

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

**Notice of Proposed Rulemaking: Changes to the Claim Construction Standard for  
Interpreting Claims in Trial Proceedings Before the Patent Trials and Appeal Board**

**Docket Number PTO-P-2018-0036**

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**COMMENTS OF THE INTERNET ASSOCIATION**

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Submitted to:

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**TABLE OF CONTENTS**

STATEMENT OF INTEREST ..... 1

INTRODUCTION AND SUMMARY ..... 1

    I.    IPR is a Fair and Balanced Procedure that is Working as Intended to Benefit  
        Innovation ..... 2

    II.   The Broadest Reasonable Interpretation Should Continue to Apply to Claims in AIA  
        Proceedings ..... 3

    III.  If the PTO Abandons BRI, It Must Approach Claim Construction Consistent with the  
        Goals and Purpose of AIA Proceedings ..... 5

CONCLUSION ..... 10

## STATEMENT OF INTEREST

The Internet Association is the unified voice of the Internet economy, representing the interests of America's leading Internet companies and their global community of users.<sup>1</sup> The Association is dedicated to advancing public policy solutions to strengthen and protect Internet freedom, foster innovation and economic growth, and empower users. The members of the Internet Association collectively own over 100,000 patents and invest over \$40 billion in R&D annually. Our members value a strong patent system based on high-quality patents, but they have also experienced the detrimental effects on innovation caused by the large number of low-quality, invalid patents that issue and the litigation they have spawned. Members have extensive experience with procedures employed by the Patent Trial and Appeal Board (PTAB) during post-issuance review proceedings, including *inter partes* review, post-grant review, and covered business method review.

## INTRODUCTION AND SUMMARY

The Internet Association submits these comments in response to the PTO's Notice of Proposed Rulemaking concerning "Changes to Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board."<sup>2</sup>

As explained below, the Internet Association respectfully submits that the post-issuance review procedures established by the America Invents Act (AIA) are working as Congress intended to improve patent quality and lower the burden on innovation imposed by the assertion of invalid patents. All available evidence demonstrates that these procedures, including *inter partes* review (IPR), are working fairly to generate accurate review of the PTO's decisions to issue patent claims. While it can be helpful when PTAB periodically considers its operating procedures and develops guidance on a case-by-case basis through the designation of precedential opinions, the evidence does not demonstrate a need for regulatory changes, including the proposed change to the claim construction standard.

The PTO was right in its decision to apply the broadest reasonable interpretation (BRI) to claims under review by the Board for the many reasons the agency gave in announcing that approach<sup>3</sup> and before the Supreme Court in *Cuozzo v. Lee*.<sup>4</sup> BRI supports consistency among related proceedings in the PTO, ensures that claims will not be interpreted more narrowly for validity than for infringement, and promotes claim clarity.

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<sup>1</sup> The Internet Association's members include Airbnb, Amazon, Coinbase, DoorDash, Dropbox, eBay, Etsy, Eventbrite, Expedia, Facebook, Google, Groupon, Handy, Home Away, IAC, Intuit, Letgo, LinkedIn, Lyft, Match Group, Microsoft, Netflix, Pandora, Paypal, Pinterest, Quicken Loans, Rackspace, Reddit, Salesforce, Snap Inc., Spotify, SurveyMonkey, Thumbtack, TransferWise, TripAdvisor, Turo, Twilio, Twitter, Uber, Upwork, Yelp, Zenefits, and Zillow.

<sup>2</sup> Notice of Proposed Rulemaking, 83 Fed. Reg. 21221 (May 9, 2018), available at <https://www.gpo.gov/fdsys/pkg/FR-2018-05-09/pdf/2018-09821.pdf>.

<sup>3</sup> 81 Fed. Reg. 18750, 18751-54 (Apr. 1, 2016).

<sup>4</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 213 (2016).

If the PTO does abandon its long-standing policy of applying BRI, it should implement the change to safeguard the AIA's goals of improving patent quality as much as possible and proceed in a manner that minimizes confusion and unfairness to the parties, which risk violating due process concerns.

- The Board should seek to avoid the situation in which claims may be interpreted more narrowly for validity than infringement.
- The PTO should not apply the change retroactively.
- It should also not adopt the doctrine of interpreting ambiguous claims to preserve their validity.
- The proposed rule must be amended to avoid inaccurately portraying the district court claim construction standard and to preserve the ability to respond to evolution in the law.
- Petitioners should be given the right to reply to patent owners' proposed claim constructions before the institution decision.
- The PTO should implement safeguards to prevent the Board from adopting new claim constructions in the final written decision.

#### **I. IPR is a Fair and Balanced Procedure that is Working as Intended to Benefit Innovation**

Congress enacted the post-issuance review proceedings, including IPR, in the AIA to “provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.”<sup>5</sup> To satisfy the Congressional mandate that IPR serve as a meaningful device for the PTO to correct its own work and eliminate patents that should not have issued, the standards and procedures implementing it must provide an effective adjudication of patentability.

The PTO's implementation of IPR has largely satisfied these goals. IPR has systematically improved patent quality by removing hundreds of invalid patent claims from the system that would otherwise generate uncertainty and block innovators. Funds that would have been spent defending suits on invalid patents in federal court have been put to better use supporting innovation. This point is critical to members of the Internet Association. We have been subjected to a costly and harmful explosion in patent litigation brought by patent assertion entities (PAEs) over the past twelve years, much of it involving patents that should have never issued. Although the amount of litigation remains at historically high and unacceptable levels,<sup>6</sup> it has dropped, primarily due to IPR. Weakening the ability of IPR to fulfill its goal of efficiently eliminating invalid patents will lead to another rise in baseless litigation that will harm innovation.

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<sup>5</sup> H.R. Rep. No. 112-98, pt.1, at 48 (2011).

<sup>6</sup> The number of defendants sued in patent litigation in 2017 dropped to levels last seen in 2006, but that is still 3.5 times higher than in 2000, before the explosion in PAE litigation. RPX Blog, 2017 in Review: A Year of Transition (Jan. 2, 2017), available at <https://www.rpxcorp.com/2018/01/02/2017-in-review-a-year-of-transition/>.

The data made public by the PTO demonstrates that current AIA proceedings provide a balanced and fair mechanism for administrative review of patentability. In 2017, 37% of petitions were not even instituted.<sup>7</sup> Looking only at IPR decisions on the merits, the USPTO upheld all claims of a patent 59% of the time.<sup>8</sup> These survival rates are very high given the selection bias grounded in the safeguards of the AIA that encourage petitioners to challenge only the weakest patents for which there are strong invalidity arguments, such as the estoppel provisions and the perceived strengthening of a patent that survives IPR. Indeed, only 17% of patents involved in district court litigation are challenged in IPR, demonstrating this selection bias.<sup>9</sup>

Moreover, the survival rate for patents in IPR is higher than in other tribunals where validity can be challenged, belying complaints that IPR is somehow slanted against patent owners. For instance, in U.S. district courts, when a patent is challenged and a court renders a decision, the patent survives about 57% of the time.<sup>10</sup> In Germany, all patent claims survive a nullity proceeding only 21% of the time.<sup>11</sup> At the European Patent Office, a patent survives an opposition proceeding unchanged only 31% of the time.<sup>12</sup>

The Internet Association urges the PTO to consider changes to AIA proceedings and regulations based on data and hard evidence of real problems, not unsubstantiated complaints, no matter how often they are repeated. The examination of data and evidence makes clear that significant changes are not warranted because IPR is a fair and balanced procedure that is working as Congress intended to benefit innovation.

## **II. The Broadest Reasonable Interpretation Should Continue to Apply to Claims in AIA Proceedings**

The Internet Association continues to support the Office's use of the broadest reasonable interpretation (BRI) standard in AIA proceedings. BRI supports consistency among related

<sup>7</sup> U.S. Patent and Trademark Office. "Statistics," available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics>.

<sup>8</sup> The PTAB renders a decision on the merits when it denies institution or issues a final written decision. As of May 31, 2018, out of 4307 merits decisions made by the PTAB, 2,558 decisions affirmed all challenged claims.

<sup>9</sup> See Unified Patents' 2016 Annual Patent Dispute Report, Fig. 1 (Jan. 1, 2017), available at <https://www.unifiedpatents.com/news/2016/12/28/2016-annual-patent-dispute-report>.

<sup>10</sup> John R. Allison, Mark A. Lemley, and David L. Schwartz. "Our divided patent system." *The University of Chicago Law Review* (2015): 1073-1154, 1100, available at <https://chicagounbound.uchicago.edu/uclrev/vol82/iss3/1/>.

<sup>11</sup> Peter Hess, Tilman Muller-Stoy, Martin Wintermeier. "Are patents merely 'paper tigers'?" *MittdtschPatAnw* (2014) 439-452, available at [https://www.bardehle.com/fileadmin/Webdata/contentdocuments/broschures/Patent\\_Papiertiger.pdf](https://www.bardehle.com/fileadmin/Webdata/contentdocuments/broschures/Patent_Papiertiger.pdf). Any member of the public can challenge patent validity in a nullity proceeding, whether or not sued for infringement, although the majority of nullity proceedings are preceded by an infringement action. In that regard, it is similar to IPR.

<sup>12</sup> European Patent Office. "Searches, examinations, oppositions," available at <https://www.epo.org/about-us/annual-reports-statistics/annual-report/2017/statistics/searches.html#tab4>.

proceedings in the PTO, ensures that claims will not be interpreted more narrowly for validity than for infringement and promotes claim clarity.

As the PTO has recognized, Congress passed AIA against a backdrop in which the Office applies the broadest reasonable interpretation to claims in all proceedings.<sup>13</sup> During regular examination, claims are always given their broadest reasonable interpretation; likewise, in reexamination and reissue practice, which predate the AIA by over a century, every unexpired claim is given its broadest reasonable interpretation. Because it is possible for a claim subject to AIA review to also be evaluated in reexamination or reissue, consistency among related proceedings in the Office requires application of BRI, including in AIA reviews.

Using the BRI standard in the agency—including in AIA proceedings—further ensures that the PTAB does not uphold the patentability of claims that are later given a broader interpretation in district court proceedings. It would defeat the purpose of AIA and undermine the integrity of the patent system if the courts were to find infringement of a claim under a broader construction than the agency allowed in assessing the patentability of the claim. This is particularly troubling following AIA review because the petitioner/defendant will be estopped from asserting invalidity under the district court’s broader construction.

Such conflicts are a real possibility were the agency and the courts—using different evidence and different levels of expertise—to both apply a *Phillips*-type construction to the claims.<sup>14</sup> In *American Piledriving*, for example, seven district courts were called on to decide infringement of the same patent claims. There, infringement “largely turn[ed] in each action on the construction of three claim terms. Of the district courts that ha[d] considered those terms, no two ... construed all three terms the same way.”<sup>15</sup> Thus, applying a *Phillips* construction during AIA review is no guarantee that claims will be uniformly interpreted between the agency and the district courts, and it provides no protection against the problem of claims interpreted more narrowly for validity than infringement.

Application of BRI during AIA review does provide that protection while treating patent owners fairly. Claim construction according to the *Phillips*<sup>16</sup> case and claim construction as applied by the Board under BRI are both governed by the same “general claim construction principles.”<sup>17</sup> 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.”<sup>18</sup> Both look to the intrinsic evidence of the specification and the prosecution history to discern the meaning of the claims.<sup>19</sup>

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<sup>13</sup> See 80 Fed. Reg. at 50721-22.

<sup>14</sup> See *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

<sup>15</sup> *Am. Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1327 (Fed. Cir. 2011) (emphasis added).

<sup>16</sup> *Phillips*, 415 F.3d 1303.

<sup>17</sup> *Microsoft Corp. v. Proxycorn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015).

<sup>18</sup> *Phillips*, 415 F.3d at 1313.

<sup>19</sup> *Id.* at 1314; *Microsoft*, 789 F.3d at 1298 (PTO should consult the prosecution history and specification); *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.”).

The Board's interpretation must be "reasonable" in light of these principles. Current practice also considers a district court claim construction ruling prior to the Board's institution or final written decisions. In many cases, the Board has considered and adopted those rulings, commenting that they are consistent with the broadest reasonable interpretation.<sup>20</sup>

Properly understood, BRI is not a different claim interpretation approach, but rather represents the broadest interpretation that a district court could reasonably adopt under the *Phillips* standard. The PTO's rationale for abandoning the BRI approach of minimizing differences between the district court and Board claim constructions does not hold up under this understanding.

Finally, as the Supreme Court recognized in *Cuozzo*, "construing a patent claim according to its broadest reasonable construction helps to protect the public."<sup>21</sup> Use of the BRI standard "helps ensure precision" in claim drafting "while avoiding overly broad claims" that tie up "too much knowledge" from the public domain.<sup>22</sup> At the same time, the resultant more precise claim drafting allows the public to "better understand the lawful limits of the claim."<sup>23</sup> The need for precision in claim language is at its peak for claims that are being asserted by the patent owner, which claims make up the vast majority of petitioned claims in AIA proceedings.

To the extent that claims are unpatentable under the BRI standard, patent owners have the opportunity to amend. *Cuozzo* rejected the argument that the opportunity is not broad enough because the relevant statistics "may reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all."<sup>24</sup> The agency should do likewise.

### **III. If the PTO Abandons BRI, It Must Approach Claim Construction Consistent with the Goals and Purpose of AIA Proceedings**

If the PTO does abandon its long-standing policy of applying BRI, it should implement the change to safeguard the AIA's goals of improving patent quality as much as possible and proceed in a manner that minimizes confusion and unfairness to the parties, which risk violating due process concerns. In particular, the Board when applying the district court approach, to protect the integrity of the patent system must seek to avoid a situation in which claims are interpreted more narrowly for validity than for infringement.

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<sup>20</sup> 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."); *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.").

<sup>21</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2145 (2016).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

### **A. The Change in Claim Construction Approach Should Only be Applied Prospectively**

The Notice of Proposed Rulemaking states that “the 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.”<sup>25</sup> Applying the change in claim construction approach retroactively is both unwise and unfair to the parties.

It is unwise because it would create a host of questions and confusion concerning pending petitions, none of which the proposal addresses. Will the claim construction change mid-stream? Will the parties be given additional briefing? Will the time to trial and final decision be delayed as a result? And many more. Working through these issues on a case-by-case, *ad hoc* manner injects uncertainty and additional cost into the proceeding for both parties. It is unfair because parties on both sides will have planned and executed strategies based on a BRI approach.

Applying a different claim construction approach retroactively would certainly generate the need for more briefing, expense and delay in most cases. In *SAS Institute v. Complementsoft*,<sup>26</sup> 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.”<sup>27</sup> “Changing theories midstream” can involve the Board’s change of position on claim construction issues, as in the *SAS* case. 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 more expedient and fairer course is to apply the BRI change prospectively only.

### **B. It is Improper for the Board to Construe Claims in AIA Proceedings to Preserve Their Validity**

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.”<sup>28</sup> The Notice acknowledges that this is a very limited doctrine that applies in federal court only when, as explained in *Phillips*, “the court concludes, after applying all the available tools of claim construction, that the claim is still ambiguous.”<sup>29</sup> The Notice ignores the question of whether a claim containing that level of ambiguity can satisfy the definiteness requirement of Section 112(b) under the “reasonable certainty” standard of *Nautilus v. Biosig*<sup>30</sup> or the more

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<sup>25</sup> 83 Fed. Reg. at 21224.

<sup>26</sup> *SAS Institute, Inc. v. Complementsoft, LLC*, 835 F.3d 1341 (Fed. Cir. 2016).

<sup>27</sup> *Id.* at 1351 (quoting *Belden Inc. v Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015)).

<sup>28</sup> 83 Fed. Reg. at 21223.

<sup>29</sup> *Phillips*, 415 F.3d at 1327.

<sup>30</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 (2014).

demanding standard *Ex Parte Miyazaki* under which the PTO requires a claim that is amenable to two constructions to be clarified to satisfy Section 112.<sup>31</sup> Those cases call into question or at least limit the continuing viability of a doctrine that preserves ambiguous claims during AIA proceedings.

Moreover, the doctrine of construing ambiguous claims to preserve their validity has no place in an AIA proceeding. The justification for applying the doctrine in court—“presum[ing] that the [PTO] Commissioner did his duty and did not issue an invalid patent”<sup>32</sup>--does not apply when the PTO is reconsidering its original decision to issue the claim in the course of an AIA proceeding, which carry no presumption of validity.

The doctrine is also wholly out of place in a proceeding that allows claim amendments. District courts face a binary decision—a patent is invalid or not invalid. But in AIA proceedings, a patent owner can propose and the PTAB can allow amended, valid claims. If a claim is ambiguous in a manner that supports both a broad, invalid interpretation and a narrower, valid interpretation, the public notice function of claims and the interest of patent quality are best served by clarification of the claim scope through amendment that unambiguously supports the narrower interpretation. Construing ambiguous claims to preserve their validity only undermines the AIA’s goal of improving patent quality and restoring public confidence in the patent system.

Most importantly, construing an ambiguous claim narrowly to avoid prior art undermines the integrity of the patent system by creating a significant danger that the same ambiguous claim could be interpreted in district court more broadly for purposes of infringement. This danger is real because the validity arguments at issue before the Board in the AIA proceeding will likely not be part of a district court proceeding due to the AIA’s estoppel provisions, and the different records could contribute to different claim constructions.

### **C. The Proposed Rule Must be Modified to be Consistent with the District Court Standard and Responsive to Evolution of the Law**

If the PTO abandons the application of BRI in IPR proceedings, IA urges that the proposed rule be modified to ensure that the same claim construction standards used in district court will be used in PTAB proceedings, to maintain consistency in both proceedings and to discourage gamesmanship by either the patent owner or petitioner challenging the validity of the patent.

The proposed rule states that claims:

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<sup>31</sup> *Ex Parte Miyazaki*, 2008 WL 5105055, 89 USPQ2d 1207, 1211–12 (PTAB Nov. 19, 2008) (Precedential). The PTAB has applied the more demanding indefiniteness standard in AIA proceedings. *Google, Inc. v. SimpleAir, Inc.*, CBM2014-00170, Paper 13 at 17 (Jan. 22, 2015); *Telebrands Corp. v. Tinnus Enterprises, LLC*, PGR2015-00018, Paper 75 (PTAB Dec. 30, 2016) (applying *In re Packard*, 751 F.3d 1307 (Fed. Cir. 2014)).

<sup>32</sup> *Phillips*, 415 F.3d at 1327-28.

shall be construed using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. 282(b), *including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.*<sup>33</sup>

This is an incomplete and therefore inaccurate statement of the law governing claim construction in district court. It ignores the fundamental principle that claims “must be read in view of the specification, of which they are a part.”<sup>34</sup> The *Phillips* case discusses this principle at length, stating that “the specification is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.”<sup>35</sup>

Currently, the proposed rules create confusion. The rule itself states that the standard used by district courts apply. The rule then gives an inaccurate statement of what that standard is. The commentary accompanying the rule can be read to suggest that *Phillips* alone sets forth governing claim construction law for purposes of the rule. This rule and accompanying commentary ignore the fact that claim construction law, even as set forth in *Phillips*, has and will continue to evolve over time. District courts must follow all precedent issued by the Federal Circuit and the Supreme Court. While it is certainly true that district courts follow *Phillips*, they must also follow later precedent that elaborates on *Phillips*.

A rule that requires the Board to apply the same claim construction standard as district court need not characterize what that standard is. IA recommends deleting from the proposed rule the phrase “including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.” This streamlined approach eliminates the confusion that any attempt to capture the complex area of claim construction law in a short statement would necessarily generate, and it maintains the Board’s ability to conform with future refinements in the law.

#### **D. Petitioners Should have a Right to Reply to a Patent Owner’s Claim Construction Arguments Prior to Institution**

Should the PTO adopt a rule change to align claim construction in the PTAB with claim construction in federal court proceedings, IA strongly recommends that the PTAB modify its procedures to allow petitioners to file a brief in reply to the patent owner’s preliminary opposition, pre-institution. The petitioner bears the burden of proof, and it can be difficult to anticipate every claim construction argument when filing the initial petition. Most federal courts have some practice (although specifics vary from district to district and judge to judge) to ensure that the claim construction disputes are presented to the court only after the parties meet and

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<sup>33</sup> 83 Fed. Reg. at 21226 (emphasis).

<sup>34</sup> *Phillips*, 415 F.3d at 1315 (quoting *Markman*, 52 F.3d at 979).

<sup>35</sup> *Id.* (quoting *Vitronics*, 90 F.3d at 1582).

confer regarding claim construction, so that each party knows precisely what will be contested and what won't, and also gets notice of the opposing party's basis for its claim construction. This prevents "sandbagging," and enables both parties to focus briefs on the key issues. The focused briefs are better able to aid the courts' decision making because parties don't have to guess what the dispute might be and are thus able to squarely address the heart of the dispute. Without a reply as of right, the petitioner has no opportunity to address an issue that is raised for the first time in the patent owner's opposition.

**E. The PTO Should Implement Safeguards to Prevent the Board from Adopting Novel Claim Constructions in the Final Written Decision**

The Board has in several cases issued Final Written Decisions identifying and adopting, for the first time, a claim construction that was not addressed by either side or identified in the Institution Decision. This can result in the claims being found patentable, or unpatentable, based on reasoning that neither party anticipated or was able to adequately address. Because a Final Written Decision comes after the submission of all briefing and after the oral hearing, a new claim construction gives the parties no recourse other than appeal to the Federal Circuit. And the Federal Circuit made clear that the Board adopting a new construction in the Final Written Decision, without giving the parties an opportunity to respond, is improper.<sup>36</sup>

IA believes that more formal safeguards should be considered, including through rulemaking, to prevent the Board from adopting a claim construction in a Final Written Decision different from constructions proposed by one of the parties or adopted in the Institution Decision, unless it gives the parties an opportunity to respond. The Board should give the parties notice of the proposed new construction and an opportunity to respond in writing (including through submission of expert testimony if appropriate), allowing both sides to explain how the Board's proposed new construction impacts how the prior art applies to the claims.

IA notes that this issue does not generally occur in district court litigation because most courts conduct Markman hearings and issue claim construction rulings well before the parties present their arguments for infringement or invalidity. This ensures that the parties are aware of the governing claim constructions, and take them into account, before infringement or validity arguments or decisions on those arguments are made. A similar approach has also been embraced by administrative law judges (ALJs) at the International Trade Commission, who now regularly hold Markman hearings rather than defer claim construction to the final hearing.

IA recognizes that holding a Markman hearing in the context of an AIA trial might significantly complicate the proceedings, but a set of formal rules could be adopted to address the narrow but significant problem of adopting and applying a new construction in a Final Written Decision that was never addressed by either party or identified in the Institution Decision. Such rules will not only render IPR trial proceedings more fair but will likely result in fewer remands from the Federal Circuit.

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<sup>36</sup> See *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1351-52 (Fed. Cir. 2016), reversed on other grounds 138 S.Ct. 1348 (2018).

## CONCLUSION

The great success of the AIA post-issuance review proceedings in improving patent quality and removing incentives for baseless and wasteful litigation asserting invalid patents counsels against regulatory change. All available evidence demonstrates that the procedures and regulations implementing IPR are fair and balanced. Moreover, the PTO's rationale for abandoning the BRI claim construction approach cannot be squared with a proper understanding of the relationship between BRI and the *Phillips* standard. Abandoning BRI risks harm to the integrity of the patent system by allowing a narrower interpretation of claims for purposes of validity than for infringement. If the PTO does abandon its long-standing policy of applying BRI, it must implement the change to safeguard AIA's goals of improving patent quality and protect the due process concerns of the parties by:

- Keeping in mind the importance of avoiding a situation in which claims might be construed more narrowly for validity than for infringement;
- Applying the change prospectively to newly filed petitions only;
- Not construing ambiguous claims to preserve their validity;
- Modifying the proposed rule to eliminate confusion regarding the proper claim construction standard and remain responsive to evolution in the law;
- Allowing petitioners the ability to reply a patent owner's claim construction arguments prior to institution;
- Ensuring that both parties have full notice and ability to respond to the Board's claim construction.