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May 16, 2018

The Honorable Robert W. Goodlatte
Chairman, Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jerrold Nadler
Ranking Member, Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Goodlatte and Ranking Member Nadler:

This letter is sent on behalf of the Section of Intellectual Property Law of the American Bar Association to express its views on issues impacting the U.S. Patent and Trademark Office (“USPTO”) in advance of the House Judiciary Committee’s upcoming oversight hearing on the USPTO. The views expressed herein have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the policy of the ABA.

As you may be aware, the ABA is the legal profession’s leading national voluntary bar organization, having over 400,000 members hailing from each of the fifty states, the District of Columbia, and the U.S. Territories, with an equally broad representation of the countless different areas of law. The Section of Intellectual Property Law (“Section”) is the world’s largest organization of intellectual property professionals, with approximately 18,000 members. The ABA-IPL Section membership includes lawyers and others representing a wide array of business and other interests, and thus its views reflect a broad perspective of the important issues our country faces in developing, improving, and enforcing intellectual property rights for the overall benefits of the United States economy.

In preparation for the USPTO hearing, the Section would like to bring the Judiciary Committee's attention to several issues upon which the ABA – IPL Section has developed consensus positions: 1) the need to amend 35 U.S.C. §101 to clarify patent eligibility requirements; 2) the need for procedural reforms to improve the Patent Trial and Appeal Board (PTAB)'s reviews; and 3) the impact of the Department of Commerce's Enterprise Services initiative on the USPTO's user fees.

I. Patent Subject Matter Eligibility

As the Committee knows, until recently, the U.S. Supreme Court had established a patent eligibility test that generally struck a proper balance: preventing the patenting of pure laws of nature, natural phenomena, or abstract ideas themselves, while authorizing the patenting of their application in particular fields. The U.S. Supreme Court's earlier precedent required the courts and the USPTO to assess eligibility of the claimed process as a whole—devoid of considerations of novelty, nonobviousness, written description, and definiteness—such that they may not ignore or discount limitations of a claim to render it patent ineligible. Recent Supreme Court opinions on §101, however, have injected ambiguity into the eligibility determination by requiring courts and the USPTO to apply criteria such as “well known,” “routine,” “conventional or obvious,” factors that were previously relevant only to novelty and obviousness. The use of such criteria has enabled judges to ignore limitations in a patent claim and then render a patent claim ineligible as a matter of law. In effect the courts have turned the gateway function of patent eligibility into a patentability test better left to the other statutory provisions that specifically address patentability, like sections 102, 103 and 112 of the patent statute. This has discouraged investment in new technologies thereby risking U.S. leadership in many technologies previously subject to patent protection.

Noteworthy among the Supreme Court cases over the last fifty years that discuss patent eligibility is the consistency with which the Court states that its fundamental concern is the potential “pre-emption” of the use of building blocks like laws of nature, natural phenomenon and abstract ideas. The Court said in *Alice*¹ that “We have described the concern that drives this exclusionary principle as one of preemption,” and then the Court cites prior cases that repeatedly state that concern.² At its core, preemption is the driving force behind the Court's jurisprudence.

¹ *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014).

² *Id.* at 2354.

Unfortunately, the test announced by the Court in *Mayo*³ and *Alice*⁴ has led the lower courts to lose sight of the fundamental preemption concern that has driven patent eligibility jurisprudence. This could not be clearer than the example of the Federal Circuit’s recent decision in *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*,⁵ where the Federal Circuit said the Supreme Court’s newly minted eligibility test must be applied so aggressively as to require lower courts to hold that “groundbreaking, innovative, or even brilliant discoveries” can be excluded from patent protection.⁶ Indeed, while the Federal Circuit acknowledged the Supreme Court’s fundamental concern over preemption, the Federal Circuit expressly rejected applying preemption in rendering its decision.⁷ The Federal Circuit said “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.”⁸ In its holding the Federal Circuit ignored alternative uses proffered by the patent holder to show the lack of preemption, and instead found an admittedly groundbreaking invention ineligible under section 101.

As a result of these cases, the Section developed a legislative proposal that recognizes the proper role of preemption in establishing a patent eligibility gateway consistent with the fundamental concerns of the Supreme Court, while leaving determinations of patentability, including “inventive concept,” to other provisions of the patent statute, namely sections 102, 103 and 112. The proposal also makes abundantly clear that patent eligibility shall not be negated when a practical application of a law of nature, natural phenomenon or abstract idea is the subject matter of the claims when all limitations are fully considered. This legislative proposal directly applies the longstanding fundamental concerns of Supreme Court precedent. The proposal at least substantially mitigates if not resolves the ambiguity and confusion newly injected into the eligibility determination caused by the use of factors that are relevant only to novelty, obviousness, and the requirements of particularity in claiming an invention.

The legislative proposal of the Section is an amendment of 35 U.S.C. § 101 to clarify that useful inventions as defined by each and every limitation of the claims of a patent satisfy the patent eligibility requirements of section 101 so long as the claims do not preempt the use by others of all practical applications of laws of nature, natural phenomena or abstract ideas, and to clarify that the determination of patent eligibility under Section 101 is independent of patentability under other sections of the patent statute. The Section

³ *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1296-97 (2012).

⁴ 134 S. Ct. at 2355.

⁵ 788 F. 3d 1371 (Fed. Circ. 2015).

⁶ *Id.* at 1379-80.

⁷ *Id.* at 1379.

⁸ *Id.*

proposes replacing in its entirety the current statutory language of 35 U.S.C. § 101 with language substantively consistent with the following:

§ 101. Conditions for patentability: eligible subject matter.

(a) Eligible Subject Matter.- Whoever invents or discovers any useful process, machine, manufacture, or composition of matter, or any useful improvement thereof, shall be entitled to obtain a patent on such invention or discovery, absent a finding that one or more conditions or requirements under this title have not been met.

(b) Exception. - A claim for a useful process, machine, manufacture, or composition of matter, or any useful improvement thereof, may be denied eligibility under this section 101 on the ground that the scope of the exclusive rights under such a claim would preempt the use by others of all practical applications of a law of nature, natural phenomenon, or abstract idea. Patent eligibility under this section shall not be negated when a practical application of a law of nature, natural phenomenon, or abstract idea is the subject matter of the claims upon consideration of those claims as a whole, whereby each and every limitation of the claims shall be fully considered and none ignored. Eligibility under this section 101 shall not be negated based on considerations of patentability as defined in Sections 102, 103 and 112, including whether the claims in whole or in part define an inventive concept.

We believe this legislative proposal is an important step toward a solution to the unworkable and detrimental state of current §101 jurisprudence and would be pleased to discuss its merits with the Committee at an appropriate time.

II. PTAB Procedural Reforms

The Section recognizes the continuing efforts of the USPTO and the PTAB to improve review proceedings (“AIA review proceedings”) implemented by the America Invents Act (“AIA”). In particular, the Section appreciates the recently published notice of proposed rulemaking related to the claim construction standard used by the PTAB, as well as the recently issued guidance for patent examiners on assessing eligibility of claims under the guidelines set forth by the Federal Circuit in the recent *Berkheimer* decision⁹, namely how Examiners should support and document when a claimed feature is believed to be “conventional.” While there has been progress in addressing some perceptions that AIA review proceedings are biased against patent owners, the Section believes the USPTO and the PTAB need to make further changes to the PTAB’s standards and procedures to ensure that patent rights are not rescinded without fair consideration of the issues on both sides. To address those perceptions, this letter

⁹ *Berkheimer v. HP Inc.*, 881 F. 3d 1360 (Fed. Cir. 2018).

provides suggested improvements, categorized into three sections: changes requiring regulatory revisions, changes not requiring regulatory revisions, and changes requiring the consideration of potential statutory revisions.

A. Revisions of Regulations

a. Claim Constructions Should Not Be a Moving Target

The PTAB should implement procedures to reach a final decision on all disputed claim constructions before the oral hearing occurs. Because parties are prohibited from presenting new arguments and evidence at an oral hearing, the parties should know the PTAB's final claim construction before the oral hearing. Claim construction should not be a moving target finally decided only after the parties have completed their briefing in the proceeding. If the PTAB intends to change any of its previous claim construction rulings after the parties have completed their substantive briefing (e.g., at oral hearing or when the PTAB is preparing the final written decision), the PTAB should provide notice to the parties of such changes and should allow the parties to submit additional briefing to address the PTAB's concerns regarding claim construction. Similarly, the PTAB should provide notice and authorize additional briefing if the PTAB believes that a claim term requires construction and the construction of that term was neither addressed in the institution decision nor previously briefed by the parties. If the additional briefing period causes the proceeding to exceed the one-year time frame for concluding the trial, the PTAB should exercise its authority to extend the pendency of the proceeding beyond the one-year period for good cause. See 35 U.S.C. §§ 316(a)(11) and 326(a)(11). Because claim construction is often on patentability determinations, the equities weigh in favor of greater emphasis by the PTAB on granting adequate briefing opportunities to address any unresolved claim construction issues, over concluding a trial within the one-year time limit.

b. Have Different APJs Handle Institution and the Trial

The Federal Circuit held that the Director of the USPTO has the authority to delegate the decision to institute an inter partes review to the PTAB and that “the PTO's assignment of the institution and final decisions to one panel of the PTAB does not violate due process under governing Supreme Court precedent.” *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1029 (Fed. Cir. 2016). In her dissenting opinion, Judge Newman noted that exercising that authority, such that the same judges handle both the institution decision and the ultimate trial as to the patentability of the claims of the patent, raises concerns regarding fairness and impartial decision-making. *Id.* at 1036 (“Congress unambiguously placed these separate determinations in different decision-makers...[to]

guarantee ‘fair and impartial decision-maker’”). When the same panel renders the decision to institute and the final written decision, at a minimum the proceeding does not serve to convey the appearance of impartial decision-making, the hallmark of fairness, or worse, it risks a prejudicial outcome for the patent owner. The Director and the PTAB would significantly improve the balance and fairness of AIA review proceedings, as well as the perception of impartiality, by separating the important functions of institution and final decision making. The rationale for doing so is clear:

- 1) In rendering its final written decision, the panel is no longer sitting as an objective trier of fact. It has formed a prior opinion on an incomplete record. Human nature is such that, consciously or unconsciously, a panel of judges will tend to “defend” its decision rather than tend to start afresh in reaching its final decision.
- 2) PTAB staffing and budget are proportional to the volume of petitions instituted and tried. Having the PTAB act as both the gatekeeper of its workload and final arbiter creates tension. Separating these decisions will wipe out the perception that case workload, particularly at the petition phase, influences PTAB decision-making.

B. Changes that Do Not Require Regulatory Revisions

a. The PTAB’s Decision Must Provide a Clear Explanation of Its Rationale, and the PTAB Cannot Substitute Its Own Opinion for the Evidence Presented

The PTAB is obliged to clearly explain in its decision how it arrived at each factual finding based on the evidence presented during the proceeding. But this has not been a uniform practice. Additionally, in some instances, the PTAB has based its factual findings on its own expertise independent of the record evidence.

Turning first to the issue of clarity in final decisions, in *Personal Web Technologies*, the Federal Circuit vacated the PTAB’s final written decision because the PTAB did not sufficiently explain (1) how the asserted references disclose all the limitations of the challenged claims, and (2) why one skilled in the art would have been motivated to combine the asserted references. *Personal Web Technologies, LLC v. Apple, Inc.*, 848 F.3d 987, 993-94 (Fed. Cir. 2017). Below are several other cases where the Federal Circuit faulted the PTAB for providing an inadequate rationale in its decision:

- *In re Nuvasive, Inc.*, 842 F.3d 1376, 1382-84 (Fed. Cir. 2016);

- *In re Van Os*, 844 F.3d 1359, 1361-62 (Fed. Cir. 2016);
- *Cutsforth, Inc. v. MotivePower, Inc.*, 636 Fed. Appx. 575, 578 (Fed. Cir. 2016);
and
- *Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. Appx. 1019, 1027 (Fed. Cir. 2016).

Turning to the issue of relying on PTAB expertise instead of confining itself to the record, the Federal Circuit has emphasized that a petitioner in an AIA review proceeding has the burden of persuasion to establish that the challenged claims are unpatentable and that this burden never shifts to the patentee. See *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1375 (Fed. Cir. 2016) (citing *Dynamic Drinkware, LLC v. Nat'l Graphics, Inc.*, 800 F.3d 1378 (Fed. Cir. 2016)). In view of this requirement, administrative patent judges (APJs) in AIA review proceedings should be neutral decision-makers who judge whether the petitioner has met its burden of persuasion, and in doing so, they should not substitute their own judgment for that of the evidence presented in the proceeding.

In *ex parte* prosecution before the Office, examiners bear the burden of establishing unpatentability of a claim (“[a] person shall be entitled to a patent unless...” 35 U.S.C. § 102(a)), and therefore they are charged with finding and reviewing the prior art to make findings as to patentability while applying their technical expertise and experience. In contrast, AIA review proceedings are adversarial, and each party introduces evidence in the form of prior art or expert testimony. APJs are charged with judging this evidence – the record established by the parties – as neutral decision-makers. The PTAB goes astray when it deviates from the evidence before it by forming its own “expert” opinion in contrast to the evidence presented, or ignoring the evidence altogether to support its findings. In *Magnum Oil Tools*, the Federal Circuit emphasized that the PTAB may not adopt arguments the petitioner could have made but did not and that the PTAB “must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.” 829 F.3d 1364, 1381. The Section’s concern about the PTAB’s substituting its own “expert” opinion over the evidence presented in a proceeding is illustrated by the following examples where the Federal Circuit intervened to reverse or vacate findings not supported by evidence:

- *Rovalma v. Böhler-Edelstahl GmbH & Co. KG*, 856 F.3d 1019, 1025-26 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB’s “implicit factual findings” and a finding that a person of ordinary skill in the art “would have at least inherently

completed” the claimed step for failing to sufficiently ground its finding on the relevant evidence or explanation of the inferences that may flow from the evidence.

- *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 851 F.3d 1270, 1274-75 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB for finding that “a skilled artisan would immediately envision” the missing claim element.

- *Duke University v. BioMarin Pharmaceutical Inc.*, 685 F. Appx. 967 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB on claim 19 because there was not substantial evidence supporting the obviousness conclusion.

- *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1361-62 (Fed. Cir. 2016). The Federal Circuit reversed the PTAB’s final written decision because the PTAB used “common sense” to supply a missing limitation from an asserted reference when the reference did not disclose the limitation.

b. Accord Deference to District Court Findings of Fact

It is now established law that the PTAB is not bound by the decision of a district court or the Federal Circuit’s review of the district court’s decision. See *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012); *Novartis AG v. Noven Pharmaceuticals Inc.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017). While the ultimate finding of a district court that a patent is not invalid based on the evidence of record before it may differ from a PTAB finding that a claim is unpatentable, a significant overlap often occurs in the underlying findings of fact. In any case in which such overlap occurs, the PTAB should take cognizance of what occurred in the district court with respect to any overlapping evidence. Examiners are ordinarily obligated to accord factual findings of a district court deference, unless “sufficient reasons” justify that claims upheld by that court are to be rejected. See, e.g., M.P.E.P. § 2686 IV (“Deference will, however, ordinarily be accorded to the factual findings of the court, where the evidence before the Office and the court is the same. If sufficient reasons are present, claims upheld by the court may be rejected in reexamination.”). In such cases, the PTAB should explain why any such differences dictate a different outcome than that reached by the district court, and if the record is the same in both proceedings, arguments that are cloaked in the guise of a “different” expert or redundant art should be given little weight. Instead, the PTAB generally should defer to the prior findings of the district court in the interest of fairness and judicial comity, and in the absence of exceptional circumstances.

Comity flows from the notion that a second tribunal should consider and weigh in a subsequent decision the values of consistency, fairness, predictability, and efficiency in

considering the applicability of a decision of a first tribunal. Comity has been applied between state and federal courts, amongst federal district courts, and between federal and foreign courts. Tribunals often defer to earlier decisions of other tribunals because they recognize that serial and conflicting findings of fact are problematic to consistency, fairness, and predictability. Absent exceptional circumstances, fact-finding should not change merely because the fact-finder changes. This is particularly true with findings of fact reached by a federal district court. The federal district courts generally review a much more extensive and thorough record than the record before the PTAB, and on top of that they are required to make findings of fact by clear and convincing evidence. These fact findings are less likely to be “wrong” and warrant greater deference.

In *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012), the Federal Circuit acknowledged that the PTAB had the authority to reach a contrary decision to the decision of the district court, and the Federal Circuit clearly recognized deviations in findings of fact are less than ideal and that the PTO ordinarily should not reach a different result:

Lest it be feared that we are erroneously elevating a decision by the PTO over a decision by a federal district court, which decision has been affirmed by this court, the following additional comments must be made. When a party who has lost in a court proceeding challenging a patent, from which no additional appeal is possible, provokes a reexamination in the PTO, using the same presentations and arguments, even with a more lenient standard of proof, the PTO ideally should not arrive at a different conclusion.

Id. at 1365. The PTAB should exercise its authority to reach a different result rarely and with caution in the interest of consistency, fairness, and predictability. Two further examples of cases where the PTAB considered a prior finding by a district court are discussed below. In the first case, the PTAB deferred and appropriately explained why it did so. In the second case, the PTAB did not defer, but should have deferred, to district court findings following a full trial by a district court:

- *TradeStation Group, et al. v. Trading Technologies Int’l*, CBM2015-00161, Paper 12 at 4 (PTAB Feb. 17, 2017). In this CBM proceeding, the PTAB panel considered whether the petition provided a “persuasive reason” for the tribunal to ignore the “guidance” of a prior Federal Circuit decision in determining whether the claims were directed to an abstract idea. The panel further rejected the notion that a different record, including different challengers, justified a different result: “[w]e are also not apprised of a persuasive reason to arrive at a different outcome with

respect to whether the claims are directed to an abstract idea based on the differences between the record before us and that before the Federal Circuit alleged by the Petitioner.”

- *Noven Pharm. et al. v. Novartis and LTS Lohmann Therapie-Systeme AG*, IPR2014-00549, Paper 69 at 4-5 (PTAB Sept. 28, 2015). In contrast to the panel in *TradeStation*, the Noven panel appeared to give no deference to the prior district court decisions, only citing without explanation “additional prior art and declaratory evidence” that was not before the district court as well as the difference in evidentiary burden. The panel, however, failed to articulate why such differences mattered in reaching its decision. In doing so the PTAB undermined a sense of consistency, fairness, and predictability.

Having the authority to decide a case differently is a different question than whether the PTAB should decide the case differently. If an issue has been fully litigated and findings of fact have been determined by a district court, the PTAB should justify clearly why it is reaching a contrary conclusion. Otherwise, AIA review proceedings fail to provide consistency, fairness, and predictability, both in fact and appearance.

c. Establish Guidance on Remands

The AIA does not provide a framework for treating cases on remand from the Federal Circuit—nor has the PTAB promulgated rules or procedures for handling remanded proceedings. To date, there have been several cases remanded to the PTAB, and each has been handled somewhat differently. To remove much of the uncertainty surrounding this process, the PTAB should set forth guidance or establish procedures establishing a timeline for handling proceedings on remand. The guidance should specify whether the parties or the PTAB should begin the process for remanded proceedings after the mandate from the Federal Circuit has issued. Moreover, the PTAB should establish guidelines detailing when additional briefing and evidence may be presented by the parties, and establish procedures for additional briefing by the parties, including a schedule for submitting briefs and formal requirements for the briefs (*e.g.*, page/word count).

d. Improve Consideration of Requests to Rehear Institution Decisions

The PTAB grants requests to rehear a decision to institute too infrequently, at a rate less than 5% of the time. Given the relatively small number of cases in which no claims are found unpatentable, that rate has the appearance of being too low.

According to the PTAB’s Standard Operating Procedure, the Chief APJ is delegated the Director’s authority under 35 U.S.C. § 6 to designate a three-judge panel for adjudicating AIA trials. Under 37 C.F.R. § 42.4, the PTAB is delegated the authority to institute a trial. A party dissatisfied with an institution decision may file a request for rehearing for issues it believes the PTAB misapprehended or overlooked (see, *e.g.*, 37 C.F.R. § 42.71(d)). The current practice at the PTAB is to assign review of the request for rehearing to the same three-judge panel that rendered the institution decision. This practice may have the inadvertent effect of being prejudicial to the requesting party because the same three-judge panel is likely to be averse to considering a reversal of its initial decision upon a finding that facts or evidence were “misapprehended or overlooked.” That may explain the low success rate of rehearing requests on institution decisions. To improve perception and invoke more trust in the legitimacy of the rehearing process, the Section believes it would be helpful to implement procedures that require including PTAB members who did not author the original decision to decide the merits of the rehearing request.

e. Clarify When Estoppel Applies

The Section believes it would be helpful to have guidance clarifying the factors the PTAB uses for determining whether a petitioner, real party in interest, or in privity with the petitioner should be estopped from raising grounds of challenge presented in a subsequent AIA review proceeding that the petitioner “reasonably could have raised” in a previously filed AIA review proceeding. This guidance would provide clarity in light of the differing standards or scope of estoppel between the PTAB and the district courts. The guidance should be based on the body of PTAB decisions on this issue. For example, the guidance could specify that factors considered during an estoppel determination include:

- 1) whether the asserted prior art is identified in the challenged patent (*e.g.*, on the front page of the patent), or is identified in another patent sharing a common priority claim with the challenged patent (“related patent”);
- 2) whether the petitioner asserted the prior art in another AIA review proceeding against the same challenged patent or a related patent that was filed prior to or concurrently with the current petition filed; and
- 3) whether a skilled searcher conducting a diligent search reasonably could have been expected to discover the asserted prior art.

See, e.g., Johns Manville Corp. v. Knauf Insulation, Inc., IPR2016-00130, Paper 35, at 8-15 (PTAB May 8, 2017).

f. Provide a Meaningful Opportunity to Amend

The Section believes the PTAB should lower the burden on patent owners and the showing required to grant Motions to Amend in AIA review proceedings. The Section believes the PTAB should make claim amendments more permissive and reduce the burden on patent owners of proving the patentability of any proposed substitute claim. While the patent owner should bear an initial burden of production with respect to a motion to amend, the burden of persuasion should always remain with the petitioner and should not be shifted to the patent owner. The patent owner should have the initial burden of production on the patentability of proposed substitute claims, which burden is limited to (a) presenting argument or evidence that the proposed substitute claims are supported by the original disclosure of the patent as a whole, (b) presenting arguments for how the proposed substitute claims overcome the grounds of unpatentability instituted in the proceeding, and (c) presenting argument or evidence that the proposed substitute claims do not enlarge the scope of the claims of the patent. The Section does not believe the statute that places the burden of persuasion on the petitioner makes any exception as to the nature of the claims at issue, that is, whether they are original, amended or substitute claims. Thus, placing the burden of persuasion that all proposed substitute claims are patentable over all known prior art on the patent owner, which is the PTAB's current practice, puts too strict a burden on the patent owner.

g. Consolidating AIA Trials and Reexaminations

The Section encourages the PTAB to be more receptive to consolidating related reexamination and AIA review proceedings.

Congress granted the PTAB plenary powers to consolidate AIA trials and reexaminations. 35 U.S.C. § 315(d). In some instances, defendants who are time-barred from challenging a patent have no opportunity to request review of new or amended claims issued in reexamination certificates. This causes an unforeseen problem of allowing new or amended claims to issue outside of the PTAB's purview, which is a concern for the public and the Office. Congress granted the PTAB plenary powers to stay, transfer, consolidate, or terminate a parallel proceeding during the pendency of an AIA review proceeding. To date, however, the PTAB has chosen not to exercise its power to consolidate an AIA review proceeding with a non-AIA proceeding. Doing so would prevent gamesmanship, ensure fairness to all parties, and ultimately strengthen our patent system by allowing for more robust patent reviews.

Petitioners/defendants are often time-barred from challenging claims issuing in reexaminations, even if they petition for review before the one-year deadline. Patent owners must defend themselves again in district court because petitioners will not be estopped from challenging new or amended claims that issued from reexamination. This increases cost and time to reach a final resolution because district courts offer a slower and more expensive forum in which to resolve validity issues. The PTAB has discretion to consolidate proceedings, such as reexaminations¹⁰ and AIA review proceedings, and should preemptively consider how such consolidation could work when a situation warrants it. However, the PTAB has not yet exercised its discretion to consolidate.

h. Revise the Precedential Decision Process

The PTAB's current procedure for nominating and approving decisions as precedential¹¹ is unworkable because it requires the approval of the majority of APJs, and the PTAB currently consists of nearly 300 APJs. As a result, to date, the PTAB has made only eight decisions from AIA review proceedings precedential. The need for more precedential decisions is especially pronounced when the PTAB addresses procedural issues, many of which are not appealable. The PTAB can achieve greater consistency in its decisions across panels with an increase in the number of precedential decisions.

i. Provide Guidance on Requests for an Expanded Panel

The PTAB should provide parties a meaningful opportunity to present reasons why an expanded panel is requested. Currently, no such meaningful opportunity exists. Under the PTAB's current procedure set forth in SOP No. 1 §III.C, Rev. 14 (May 8, 2015), a party may not request an expanded panel, but may only suggest the need for an expanded panel when requesting rehearing. Most requests for an expanded panel are denied without explanation. The PTAB should provide guidance and examples of the circumstances under which a request for an expanded panel would be considered, and provide guidance on the number of APJs who might serve on an expanded panel if the request is granted. Requests for rehearing are rarely successful, partly because the same panel that issued the decision also reconsiders that decision. The PTAB should provide guidance on how a request for an expanded panel should be made, including whether it is to be part of the

¹⁰ This letter focuses on *ex parte* reexamination, whether ordered due to a supplemental examination or otherwise. This letter does not discuss reissue because the time bar tolled by the parent of the reissue patent does not apply to the reissued patent.

¹¹ The PTAB's procedure for nominating and approving decisions as precedential is set forth in Standard Operating Procedure (SOP) No. 2, Rev. 9 (Sept. 22, 2014).

request for rehearing or it is to be presented in a separate paper, and establish a page- or word-count limit for such a request.

C. Change that Requires the Consideration of Potential Statutory Revisions: Consideration of the Implementation of Consistent Evidentiary Standards

The Section urges consideration and study of a heightened evidentiary standard for IPR proceedings. Under 35 U.S.C. §§ 316(e) and 326(e), a petitioner need only establish unpatentability by a preponderance of the evidence in an IPR proceeding or a PGR proceeding. But unlike a PGR proceeding that occurs within a limited window after issuance of a patent, an IPR proceeding can occur any number of years after patent issuance. As a result, patent owners constantly face the uncertainty of an IPR proceeding at any point during the term of a patent without the benefit of a heightened standard of proof. Contrastingly, in district court litigation, a clear and convincing evidence standard attaches to the presumption of validity required under 35 U.S.C. § 282. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95, 102 (2010).

The differing evidentiary standards of an IPR proceeding and district court litigation lead to further uncertainty. Because the timing for pursuing an IPR proceeding is unbounded, an IPR proceeding, unlike a PGR proceeding, can be fully coextensive with district court litigation. Therefore, when patent owners concurrently face a patentability/validity challenge in both an IPR proceeding and district court litigation, patent owners have the added uncertainty and complication of defending against the same patentability/validity challenge under different evidentiary standards.

Uncertainties caused by IPR proceedings greatly risk stifling innovation and investment. While a patent owner may seek a stay of district court litigation, the possibility of a stay does not eliminate these uncertainties. Likewise, the limited types of patentability challenges available in an IPR proceeding fail to eliminate these uncertainties. Thus, the Section is concerned that IPR proceedings are depriving patent owners of quiet title in their patents.

A further point in favor of consistency in the evidentiary standard in IPR proceedings and the district court may be found in the statutory presumption of patent validity. That statutory presumption does not contain an exception for IPR proceedings, and thus should not be lost by patent owners during the unbounded window of availability to bring an IPR challenge. Therefore, consistent with the implementation by the courts of a clear and convincing evidence standard as a function of the presumption of validity, a possible solution for IPR proceedings would be to raise the evidentiary standard in IPR

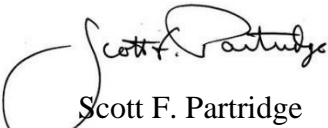
proceedings from a preponderance of the evidence to clear and convincing evidence. This might appropriately balance promoting public confidence in the validity of patents and providing a quicker, less expensive, and more efficient venue than district court litigation for eliminating invalid patents.

III. Enterprise Services Initiative

Lastly, the Section reminds the Committee that it has previously expressed significant concerns regarding the PTO's consideration of the Department of Commerce's enterprise services initiative, first announced by Undersecretary Lee in 2015. We expressed our concerns at the time to both the Secretary of Commerce and the Undersecretary (see attached letter), as well as to Vice-President Pence in December 2016 during the Trump Administration's transition period. We have also recently shared these views with PTO Director Andrei Iancu, as well with Chairman Grassley and Ranking Member Feinstein before the Senate's USPTO oversight hearing.

As you know, the PTO is funded through the user fees paid by patent and trademark owners. The Leahy-Smith America Invents Act (AIA) requires that all user fees collected by the PTO be applied toward the expenses incurred by the PTO. See 35 U.S.C. § 42(c). The Section opposes diversion of PTO user fees to entities outside of the PTO to the extent such diversion might cause patent and trademark owners to shoulder the expenses of other Commerce Department activities. The Section believes that, if implemented, the initiative could violate the express requirements of the AIA by effectively diverting funding away from core PTO activities.

Very truly yours,



Scott F. Partridge

Scott F. Partridge
Chair, ABA Section of Intellectual Property Law

cc: Wilbur Ross, Secretary, Department of Commerce
Andrei Iancu, Undersecretary for Intellectual Property and Director, U.S. Patent and Trademark Office, Department of Commerce