



## THE NAPLES ROUNDTABLE

Exploring Ways to Strengthen & Improve the Patent System

### IN THE QUEST TO STRENGTHEN RESPECT FOR ISSUED PATENTS: THE IMPERATIVE FOR FURTHER ADMINISTRATIVE REFORMS FOR IPRs

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*PHOENIX ISSUE II. ARE CHANGES NEEDED IN THE IPR PROCESS AND WHAT CHANGES ARE IN THE WORKS; WILL SUCH CHANGES HELP?*

#### *Summary and Overview*

The “inter partes review” process enacted as part of the Leahy-Smith America Invents Act was conceived as a replacement for the “inter partes reexamination” procedure that became law under the American Inventors Protection Act. However, unlike “inter partes reexamination,” the model for the new IPR procedure was that it would be an *adjudicatory* mechanism that—unlike the procedure it replaced—was not based on the concept that patent claims would be *examined* a second time by the United States Patent and Trademark Office.

As originally implemented by the Office, this new adjudicatory model had numerous defects and at least one sterling attribute. Because the model for the new IPR procedure was the administrative patent validity adjudication by the International Trade Commission, its most laudable feature was its one-year time limit from institution to final written decision—the same timeframe that the ITC has observed in its adjudications of patent validity issues for decades.

The deficiencies in the Office’s original implementation of the IPR procedure, were, however, no less than profound: (1) initially, the Office failed to address all the validity issues raised in the IPR petitioner’s pleadings, making a mess of carefully crafted estoppel provisions; (2) challenged claims were given an examination-like “broadest reasonable interpretation” standard inconsistent with the IPR’s adjudicatory purpose; (3) the process of canceling and substituting claims in the IPR was not fully integrated with the IPR’s adjudicatory nature; (4) procedures in the Office did not balance (much less integrate) the petitioner’s right to an IPR with the patent owner’s longstanding right to seek *ex parte* reexamination; and (5) most critically, established patent rights in IPR-challenged claims could be overturned without the deference accorded through the “clear and convincing evidence” standard applicable when invalidity is raised as a defense to patent infringement. The latter defect in the process is particularly unfair to patentees given that the vast majority of IPRs are sought as a litigation tactic by accused patent infringers.

The papers that follow offer proposals for rulemaking by the Office that would address and resolve the remaining IPR issues without the need for statutory intervention by Congress. They would assure administrative procedures afford appropriate deference to established patent rights.

**Pre-Conference Discussion Draft**

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Re: Federal Register Notice of May 9, 2018; Seeking Comments on Notice of Proposed Rulemaking (83 Fed. Reg. 21221-21226); Docket Number P-2018-0036; Elimination of the “Broadest Reasonable Interpretation” Standard in Contested Post-Issuance Review Proceedings: Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings before the Patent Trial and Appeal Board

Attention: Vice Chief Administrative Patent Judges Michael Tierney and Jacqueline Wright Bonilla, PTAB Notice of Proposed Rulemaking 2018

Judges Tierney and Bonilla:

Thank you for the opportunity to provide comments on the proposed rulemaking described above. The comments provided below reflect my personal views as they relate to the proposed rules relating to the PGR, IPR, and CBM proceedings that were authorized in 2011 under the Leahy-Smith America Invents Act.

In 2015 congressional testimony, I offered views on the importance of eliminating the “broadest reasonable interpretation” standard from the Office’s contested post-issuance review procedures, suggesting that action by Congress would be warranted in the absence of remedial action by the Office.<sup>1</sup> I would like to reaffirm those views in the present submission.

The Office is to be congratulated in taking the initiative at this time to propose rules that would eliminate the BRI standard from PGR, IPR, and CBM proceedings. This action will partially address criticisms that these proceedings, particularly the IPR process, have the potential to operate unfairly in protecting the interests of owners of patent rights—owners whose rights would otherwise be immune from a successful invalidity challenge, either in patent infringement litigation or in litigation over the validity of the patent at the International Trade Commission.

As I further noted in my 2015 testimony,<sup>2</sup> there are other aspects of the IPR procedure that would merit either congressional action to modify the IPR statute itself or action by the Office to address elements of its 2012 rulemaking on IPRs. Unlike PGR proceedings that take place in the immediate post-issuance period, the IPR procedure under the AIA largely addresses the validity of patent rights that have been long established. Most IPRs are instituted with respect to patents that are involved in patent infringement actions and, thus, commercially valuable.

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<sup>1</sup> See Statement of Robert A. Armitage Before the United States House of Representatives Committee on the Judiciary On “H.R. 9 – The Innovation Act,” April 14, 2015, available at <https://judiciary.house.gov/wp-content/uploads/2016/02/Armitage-Testimony.pdf>, pp. 18-19.

<sup>2</sup> See Statement, *supra*, at pp. 27-31.

Given this posture in which IPRs are instituted and decided, I would urge the Office to consider, as a further aspect of its current BRI proposed rules, affording patent owners additional options for maintaining patent rights in situations where an IPR would hold the patent claims invalid, but would do so in the absence of any clear and convincing evidence of invalidity.<sup>3</sup> While the standard of proof set out in the statute is clear and unambiguous,<sup>4</sup> the AIA did not foreclose the Office from affording patent owners, in the absence of any clear and convincing evidence that their patent claims were invalid, from presenting additional evidence that might tilt the preponderance of the evidence in favor of patent validity—or from presenting refining amendments to the claims that, once again, might tilt the outcome of such close calls in favor of patentability. Such options have long been available to a patent owner in an *ex parte* reexamination proceeding. The AIA not only left the *ex parte* reexamination statute unchanged, but specifically provided that the Office had the authority, for example, to terminate an IPR proceeding so that the patent owner could attempt to sustain patent rights by utilizing the greater flexibility in the reexamination process as a means for doing so.<sup>5</sup>

I would urge that the Office consider a rule, a possible draft of which appears below, that might provide the patent owner a reexamination option where there was no clear and convincing evidence that an IPR-challenged patent claim was invalid:

**§ 42.124 Right to *ex parte* reexamination; termination of inter partes review.**

(a) *Petitioner request for clear and convincing evidence standard.* The provisions of subsection (b) shall not apply to an inter partes review in which the petition for the review contains a request that the proof of the factual propositions necessary to establish unpatentability in the final written decision be through clear and convincing evidence. If a request is made under the preceding sentence, the final written decision in the review shall be rendered in accordance with such request.

(b) *Ex parte reexamination request.* The preliminary response of the patent owner to a petition for inter partes review may contain a contingent request that an inter partes review, if instituted on the petition, be terminated pursuant to section 42.72 prior to the final written decision, and that an *ex parte* reexamination be thereupon instituted with respect to the patent, if the final written decision in the review would otherwise have

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<sup>3</sup> In my view, different considerations should apply in the case of post-grant review proceedings brought in the immediate post-issuance period. In such proceedings, the “preponderance” standard of proof for canceling patent claims is warranted and, indeed, this lesser standard than “clear and convincing” evidence should serve as an incentive for members of the public to contest patent rights promptly after a patent has issued.

<sup>4</sup> 35 U.S.C. § 316(e), “In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”

<sup>5</sup> 35 U.S.C. § 315(d), “[D]uring the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.”

found one or more claims of the patent unpatentable based only upon factual propositions that had not been established during the review through clear and convincing evidence. If such a request has been made and the contingency is met, the review shall be terminated by the Director upon institution of the requested ex parte reexamination and such reexamination shall consider patentability of each of the claims that would have otherwise been found unpatentable in the inter partes review.

As a final matter, I would urge the Office to consider making a somewhat similar use of the ex parte reexamination procedure to address claim amendments during the IPR process. The trial procedure for PGRs, IPRs, and CBMs is not ideally suited to considering amendments once the trial proceeding commences. However, it would be possible for the Office to require that proposed amendments to the patent come earlier in the process—before actual commencement of the IPR—and that a truncated form of ex parte reexamination (ending before the appeal) be employed to sort out the actual claims to be adjudicated for validity in the IPR.

Appended to these comments is a possible replacement for § 42.121 that might accomplish the twin objectives of having amendments come earlier in the IPR process and affording patent owners examination-like flexibility in refining amended claims before commencement of the IPR trial procedure. It would require the Office to fully implement its flexibility under the statute to set a delayed commencement date for the IPR at the time the notice of institution is provided.<sup>6</sup>

The three rulemaking items discussed above (eliminating BRI, addressing the lack of a “clear and convincing evidence” standard for IPRs, and utilizing a truncated reexamination procedure to address amendments in IPRs) could form a rulemaking package that should largely mute criticisms that the IPR procedure can operate in a manner that is unfair to patent owners. Equally significantly, it would remediate aspects of the 2012 implementation of the IPR statute that give rise to the appearance of unfairness to patent owners. At the same time, the changes proposed above would impact the procedure and outcome for only a relative small percentage of IPRs. Most IPRs will continue to proceed without amendments that would otherwise trigger intervening rights and the standard of proof (clear and convincing vs. preponderance) should rarely be outcome determinative where prior art is limited to patents and printed publications.

Again, the opportunity to participate in this important process is much appreciated.

Respectfully submitted,



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<sup>6</sup> See 35 U.S.C. § 314(c), “The Director shall notify the petitioner and patent owner, in writing, of the Director’s determination under subsection (a), and shall make such notice available to the public as soon as is practicable. *Such notice shall include the date on which the review shall commence.*” [Emphasis added.]

## APPENDIX: AMENDMENTS IN INTER PARTES REVIEW: USE OF EX PARTE REEXAMINATION

### § 42.121 Amendment of the patent.

(a) *Joint request to amend.* A motion to amend the patent during an inter partes review may be made by joint request of the petitioner and the patent owner at any time. If such a joint request is made and the Board determines that the amendment materially advances a settlement of the review, the amendment will be considered by the Board.

(b) *Patent owner amendment; ex parte reexamination request.* Except as provided in subsection (f), a patent owner may file only one motion to amend the patent that cancels a claim challenged in the petition and presents one or more substitute claims. Such a motion presenting substitute claims must be filed either with the preliminary response to the petition or within one month from the date the Board issues a notice of institution of the review. Such a motion to amend may include a request that the substitute claims presented in the amendment be examined in an ex parte reexamination instituted prior to the commencement of the inter partes review on the substitute claims. The request for reexamination will be granted by the Director only if the request further acknowledges that there is a reasonable likelihood that the petitioner would prevail in the review with respect to at least 1 of the claims challenged in the petition and that the substitute claims raise one or more substantial new questions of patentability.

(c) *Institution of ex parte reexamination.*

(1) *Reexamination arising from amendment made with preliminary response.* If the preliminary response to the petition contains a request for ex parte reexamination as set out in subsection (b), the Director shall order reexamination of the patent with respect to each of the claims remaining in the patent that were challenged in the petition and with respect to each of the substitute claims and, upon termination of the reexamination, shall issue a notice of institution of an inter partes review on each of the reexamined claims.

(2) *Reexamination arising from amendment made within one month after notice of institution.* If a request for reexamination under subsection (b) is filed within one month after the notice of institution of the review, the Director shall simultaneously order reexamination of the patent with respect to each of the substitute claims and commence the review on each of the remaining claims of the patent that were challenged in the petition. Notwithstanding the preceding sentence, if all of the claims challenged in the petition were canceled by the amendment or the petitioner files a request within one month from the date of the amendment that commencement of the review be deferred, the inter partes review will be commenced upon termination of the ex parte reexamination.

(3) *Multiple reviews.* If an inter partes review of a patent is commenced pursuant to the preceding paragraph with respect to non-canceled claims of the patent, and if a second inter partes review of the same patent is subsequently instituted on the same petition with respect to the reexamined claims described in preceding paragraph, the two review proceedings shall be joined if the Director determines that a final written decision in the review could be made with the time limitation set out in 35 U.S.C. § 316(a)(11), without making any adjustment in such time limitation on account of such joinder. If joinder under the preceding sentence is not possible, the multiple reviews shall proceed separately to a final written decision.

(4) *Determination of the date of commencement for inter partes reviews.* A notice of institution setting forth the date of commencement of an inter partes review under 35 U.S.C. § 314(c) shall set out such commencement date taking into account the contingencies

under this subsection that provide for the delay of commencement of the review if an amendment of the patent is made within one month from the date of the notice of institution.

(d) *Termination of ex parte reexamination.* If an ex parte reexamination is instituted based upon a request under subsection (b), the reexamination shall terminate one month after a final rejection is issued in the reexamination or on the date all claims under reexamination are allowed. During the one-month period after a final rejection, the patent owner may make one further amendment to any claim under final rejection that does not broaden the scope of the amended claim.

(e) *Amendment limitations and content.*

(1) If the Director determines that an amendment has replaced a canceled claim with greater than a reasonable number of substitute claims, the Director may deem only one of the substitute claims in the amendment as being representative of the substitute claims corresponding to such canceled claim and treat the amendment as though the substitute claim deemed to be representative were sole substitute claim corresponding to the canceled claim. The Board shall presume that no more than three claims of differing scope or terminology are reasonably necessary to replace each canceled claim of the patent, with such presumption being rebuttable upon a clear showing of need. A substitute claim that enlarges the scope of the claims of the patent or introduces new matter into the patent shall be treated by the Board as though the amendment had not presented such claim.

(2) A motion to amend claims must include a claim listing, show the changes clearly, and set forth:

(A) The support in the original disclosure of the patent for each claim that is substituted for a canceled claim; and

(B) The support in an earlier-filed disclosure for each substituted claim for which benefit of the filing date of the earlier filed disclosure is sought.

(f) *Other amendments; exceptional circumstances.* A patent owner at any time may present an amendment canceling one or more claims of the patent if the amendment does not include substitute claims. Notwithstanding any other provision of this section and upon a showing of exceptional circumstances, one additional motion to amend the patent may be filed canceling one or more patent claims challenged in the petition and presenting a reasonable number of substitute claims. Such a showing of exceptional circumstances must establish that the patent owner, acting reasonably, could not have made the proposed amendment earlier.