. Solutions, Inc. v. SAP AG*, 564 F. App'x 600, 600-01 (Fed. Cir. 2014). Indeed, there have been at least 58 cases where the PTAB invalidated a patent on the same statutory ground the district court held valid. See Steve Brachman & Gene Quinn, 58 Patents Upheld in District Court Invalidated by PTAB on Same Grounds, IPWatchdog (January 8, 2018), <http://www.ipwatchdog.com/2018/01/08/58-patents-upheld-district-court-invalidated-ptab/>. As the volume of PTAB cases increases, such contradictory rulings, driven by the conflicting claim construction standards, will be a mainstay of the patent system.

Data from Docket Navigator tells a different and compelling story over the past several years by pulling together data that highlights patents involved at both the Federal District Court level and the PTAB. Recently, there “have been 220 patents that were found to be valid in various Federal District Courts that were also reviewed by the PTAB. Of those, 52 patents were determined to have valid claims by the PTAB whereas 168 patents had claims, which were determined invalid by the PTAB. This means that 76.4% of those 220 patents found valid in Federal District Court were found defective by the PTAB.” Steve Brachman, Gene Quinn, & Paul Morinville, PTAB Facts: An ugly picture of a tribunal run amok, IPWatchdog (January 8, 2018), <http://www.ipwatchdog.com/2018/01/08/ptab-facts-ugly-picture-tribunal-run-amok/> (also citing data from Lex Machina from 9/2012 through 12/2017). The quoted IPWatchdog article also illustrates nine cases of specific instances where the PTAB overruled the decisions of the Federal District Courts. These cases are the tip of the iceberg.

There is no sound reason (certainly none rooted in the text or history of the AIA) to presume that, while district courts continue assessing patent validity based on what the patent claims actually mean, Congress intended for the PTAB to invalidate claims based on what the claims might mean, creating a two-track system with conflicting standards and destabilizing uncertainty.

III. Conclusion

Thank you for providing InterDigital with the opportunity to submit comments on the proposed “Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board.” As noted above, we support the PTO’s proposal to replace the BRI standard currently in place at the PTAB for construing unexpired patent claims. If you have any questions about these comments, please contact Jannie K. Lau, Chief Legal Officer, General Counsel and Corporate Secretary, InterDigital, Inc., at Jannie.Lau@InterDigital.com, or by telephone at (302) 281-3614, or by facsimile at (302) 281-3763.
