

Comments by Canon Inc. (“Canon”) on Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board [Docket No. PTO–P–2018–0036]

July 6, 2018

Canon Inc.

1. AIA review is a part of examination and an opportunity to reconsider examination of a patent.

Inter partes review (“IPR”), post-grant review (“PGR”), and the transitional program for covered business method patents (“CBM”), which are proceedings before the Patent Trial and Appeal Board (“PTAB” or “Board”) (individually or collectively, “AIA Reviews”) are essentially different by their nature from a dispute resolution process before district court, and the AIA Reviews are mere opportunities authorized to the United States Patent and Trademark Office (“USPTO”) by the AIA to reconsider grant of a patent by initial examination. As the USPTO by itself explains in the past, AIA Reviews are more closely analogous to initial examination than to district court litigation¹.

That is also clearly explained from the fact that the presumption of validity of patent is not applied to the AIA Reviews unlike in district court litigation, and patent claims can still be amended or replaced during the AIA Reviews².

Besides, the Supreme Court argued in the *Cuozzo* decision³ that IPR offers a second look at an earlier administrative grant of a patent, and also showed its view that “Inter partes review is an efficient system for challenging patents that should not have issued”

¹ “for this procedural purpose, inter partes review is more closely analogous to initial examination (where petitioner does not dispute the propriety of the broadest-reasonable-construction rule, see Pet. 23-25) than to district-court litigation (where no amendment of contested claims is permit-ted).” (No. 15-446 In the Supreme Court of the United States, *Cuozzo Speed Technologies, LLC, PETITIONER v. Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office*, Brief for the Respondent in Opposition, December 2015)

² It is also supported that under the current rule the USPTO allows a claim construction approach that emulates the approach used by a district court (“Phillip” type construction approach) for claims of patents that will expire before entry of a final written decision because amendment of the claim is not possible in such case.

³ *CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER v. MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT* [June 20, 2016]

and “inter partes review helps protect the public’s paramount interest in seeing that patent monopolies... are kept within their legitimate scope.”

On this wise, essence of the AIA Reviews offers a second look at an earlier grant of a patent, and thus a part of examination of a patent. Accordingly, in regard to the standard to be used for the AIA Reviews, the same standard as used in an initial examination, i.e., the broadest reasonable interpretation (“BRI”) standard, should be also applied thereto; and it is a natural consequence that issued patents bearing potential invalidity are determined invalid as a result of the AIA Reviews under the BRI standard; nothing more, nothing less. Accordingly, changing the claim construction standard of the AIA reviews to the Phillips standard for consistency with district court litigation misinterprets the essence of the AIA Reviews, and thus the intent of the Congress when it enacted the AIA Reviews.

In fact, the USPTO adopts the BRI standard in an ex parte reexaminations and requests for reissue, which are also procedures to reexamine validity of issued patents or to correct errors concerning validity. If the same patent would be subject of such multiple proceedings (the AIA Reviews and said reexamination or reissue), it is unreasonable and inefficient for the Board to have to apply two different standards, BRI standard and the Phillips standard, in the separate proceedings handling the same patent.

2. Changing the BRI standard hinders innovation.

While we appreciate continuing effort by the USPTO to improve quality of issued patents, we acknowledge that in fact low quality patents which should not have been qualified as valid patents were actually allowed under examination by the USPTO because of unevenness of examiners’ skills. We also feel that there exists a considerable number of such low quality patents that potentially bears such invalidity issue among the patents currently issued as valid.

The biggest problem for the operating companies is that Non-Practicing Entities (“NPEs”) which aim monetization of patents (acquiring license fee from operating companies) often assert such low-quality patents, considering that such low-quality patents are particularly effective for their purposes. Moreover, this kind of assertion by the NPEs with the low-quality patents against the operating companies was not necessarily made in the form of filing a lawsuit, but often made by an act of intimidation, such as warning or demand to take a license.

AIA Reviews have been very strong and effective counter measures for the operating companies which always face potential danger of being preposterously asserted by the NPEs like this.

Especially, when NPEs assert against the operating companies with the low quality patents, the operating companies can appropriately and effectively invalidate such patents by using the AIA Reviews which adopt the claim construction under the BRI standard. Even if NPEs do not bring an actual law suit but make an act of intimidation, then the operating companies can restrain such NPEs' attacks by indicating filing the AIA Reviews against such patents, even without actually filing them, as well as pointing out to them potential invalidity of such patents⁴.

As a result, the operating companies can substantially reduce risk associated with NPEs' assertions with the low quality patents, and focus on their own business activities, and thus, contribute to innovation in the industry.

If the BRI standard is abolished by this proposed change, as a consequence thereof, possibility would increase that the low quality patents continue existing, and we, Canon, are very much concerned that it will result in facilitating NPEs' activities and bringing back the dark era before the AIA review was introduced and where unwanted and preposterous assertions by the NPEs were rampant.

3. Conclusion

In regard to the standard for determining non-obviousness or inventive step in examination of patents, we think that the Japan Patent Office's standard for granting patents is too low, and the European Patent Office's standard is slightly high. The standard used by the USPTO falls between the JPO and the EPO on average, and thus, we think it is well-balanced. However, at the USPTO, unevenness of determining non-obviousness by each examiner is the greatest compared to that of the JPO and the EPO. Accordingly, it is the problem of the USPTO that predictability is low about whether issued patents are valid and enforceable.

However, particularly by virtue of the AIA Reviews, it has become established that the issued patents bearing very low patentability have been canceled and only the patents with high patentability are maintained at the USPTO, which resulted in that predictability of whether the patents are enforceable becomes higher.

That is why judges of the PTAB construe claims in accordance with its wording

⁴ Under this proposed rule change, the USPTO explains that "One study found that 86.8% of patents at issue in AIA trial proceedings also have been the subject of litigation in the federal courts." and thus, the high percentage of overlap between the AIA Reviews and district court litigation favors using a Phillips standard in the AIA Reviews. However, considering potential usage (as leverage of negotiation) of the AIA Reviews as explained herein, which is apart from district court litigation, it cannot be said for sure that the AIA Reviews and district court litigation almost always coexist, and it means that it is not necessarily needed to consolidate the claim construction standards used for the AIA Reviews and district court litigation.

under the BRI standard, and thus, unevenness in determining validity of patents has been kept to the minimum. However, unevenness would become much greater if the claim construction standard of the AIA Reviews is changed to the Phillips standard from the BRI standard under the circumstances where unevenness of examiners' skills exists, and that will result in significantly lowering the predictability of whether the patents are enforceable. This would hinder legitimate enforcement of patents, and thus, we, Canon, believe that the USPTO should keep the BRI Standard for the AIA Reviews.