

Finding a Middle Ground on Motions to Amend Claims in Inter Partes Review

By Andrew S. Baluch & Q. Todd Dickinson

On September 16, 2015, it will be the four-year anniversary of the Leahy-Smith America Invents Act (AIA). On that date, the U.S. Patent and Trademark Office (USPTO) must submit to Congress a final report on the way it has implemented the AIA, including recommendations for any changes to laws and regulations that the USPTO considers appropriate.¹

Without a doubt, the single biggest impact of the AIA—and the most likely candidate for some legislative or regulatory change—has been the new post-grant review proceedings conducted by the Patent Trial and Appeal Board (PTAB), in particular Inter Partes Review (IPR), which have made the PTAB one of the busiest patent dockets in the country (with nearly 3,000 post-grant cases filed in less than three years). This large volume of cases—and the very few challenged patent claims that have survived in amended form—have raised concerns that the PTAB is receiving more cases and invalidating more patent claims, without amendment, than was either originally contemplated in the AIA or appropriate to the continuing confidence in the post-grant procedures. It has gone so far that both the former Chief Judge of the Federal Circuit, and even the current Chief Judge of the PTAB, have referred to the PTAB panels that conduct post-grant proceedings as “Death Squads”.²

Against this backdrop, however, it should be remembered that the principal policy goal of the AIA was to improve patent quality, not simply to strike down large numbers of patents in post-grant proceedings such as IPRs. Implicit in that policy goal—and expressly included in the statute—is the right of a patent owner to ask the PTAB to narrow the scope of the patent claims during an IPR by filing a motion to amend the claims, that will hopefully result in a patent whose claims are more appropriately focused on the invention at hand.

In practice, however, there is widespread concern with the way the USPTO is handling patent owners’ motions to amend during IPR. To date, only 3 substantive

¹ AIA sec. 26 (“Study on Implementation” due Sept. 16, 2015).

² PTAB’s ‘Death Squad’ Label Not Totally Off-Base, *Chief Says*, Law360 (Aug. 14, 2014).

claim amendments—out of hundreds of final IPR decisions—have been allowed since the IPR program began on September 16, 2012.³

The supposed “opportunity” to amend claims in IPR is seen by patent owners as illusory, with the reasons for denying the motions either overly technical or procedurally suspect. This, in turn, has had the collateral effect of undermining the USPTO’s proffered justification for applying the broadest reasonable interpretation (BRI) standard, and even a reduction in motions even being filed in futility, as is apparently occurring with greater frequency, further compromising potential patent quality.

In the PTAB’s defense, the Chief Judge of the PTAB has explained that patentees are neither following the rules to the letter (not using the “magic words” of the statute or guidelines, for example) nor presenting claims allowable without further examination. “We don’t do examination,” says the Chief.⁴

Petitioners, for their part, are justifiably worried that a new claim, proposed in the heat of IPR, will slip passed the PTAB when the petitioner has less than 3 months (closer to 2 months, in practice) to simultaneously oppose the claim amendment while also responding to the patent owner’s arguments on the original claims. And if the PTAB confirms any new claim without proper scrutiny, these unexamined claims will actually worsen the problem of low-quality patents that IPR was intended to solve.

Congress to the Rescue?

Congress, for its part, is listening to patent owners’ concerns regarding IPR and is considering ways to address them. For example, immediately upon introducing the PATENT Act (the Senate’s latest version of patent litigation reform), Judiciary Committee Chairman Chuck Grassley (R-IA) stated that he was open to amending his bill to “address concerns that the AIA-created post grant proceedings at the USPTO are unfair to patent holders.”⁵

Responding directly to patent owners’ complaints regarding motions to amend, Senator Chris Coons (D-DE) introduced the STRONG Patents Act of 2015. The bill provides that “a motion to amend filed by the patent owner shall be granted if the proposed number of substitute claims is reasonable.”⁶ The bill would further put the burden on the petitioner to prove that the proposed amended claim is

³ DocketNavigator data (as of May 6, 2015) (IPR2013-00124; IPR2013-00402; IPR2013-00403). A motion to amend was granted in CBM2013-00027, a covered business method proceeding, under a more lenient standard than in IPR.

⁴ See, e.g., PPAC Quarterly Meeting, PTAB Update (Feb. 12, 2014) (“Unlike examination proceedings before the USPTO, the PTAB does not ‘examine’ amended claims during an AIA proceeding.”).

⁵ IPO Daily News, April 30, 2015.

⁶ S. 632 (introduced Mar. 3, 2015), at sec. 102(b) (emphasis added).

unpatentable.⁷ In practice, this would mean that any proposed amended claim that the petitioner does not oppose, due to lack of infringement concern or otherwise, would emerge as confirmed in IPR. However, this response may be swinging the pendulum of IPR amendments too far in favor of patent owners and, if the motion is not contested, risks producing new low-quality patents.

Going the opposite direction, Rep. Blake Farenthold (R-TX) suggested during the April 2015 House Judiciary hearing that Congress might “repeal the right to amend.”⁸ And Rep. Darrell Issa (R-CA) questioned Director Lee whether it is “too late to amend” claims in IPR once the patent has been asserted in litigation.⁹

None of these legislative solutions looks particularly beneficial to the patent system as a whole. Before we ask Congress for a legislative fix, we should first explore all reasonable administrative solutions within the USPTO’s existing rulemaking authority.

Existing Authority to Handle Claim Amendments

In the AIA, Congress gave the USPTO almost limitless authority to handle claim amendments in IPR and to coordinate parallel proceedings within the USPTO. Regarding claim amendments, the USPTO has statutory authority to prescribe regulations “setting forth standards and procedures for allowing the patent owner to move to amend the patent.”¹⁰

As for parallel proceedings, the statute says that “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.”¹¹ These “other proceeding[s] or matter[s]” include reissues, reexaminations, and supplemental examinations of the same patent.

In order to maintain the AIA’s promise to increase patent quality, and to address the patent community’s concern that otherwise patentable claims are being denied entry in motions to amend, we propose the following administrative solution that can be implemented using the USPTO’s existing authority and human resources.

Proposal: Leverage the CRU’s Expertise in Post-Grant Examination

Created in 2005, the Central Reexamination Unit (CRU) is a specialized unit, under the Commissioner for Patents (and therefore outside of the PTAB), which handles all

⁷ *Id.* at sec. 102(c).

⁸ *Hearing: H.R. 9, The “Innovation Act”* at 1:50:35-41 (Apr. 14 2015).

⁹ *Id.* at 1:52:05-24.

¹⁰ 35 U.S.C. § 316(a)(9).

¹¹ 35 U.S.C. § 315(e).

post-grant examinational proceedings: reissues, reexamination, and supplemental examination. The CRU specialists are senior GS-15 examiners with several years of experience as primary examiners. Many CRU specialists have advanced technical degrees and/or law degrees. The CRU is accustomed to working under statutory deadlines: supplemental examination and orders on requests for reexamination must be completed within 3 months of the request.¹² Impressively, the CRU's current average is less than 2 months.¹³ Moreover, the CRU's workload has dropped considerably since inter partes reexamination was phased out in September 2012 in favor of IPR.

Our general proposal for addressing the IPR claim amendment dilemma currently facing the PTAB is to find a way to leverage the CRU's post-grant examination expertise. The specific implementation of this proposal might take a variety of forms. Without limiting the Director's discretion, possible ideas include:

- Deny, stay, or terminate some IPRs in favor of CRU proceedings. The PTAB could allow patent owners to effectively "opt out" of an IPR in favor of a CRU proceeding if the patent owner meets certain conditions prescribed by rule or with the consent of the petitioner. For example, at an early stage in the IPR, if the patent owner voluntarily cancels original claims and proposes new narrower claims, the PTAB can deny the IPR petition, or terminate or stay the IPR trial, so that the CRU can examine the new claims in a reissue, reexamination, or supplemental examination. The PTAB could further require the patent owner to dismiss or stay any infringement claim involving the patent, pending the outcome of the CRU proceeding. A rule could require the CRU to complete its work within a fixed period of time, say 6 months, in order to comport with the AIA's goal of achieving timely resolution of patent disputes.
- Analogize to OUII Staff Attorneys. International Trade Commission (ITC) staff attorneys in the Office of Unfair Import Investigations (OUII) represent the public interest in what are otherwise private disputes before the ITC. The OUII's primary function is to protect the public interest by ensuring that issues are fully explored and that a complete factual and legal record is developed, including through introduction of new evidence. While the OUII can recommend how an issue should be decided, the ultimate decision rests with the ITC. By analogy, in an IPR before the PTAB, a CRU examiner could represent the public interest with respect to any motion to amend, conduct a prior art search on the amended claims, and recommend whether the motion should be granted or denied.

¹² 35 U.S.C. §§ 257, 303; (pre-AIA) 35 U.S.C. § 312.

¹³ Reexamination Statistics, http://www.uspto.gov/sites/default/files/patents/stats/Reexamination_operational_statistic_F_14_Q3.pdf.

- Analogize to Court-appointed Advisors and Masters. Courts have inherent authority to engage the help of technical advisors, and the Federal Rules of Civil Procedure expressly provide for a “master” to make or recommend findings of fact. By analogy, a CRU examiner can serve as the PTAB’s technical advisor or master with respect to any new claim proposed during IPR. The parties should have an opportunity to respond to any new evidence or findings that the examiner introduces.
- Bifurcating and Extending Trial for Amended Claims. Instead of requiring the patent owner to show a patentable distinction of the proposed amended claim over “all” prior art, the PTAB could initially focus the trial on the prior art of record and any additional prior art that the petitioner raises in opposition to the motion. Then, assuming the PTAB finds the original claims unpatentable and the amended claims to be provisionally patentable, the PTAB could extend trial for an additional 6 months (hopefully only 3 or less), to allow the CRU to conduct a search and examination on the new claims.

What about the BRI Standard?

In its rulemaking, the USPTO has taken the position that all post-grant proceedings must apply the Broadest Reasonable Interpretation standard (BRI) for claim construction, rather than the so-called *Phillips* “ordinarily and customary meaning” standard applied in District Court litigation.¹⁴ This difference creates the possibility that disparate standards will inappropriately lead to contrary results, based solely on the forum of the dispute.

The USPTO’s main justification for applying the BRI standard, however, has been to point out the patentee’s opportunity to amend claims in IPR. The USPTO has also pointed to its authority to consolidate an IPR with other proceedings as another reason to apply BRI. But what if the patentee voluntarily *waives* its right to amend before the IPR is instituted? And what if the USPTO does not consolidate the IPR with another proceeding (something it hardly, if ever, does)? Under these circumstances, we think it would be fair for the USPTO to be required to apply the “ordinary and customary meaning” standard and not the BRI standard.

Nothing in the statute requires the USPTO to apply BRI to original claims in IPR. The Federal Circuit’s recent *Cuozzo* decision explained that the statute is “silent” with regard to claim construction and that Congress gave the USPTO express rulemaking authority to set “standards” for IPR proceedings, of which BRI is one such permissible standard.¹⁵ Thus, the USPTO can rationally choose which claim construction standard to apply in IPR under what circumstances. In our view, BRI

¹⁴ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)

¹⁵ *In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271, 1282-83 (Fed. Cir. 2015).

should apply to amended claims and in cases where an IPR is consolidated into and in favor of a CRU proceeding, but not otherwise.

Conclusion

By offering alternatives to the current amendment practice in IPR proceedings at the PTAB, we hope to reduce or eliminate one of the most contentious issues in IPR. Our aim is to leverage the USPTO's existing rulemaking authority and human resources, while also ensuring that a proper search and examination are performed on any proposed amended claims in IPR.

Andrew S. Baluch is a partner at Foley & Lardner LLP, a former director in the White House office of the Intellectual Property Enforcement Coordinator, and former special advisor to the USPTO Director in 2010-12.

Q. Todd Dickinson is a partner at Novak Druce Connolly Bove + Quigg LLP and the former Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office in 1999-2001.

The views express herein are those of the authors only and not of their firms or clients.