2014-1194

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

VERSATA DEVELOPMENT GROUP, INC.,
Appellant,

v.

SAP AMERICA, INC. and SAP AG,
Appellees,

and

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY and DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,
Intervenor.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. CBM2012-0001

AMICI CURIAE BRIEF OF 3M COMPANY, CATERPILLAR INC., ELI LILLY AND COMPANY, GENERAL ELECTRIC COMPANY, JOHNSON & JOHNSON, THE PROCTER & GAMBLE COMPANY, AMGEN INC., BP AMERICA INC., GLAXOSMITHKLINE LLC, ILLINOIS TOOL WORKS INC., PFIZER INC., QUALCOMM INCORPORATED, AND SANOFI US IN SUPPORT OF NEITHER PARTY

Barbara A. Fiacco
Counsel of Record
Donald R. Ware
Sarah S. Burg
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
(617) 832-1000
Counsel for Amici Curiae

March 24, 2014

CERTIFICATE OF INTEREST

Counsel of record for amici curiae 3M Company, Caterpillar Inc., Eli Lilly and Company, General Electric Company, Johnson & Johnson, The Procter & Gamble Company, Amgen Inc., BP America Inc., GlaxoSmithKline LLC, Illinois Tool Works Inc., Pfizer Inc., Qualcomm Incorporated, and Sanofi US certifies as follows:

1. The full name of every party represented by me is:

    - 3M Company
    - Caterpillar Inc.
    - Eli Lilly and Company
    - General Electric Company
    - Johnson & Johnson
    - The Procter & Gamble Company
    - Amgen, Inc.
    - BP America Inc.
    - GlaxoSmithKline LLC
    - Illinois Tool Works Inc.
    - Pfizer Inc.
    - Qualcomm Incorporated
    - Sanofi US

2. The names of the real party in interest represented by me are:

    - 3M Company
    - Caterpillar Inc.
    - Eli Lilly and Company
    - General Electric Company
    - Johnson & Johnson
    - The Procter & Gamble Company
    - Amgen, Inc.
    - BP America Inc.
    - GlaxoSmithKline LLC
    - Illinois Tool Works Inc.
    - Pfizer Inc.
    - Qualcomm Incorporated
    - Sanofi US

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by us are:

- 3M Company: None
- Caterpillar Inc.: None
- Eli Lilly and Company: None
- General Electric Company: None
- Johnson & Johnson: None
- The Procter & Gamble Company: None
- Amgen, Inc.: None
- BP America Inc.: BP p.l.c. is the ultimate parent company for BP America Inc.
- GlaxoSmithKline LLC: GlaxoSmithKline plc is the ultimate parent of GlaxoSmithKline LLC.
- Illinois Tool Works Inc.: None
- Pfizer Inc.: None
- Qualcomm Incorporated: None
- Sanofi US: Sanofi is the parent company for Sanofi US.

4. The names of all law firms and the partners or associates that appeared for the amicus curiae now represented by me in the trial court, or are expected to appear in this Court, are:

Barbara A. Fiacco
Donald R. Ware
Sarah S. Burg
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, MA 02210
(617) 832-1000

Dated: March 24, 2014

/s/ Barbara A. Fiacco
Barbara A. Fiacco

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STATEMENT OF INTEREST

As established leaders in American innovation and as large patent holders, Amici 3M Company, Caterpillar Inc., Eli Lilly and Company, General Electric Company, Johnson & Johnson, The Procter & Gamble Company, Amgen Inc., BP America Inc., GlaxoSmithKline LLC, Illinois Tool Works Inc., Pfizer Inc., Qualcomm Incorporated, and Sanofi US ("Amici") have a substantial interest in the implementation by the United States Patent & Trademark Patent Office ("PTO") of post-grant reviews ("PGRs"), inter partes reviews ("IPRs"), and transitional covered business method proceedings ("CBMs") brought under the America Invents Act ("AIA") in a manner that is consistent with the AIA's language, its legislative history and sound patent policy. [1]

Amici are among the oldest and most successful innovators in the United States. Together, they spend tens of billions of dollars annually and employ over a half million scientists, engineers and others in the United States alone to develop, produce, and market thousands of new products. To protect these activities, Amici collectively hold tens of thousands of patents and seek many more every year through the PTO. Because of the nature of their businesses, Amici participate extensively in patent litigation, to enforce their patents and to defend against

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[1] No counsel for any party authored this brief in whole or in part. No person or entity other than Amici or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

alleged infringement, and they expect to participate extensively in post-issuance proceedings. Amici have no stake in the parties to this appeal, or the result of this case, other than their interest in ensuring that the rules enacted by the PTO to govern IPRs, PGRs and CBMs reflect the intent of Congress to "provid[e] quick and cost effective alternatives to litigation." H.R. Rep. No. 112-98, pt. 1, at 48 (2011). The application of a uniform claim construction standard that covers PTO adjudicative proceedings, district court litigation, and International Trade Commission ("ITC") investigations is necessary to carry out Congress' intent.

INTRODUCTION

Congress established IPRs, PGRs and CBMs as alternatives to district court and ITC litigation to provide less expensive and less time-consuming procedures to determine the validity of issued patents. With IPR proceedings, Congress intended to "convert" the underutilized and protracted inter partes reexamination proceeding, a mechanism by which the PTO reviewed the validity of issued patents, "from an examinational proceeding to an adjudicative proceeding…," renamed as "inter partes review." H.R. Rep. No. 112-98, pt. 1, at 46-48. Similarly, the PGR process was created as a "new, early-stage" adjudicative proceeding "to ***enable early challenges to patents***, while still protecting the rights of inventors and patent owners against new patent challenges unbounded in time

and scope." *Id*. (emphasis added). CBMs were created as a PGR proceeding "for review of the ***validity*** of any business method patent." *Id*. at 54 (emphasis added).

Through the Patent Act and the AIA, Congress has given the PTO authority to promulgate procedural rules governing the conduct of the PTO, including the conduct of IPRs and PGRs. But Congress has always retained exclusive authority to create substantive patent law, which is interpreted and applied by the federal courts.

In the CBM proceeding below, the Board relied on the PTO's promulgation of 37 C.F.R. § 42.300(b) to construe the challenged claims under a "broadest reasonable interpretation" ("BRI") standard. Under this standard, rather than determining the legally operative scope of the claims based on the principles articulated in *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), the PTO evaluates patent validity based on what it views as the broadest reasonable interpretation of the claims. This interpretation considers the text of the issued claims and any express definitions in the specification, but is otherwise uninformed by the patent's specification and prosecution history. Courts, by contrast, determine claim scope based on "ordinary and plain meaning," considering all legally relevant evidence.

Prior to this proceeding, the BRI standard had been used only in PTO proceedings where the patentee had the right to amend its claims freely, *i.e.*, to

consider pending claims in examination or unexpired issued claims in reexamination. The BRI standard makes sense in such proceedings, where the unfettered right to amend serves as a procedural safeguard to avoid prejudice to patent applicants and owners who disclose their inventions to the public in order to obtain patent protection. To the extent the BRI standard results in a claim construction broader than what the patent applicant or owner intended, or what the prior art permits, amendments can be made to narrow the claim scope.

In contrast, by not conferring on patentees the same right to amend challenged claims in the new post-issuance proceedings, Congress rejected the notion that these proceedings are extensions of the PTO's examination process. The PTO's use of BRI in the new post-issuance proceedings, rather than the well-established principles of claim construction for issued patent claims applied by federal courts and the ITC, departs from the fundamental tenet of patent law that issued claims should be interpreted consistently for purposes of adjudicating both validity and infringement.

The Board rejected Versata's argument that the PTO, in promulgating this rule, had exceeded its rulemaking authority. The Board implicitly conceded that the BRI Rule is a substantive rule and that, prior to the AIA, the PTO had no substantive rulemaking authority. JA00045-82. It nonetheless reasoned that the AIA provided the PTO with "expanded rule-making authority" that "exceed[s] that

of merely setting forth procedures," based upon, among other things, the fact that Congress expressly required the PTO to promulgate standards and procedures for discovery and motions to amend claims. JA00055-58.

The Board's application of the BRI standard in this CBM proceeding (and in subsequent post-issuance proceedings) constitutes legal error, for two independent reasons. First, by imposing the standard on PGR, IPR and CBM proceedings, the PTO exceeded its limited rulemaking authority. The PTO had no authority to adopt a rule that affects the substantive scope of issued patent claims—let alone a rule that departs from over a century of precedent from the Supreme Court, this Court, and every other federal court that has construed a patent claim to adjudicate its infringement or validity.

Second, the legislative history and provisions of the AIA evidence that Congress did not intend to create an incongruous double standard for determining validity and infringement. On the contrary, Congress intended that these new post-issuance proceedings be fundamentally adjudicative in nature, unlike examination or reexamination proceedings. Unlike examination proceedings, in which the BRI standard is justified by an applicant's unfettered right to amend claims as part of an iterative dialogue with the examiner, Congress expressly restricted the patentee's ability to amend claims in the new adjudicative proceedings: the patentee may only ***cancel*** a challenged claim, and, having done so, ***propose*** a "reasonable number" of

substitute claims (which number has been set by the PTO as one substitute for each challenged claim).

Consistent with the goal that post-issuance proceedings provide an efficient alternative to district court and ITC litigation, Congress contemplated that the PTO's claim construction would follow the same approach that governs in district courts and the ITC. In particular, Congress envisioned that the Board would consider the patent's prosecution history both in deciding to institute a post-issuance proceeding and in interpreting the challenged claims, not that it would ignore black-letter law that issued claims be construed the same when adjudicating validity and infringement.

Allowing the PTO to construe issued patent claims in adjudicative proceedings based on BRI at the same time that district courts and the ITC apply a potentially narrower claim construction standard to adjudicate validity—a difference that can be outcome-determinative—is inconsistent with sound patent policy. Using different standards to construe the claims of issued patents creates uncertainty as well as opportunities for gamesmanship. The resulting inconsistency will undermine public confidence in the patent system and undo the patent reform Congress meant to accomplish.

ARGUMENT

I. Promulgation of the "Broadest Reasonable Interpretation" Rule Exceeded the PTO's Limited Authority to Issue Procedural Rules.

The Board's conclusion that the BRI Rule was promulgated within the PTO's rulemaking authority under the AIA is not entitled to deference under the *Chevron* doctrine. *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990). The BRI Rule is a substantive rule and therefore its promulgation exceeds the PTO's limited rulemaking authority. This Court should set aside the Board action under the Administrative Procedure Act as "not in accordance with law" or "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right." 5 U.S.C. § 706(2)(A), (C).

A. The PTO's Reliance on this Court's Precedent to Justify the "Broadest Reasonable Interpretation" Standard in the AIA Post-Issuance Proceedings is Misplaced.

The claims of an issued patent define the invention's metes and bounds. 35 U.S.C. § 112(b). It is the job of the courts to interpret the claims and determine the scope of patented inventions. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (en banc) *aff'd* 517 U.S. 370 (1996). "[I]t is axiomatic that claims are construed the same way for both invalidity and infringement." *Source Search Techs., LLC v. LendingTree, LLC*, 588 F.3d 1063, 1075 (Fed. Cir. 2009).

The "ordinary and customary" meaning of a claim term is "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips*, 415 F.3d at 1313. To determine this meaning, courts begin with intrinsic evidence: the claims, specification and prosecution history. *Id*. Intrinsic evidence is critical because it "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely." *Vitronics Corp. v. Conceptronic, Inc*., 90 F.3d 1576, 1583 (Fed. Cir. 1996). The specification "is the single best guide to the meaning of a disputed term." *Phillips*, 415 F.3d at 1315.

BRI, by contrast, is the PTO's examination protocol for pending patent claims. This protocol gives claims "the broadest reasonable interpretation consistent with the specification" but does not utilize other intrinsic evidence, including the prosecution history, or extrinsic evidence. *Manual of Patent Examining Procedure* ("MPEP") § 2111. The PTO also uses BRI in most reissue, ex parte, and inter partes reexamination proceedings, which the PTO treats in the same manner as original applications.[2] *Id*.; *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981) (reissue proceedings).

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[2] When a patent being reexamined has expired, the PTO applies the *Phillips* claim construction principles based on the rationale that the expired claims are not subject to amendment. MPEP § 2258G.

The Board's claim interpretation under BRI may be different from the meaning afforded to the claims by a court because, for instance, the Board has no obligation to adopt a claim construction based on a prosecution history disclaimer. *Tempo Lighting, Inc. v. Tivoli, LLC*, No. 2013-1140, 2014 U.S. App. LEXIS 2437, at *11 (Fed. Cir. Feb. 10, 2014). The PTO has acknowledged, in the context of reexamining expired claims, that the claim construction principles articulated in *Phillips* and applied by the courts result in narrower claim constructions than BRI. *See* MPEP § 2666.01 ("Once the patent expires, a narrow claim construction is applied.").

The PTO stated that the BRI Rule's "adoption here does not change any substantive rights relative to the current practice." 77 Fed. Reg. 48680, 48697. That is incorrect. The PTO relied on *In re Yamamoto*, 740 F.2d 1569 (Fed. Cir. 1984), to argue that this Court requires the PTO to give patent claims their broadest reasonable construction consistent with the specification in patentability determination proceedings. However, this Court's endorsement of the BRI standard in the *Yamamoto* decision—which involved the appeal of an ex parte reexamination—was based on the patentee's ability to amend claims liberally during reexamination. *Id*. at 1571. This reasoning rested upon the long-standing jurisprudence of the Court of Customs and Patent Appeals:

> this court has consistently taken the tack that claims unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of the patent since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified. We are not persuaded by any sound reason why, at any time before the patent is granted, an applicant should have limitations of the specification read into a claim where no express statement of limitation is included in the claim.

In re Prater, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969).

In sum, the only authority cited by the PTO to justify the BRI Rule involved appeals from examination and reexamination. Such authority cannot support the use of BRI in the new post-issuance proceedings, which involve adjudication of claim validity, not examination, and do not include the same liberal right to amend.

B. The BRI Rule Is a Substantive Rule.

The BRI Rule provides that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. §§ 42.100(b), 42.200(b), 42.300(b). It is a substantive rule that affects the scope and meaning of the claims and the ultimate validity of the patent. This Court has stated, "[a] rule is 'substantive' when it 'effects a change in existing law or policy' which 'affect[s] individual rights and obligations.'" *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008). In *Tafas v. Doll*, the Court explained that, while there is no definitive test distinguishing substance and procedure, procedural rules may affect the timing and

manner in which the applicants submit arguments to the PTO. A rule is substantive, by contrast, if it changes the substantive standards by which the PTO examines an application. 559 F.3d 134, 1356 (Fed. Cir. 2009), *vacated and reh'g en banc granted*, 328 F. App'x 658 (Fed. Cir. 2009), *stayed*, 331 F. App'x 748 (Fed. Cir. 2009).

Consistent with this logic, this Court has held that a rule governing the length of patent term was substantive. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996); *see also Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991) (noting that a "substantive declaration with regard to the Commissioner's interpretation of the patent statutes" does not fall within the agency's authority to regulate the "conduct of proceedings" before the PTO). By contrast, this Court has held that rules not affecting validity or the scope of the patent are procedural and within the rulemaking authority of the PTO. *Lacavera v. Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006) (rule governing attorney appearances before the PTO was procedural); *Stevens v. Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004) (rule requiring party to submit translation of foreign patent applications was procedural).

The standard for determining the scope of claims in a post-issuance proceeding is plainly substantive.[3] As this Court recently noted in its *en banc* decision *Lighting Ballast Control LLC v. Phillips Electronics North Am. Corp*, "[l]egal doctrine in patent law starts with the construction of patent claims, for the claims measure the legal rights provided by the patent." No. 2012-1014, 2014 U.S. App. LEXIS 3176, at *24 (Fed. Cir. Feb. 21, 2014). Claim construction is "often the difference between infringement and non-infringement, or validity and invalidity." *Retractable Techs., Inc. v. Becton, Dickinson & Co*., 659 F.3d 1369, 1370 (Fed. Cir. 2011) (Moore, J., dissenting from denial of reh'g en banc, joined by Rader, C.J.).

The Board's broad interpretation of patent claims under the BRI Rule can be outcome-determinative as to the validity of the claims over the prior art or under section 112. Its use inevitably will result in Board determinations of invalidity when a district court would determine that the same claims, construed more

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[3] When the PTO first proposed the BRI Rule, the American Bar Association IP Law Section, the American Intellectual Property Law Association and the Intellectual Property Owners Association submitted comments objecting to the BRI Rule as a substantive rule beyond the PTO's rulemaking authority. *Comments of the Committee Appointed by the ABA-IPL, AIPLA and IPO on the United States Patent and Trademark Office's Proposed Regulations Relating to Post-Grant Review, Inter Partes Review and the Transitional Program for Covered Business Method Patents Under the Leahy-Smith America Invents Act* (Apr. 9, 2012), http://www.uspto.gov/aia_implementation/comment-aba-aipla-ipo.pdf.

narrowly to have their "ordinary and customary meaning" in light of the specification, file history, and other relevant evidence are not invalid. Permitting the PTO to construe claims in a post-issuance adjudicative proceeding more broadly than would a court or the ITC threatens legitimate, government-granted property rights of the patent owner.[4] There is nothing procedural about the scope and validity of an issued patent claim.

C. The AIA Did Not Confer Broad Powers on the PTO to Engage in Substantive Rulemaking.

There is no dispute that "[p]rior to the AIA, 35 U.S.C. § 2(b)(2) was said to be the 'broadest of the Office's rulemaking powers,'" and those powers were limited to the promulgation of procedural rules. JA00056. The Board below rested its authority on the AIA, reasoning that it "provides the Office with authority exceeding that of merely setting forth 'procedures.'" JA00058. There is no basis in either the statutory language or the legislative history to support the PTO's reasoning or promulgation of the BRI Rule.

In support of its conclusion, the Board cited section 326, entitled "Conduct of post-grant review," and section 316, entitled "Conduct of inter partes review." To begin, use of the phrase "Conduct of" does not imply the grant of expanded

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[4] Adopting the legally-controlling claim construction standards used in court and ITC proceedings would, by contrast, be consistent with the AIA and would not substantively affect the scope or validity of issued patents.

rulemaking powers. "Conduct" is synonymous with "procedure," not "substance." Indeed, these titles simply echo the language of section 2(b)(2)(A), which gives the PTO authority to promulgate rules "govern[ing] the ***conduct of proceedings in the Office***." It has long been held that this language limits the PTO to procedural rulemaking authority. *Tafas*, 559 F.3d at 1352.

Nor does the text of sections 316(a)(4) and 326(a)(4) confer substantive rulemaking authority. These sections direct the PTO to promulgate regulations "establishing and governing" IPR and PGR "and the relationship of such review to other proceedings under this title." 35 U.S.C. § 316(a)(4), § 326(a)(4). "[E]stablishing and governing" IPR and PGR proceedings refer to the conduct of the post-issuance proceedings, just as the PTO may promulgate rules governing the conduct of examination proceedings under section 2(b)(2)(A). No statutory language authorizes the PTO to promulgate rules about standards for construing claims of issued patents, or otherwise confers authority for substantive rulemaking.

Nor do other provisions of section 326 provide authority for promulgating the BRI Rule. Subsections 326 (a)(2), (5), and (9) direct the PTO "to promulgate rules setting forth the standards to institute a review, as well as standards and procedures for discovery and motions to amend claims." JA00058. Nothing in these provisions confers substantive rulemaking authority pertaining to claim construction. The argument that specific, narrow rulemaking authority provisions

grant the PTO authority "exceeding that of merely setting forth 'procedures'" (*id*.) is simply improper bootstrapping. The PTO has failed to show that the AIA conferred "expanded rulemaking authority" to promulgate the BRI Rule.

D. Absent Express Congressional Grant of Substantive Rulemaking Authority to the PTO on Claim Construction Standards in AIA Post-Issuance Proceedings, the PTO Has None.

In *Whitman v. American Trucking Associations, Inc.*, the Supreme Court stated that Congress "does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions – it does not one might say, hide elephants in mouseholes." 531 U.S. 457, 468 (2001). The *Whitman* decision, cited by the Board in its decision, proves Amici's point. *See* JA00058. The Board did not and could not point to a single provision by which Congress delegated to the PTO the elephant-sized authority to determine a standard for claim construction at odds with that used in adjudicating patent validity.

Contrary to the Board's reasoning, Congressional intent to provide expanded rulemaking authority cannot be inferred from unenacted provisions of draft bills providing that "[t]he Director [of the PTO] shall prescribe regulations, in accordance of section 2(b)(2)." JA00056-57.[5] The Board's analysis is flawed. First, the Board cited no legislative history explaining the reason for omitting this

[5] The House version of H.R. 1249, the AIA, ultimately was enacted, not the earlier Senate bills.

particular language in the enacted AIA. An "unexplained modification of language in earlier drafts of legislation…does not necessarily indicate Congress's rejection of the substance of the earlier language." *Appalachian Power Co. v. EPA*, 135 F.3d 791, 810 (D.C. Cir. 1998). Second, the House Report indicates that Congress affirmatively considered amendments to section 2(b)(2), making only one addition to section 2(b)(2) to confer authority on the PTO to prioritize examination of certain patent applications. H.R. Rep. No. 112-98, pt. 1, at 89.

More generally, the absence of any language in the AIA expanding the PTO's narrow rulemaking authority contrasts with the broad, express authority Congress has granted to other agencies. When Congress intends to delegate rulemaking authority, it makes that purpose clear, as evidenced by Congressional delegations of authority to numerous other agencies. *See, e.g.*, 38 U.S.C. § 501 (Secretary of Veterans Affairs authorized to prescribe "all rules and regulations which are necessary or appropriate to carry out the laws administered by the Department…"); 5 U.S.C. § 8347(a) (Office of Personnel Management has authority to prescribe "such regulations as are necessary and proper to carry out [the Civil Service Retirement Act]").

There is no broad grant of authority to prescribe any and all rules and regulations the PTO may consider necessary and proper to carry out IPR or PGR. In sections 316 and 326, Congress specifically identified regulations the PTO was

to promulgate, such as regulations providing for public access to the file of the proceeding in certain proscribed circumstances; establishing standards for the discovery of relevant evidence, "including that such discovery shall be limited" in certain proscribed ways; and providing either party with the right to an oral hearing as part of the proceeding. 35 U.S.C. §§ 316, 326. The House Report's "Section-by-Section" analysis of sections 316(a) and 326(a) does not suggest any grant of rulemaking authority beyond what is expressly identified in those two statutory provisions. *See* H.R. Rep. No. 112-98, pt. 1, at 76.

Neither the statutory provisions, the legislative history of the AIA as enacted, nor the unenacted provisions in Senate bills, provides any support for the Board's conclusion that the AIA implicitly granted the PTO sweeping new authority to engage in substantive rulemaking.

II. The BRI Rule Is Contrary to the Language and Legislative Intent of the AIA.

The BRI Rule is not a reasonable interpretation of the AIA and for that second, independent reason, it is invalid. *See Dominion Res., Inc. v. United States*, 681 F.3d 1313 (Fed. Cir. 2012) (holding Treasury regulation invalid where rule was not a reasonable interpretation of the statute). The PTO's rejection of judicial claim construction standards in favor of the BRI Rule is an unreasonable interpretation of the AIA and undermines Congress' intent to create "court-like proceedings" to adjudicate patent validity. H.R. Rep. No. 112-98, pt. 1, at 46-47.

A. Congress Established PGRs, IPRs, and CBMs as Alternative Adjudicative Proceedings that Would Interpret Patent Claims as Courts Do.

The legislative history of the AIA is replete with references to PGR and IPR as adjudicative proceedings, designed to provide cheaper and faster procedures for members of the public to bring invalidity challenges that previously could be heard only in district courts. The House Report draws a clear distinction between PTO examination procedures and adjudicative procedures: "[t]he Act ***converts inter partes reexamination from an examinational to an adjudicative proceeding***, and renames the proceeding 'inter partes review.'" *Id*. (emphasis added). It identified "improvements" to this proceeding, including that petitioners "bear the burden of proving that a patent is invalid by a preponderance of the evidence."[6] *Id.* at 47. The House Report notes that:

> Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early challenges to patents … ***The Committee believes that this new, early-stage process for challenging patent validity …. will make the patent system more efficient and improve the quality of patents and the patent system***.

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[6] This provision underscores that Congress did not delegate authority for substantive changes in patent law; when it intended a different standard to apply than in the courts (where the burden of proof for invalidity is "clear and convincing evidence"), it included that standard in the statute.

Id. at 46 (emphasis added). It also explained that the AIA would "[e]stablish a new procedure, known as post-grant review, to ***review the validity of a patent***. This option ….would ***take place in a court-like proceeding***…." *Id*. at 68 (emphasis added); *see also id*. at 75 (describing PGR and IPR as "***adjudicative systems***") (emphasis added). Congress thus removed the "examination" label and explained that the proceedings would be adjudicative proceedings resembling validity proceedings conducted in courts.

Consistent with the goal that these proceedings provide an efficient alternative to district court challenges of issued patents, the AIA contemplates that the prosecution history of patent claims be considered by the Board in deciding to institute a proceeding and in determining the meaning of the challenged claims. Specifically, section 325(d) provides:

> In determining whether to institute or order a proceeding under this chapter [32 establishing PGRs] …. or chapter 31 [establishing IPRs] the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

35 U.S.C. § 325(d). The AIA also contemplates that the PTO should consider "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent" in order "to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section …. 314 [IPR], or 324

[PGR]." *Id.* §§ 301(a)(2) & (d). If Congress had intended the PTO to ignore prosecution history and apply the BRI Rule, these statutory provisions would have been unnecessary.

Other provisions of the AIA likewise demonstrate the unreasonableness of the PTO's interpretation of the AIA as authorizing the PTO to construe claims in the new post-issuance adjudicative proceedings as if they were undergoing examination. Reflecting Congress' vision of IPR and PGR as adjudicative proceedings, the AIA mandates discovery, depositions, experts, an oral hearing and a final written decision by the Board. *Id* §§ 316, 318, 326, 328. Congress also placed the burden of proof on the petitioner, just as the patent challenger bears the burden of proof in district court. *Id*. §§ 316(e), 326(e).

Most important, in contrast to initial examination and reexamination, which permit multiple rounds of claim amendments, Congress did not give the patentee the liberal right to amend its patent claims in post-issuance proceedings that the applicant has during examination and reexamination. Rather, the patent owner is restricted to a single opportunity to file a motion to cancel each challenged claim or to propose "a reasonable number of substitute claims" for each challenged

claim.[7] *Id* §§ 316(d), 326(d). Congress envisioned these proceedings as efficient, alternative adjudicative proceedings to assess the merits of third-party challenges to the validity of previously granted claims, not as further examination proceedings. H.R. Rep. 112-98, pt. 1, at 45-46 (explaining that inter partes reexamination was eliminated because it was not practical to incorporate adversarial participation into a procedure that allowed repeated amendments of the claims at issue).

The BRI standard evolved as a special claim construction protocol used in the examination of pending claims. It is not appropriate for a determination of the validity of ***issued*** claims where the patentee has no right to amend its claims. The "ordinary and customary meaning" of the claims, determined in light of the specification and prosecution history, *Phillips*, 415 F.3d at 1313, defines the property right of the patent owner—not the broadest reasonable interpretation of the claim language determined independently of the specification and prosecution history.

Further, the use of BRI in IPR, PGR and CBM proceedings undermines Congress' intent with respect to the institution of these new proceedings. Congress

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[7] In practice, the PTO has, by rule, established a presumption that only one substitute claim would be permitted to replace each challenged claim. 37 C.F.R. § 42.121(a)(3).

contemplated that the threshold for instituting these proceedings would be higher than for reexamination proceedings, and that the Board would consider statements by the patentee about the meaning of its claims both in prosecuting the original patent and in district court proceedings. By ignoring all of that history, more proceedings will be instituted than Congress intended. Further, the PTO, the patentee and the public will be burdened by the inefficiencies created by another examination of the patent claims untethered to publicly available prosecution history. Patentees will be forced to defend claims broader than they actually obtained (or would assert in district court) at a cost of hundreds of thousands of dollars for each proceeding. This makes no sense.

B. The PTO's Attempts to Recast Post-Grant Proceedings as "Patentability" Determinations is Flawed.

The Board has attempted to justify the BRI Rule by characterizing the post-issuance proceedings as "patentability" proceedings that provide patentees the ability to amend. This argument fails.

First, the Board seizes on Congress's use of the word "patentability" in sections 318 and 328, each of which requires the Board to "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." 35 U.S.C. §§ 318(a), 328(a). According to the PTO, this evidences Congress' intent that the proceedings be viewed as examination proceedings, rather than adjudicative proceedings on "validity." PTO Final Rule, 77 Fed. Reg. at

48698. This attempt to bootstrap the statute's use of "patentability" into justification for the PTO's BRI Rule in adjudicating a patent's validity is misplaced.

The PTO's own statements and actions expose the flaws in this argument. When the AIA was pending before Congress, then-Secretary of Commerce Locke described IPR and PGR as proceedings to address validity, not patentability. In his letter to Chairman Smith supporting H.R. 1249, Secretary Locke explained that the "proceedings will serve to minimize costs and increase certainty by offering ***efficient and timely alternatives to litigation as a means of reviewing questions of patent validity.***"). H.R. Rep. 112-98, pt. 1, at 85-88 (emphasis added). In addition, the PTO's implementation of the BRI Rule for CBM proceedings highlights the inconsistency in its attempt to distinguish "patentability" and "validity." Section 18(a)(1)(C), which extends the scope of PGR proceedings to certain CBM patents, references a "petitioner…who challenges the ***validity*** of 1 or more claims…" Pub. L. No. 112–29, 125 Stat. 284, 329-330 (2011). Despite Congress' use of the term "validity" to define the nature of the CBM proceeding, the PTO promulgated the BRI Rule to extend additionally to CBM proceedings. In sum, the BRI Rule ignores Congress' intention that post-issuance proceedings provide an alternative, cost effective forum to adjudicate ***validity*** issues.

Second, the PTO has defended its adoption of the BRI Rule by arguing that the patentee may be able to amend its claims during an IPR or PGR proceeding. 77 Fed. Reg. 48680, 48699. The PTO's argument glosses over the limitations on amendments in post-issuance proceedings under the AIA and the PTO's own rules. By statute, the patentee has no right to amend its claims, only the right to file a motion to cancel a challenged claim or propose a substitute claim. That motion must be submitted no later than the filing of its Patent Owner's Response, having only the Board's reasons for instituting the proceeding as its guide. §§ 42.121(a), 42.221(a); *see* MPEP § 714 et seq. The patentee's motion must show the patentable distinction of the proposed substituted claim "over the prior art of record ***and also prior art known to the patent owner.***" *Idle Free Sys. v. Bergstrom, Inc*., 2014 Pat. App. LEXIS 1400, at *48-49 (PTAB Jan. 7, 2014) (emphases in original). In addition, the entire motion, including the claim listing, is limited to 15 pages—a very real constraint on the number of claims that can be effectively amended. 37 C.F.R. § 42.24(a), §42.121(b).[8]

[8] Any additional motion to cancel or substitute challenged claims will be allowed only if there is a joint agreement or the patent owner demonstrates "good cause," taking into consideration the impact on timely completion of the proceeding and the additional burden placed on the petitioner. §§ 42.121(c), 42.221(c); Trial Practice Guide, 77 Fed. Reg. at 48766; Final Rules, 77 Fed. Reg. at 48690 (explaining consideration of "good cause"). It is clear that only in rare circumstances will a patent owner have a second chance to seek to substitute a challenged claim.

This falls far short of the procedural safeguards for examination and reexamination proceedings, where the patent applicant or owner has the continuing, unfettered right to amend any or all of its claims, and often does so in consultation with the examiner—the safeguards this Court relied upon in upholding the use of BRI in those contexts. *See Yamamoto*, 740 F.2d at 1571.

IV. Using Conflicting Claim Construction Standards in Different Adjudicative Tribunals Undermines Sound Patent Policy.

Use of the BRI Rule in the PTO's post-issuance proceedings will foster inconsistency and uncertainty, undercutting the role of the examination process and threatening the integrity of the patent system at the expense of public resources. By broadly interpreting the claims untethered to statements made by the patentee during prosecution of the patent that were intended to narrow claim scope, the use of BRI will undermine the public notice function of the patent's prosecution history, which historically has provided the public important information about the scope and meaning of the claim. *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2012). Where the Board has set forth its "broadest reasonable interpretation" of patent claims in a post-issuance proceeding and they are not determined to be invalid, there is likely to be uncertainty as to which interpretation defines the scope of the claimed invention going forward.

Uncertainty as to the scope of claims is costly to the inventive community and discourages innovation. Indeed, the Supreme Court in *Markman* explained

that "uniformity in the [claim construction] of a given patent" was critical in order to avoid a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." 517 U.S. at 390. Such uncertainty adversely affects patent licensing, design-around, and other critical business decisions, contrary to the goals of the AIA.

More generally, it is highly inefficient for the PTO to ignore the months or years of work undertaken by patent examiners and patent applicants during the original examination only to begin on a blank slate, without the benefit of the patentee's statements about the prior art and claim scope and producing results inconsistent with the outcome a court ultimately would reach based on the prosecution history. The development of the examination record represents a substantial investment of resources by both the patentee and the PTO. The average patent prosecution consumes 29.1 months. USPTO FY 2013 Performance and Accountability Report, http://www.uspto.gov/about/stratplan/ar/USPTOFY2013PAR.pdf. Typical charges for preparing and filing an original application range from $7,020 to $11,066. Am. Intellectual Prop. Law Ass'n, *Report of the Economic Survey* I-108–109 (2013). Costs for filing each amendment range from $2,297 to $3,585. *Id*. at I-108–110.

The BRI Rule would have the PTO simply ignore the prosecution record created after so much time and expense. Consider, for example, a newly-issued claim against which a PGR petition is filed. That claim may have just undergone years of examination, during which the patent owner may have disclaimed claim scope or made statements distinguishing the claim from the same prior art cited in the PGR petition. It makes no sense for the PTO to pretend the prosecution history just created did not exist and start over from scratch, even as to the same art it just considered during prosecution. Yet that is the very result created by the PTO's adoption of the BRI Rule.

That result encourages unnecessary challenges to legitimate patent rights. Claims that would be construed in light of the prosecution history and upheld under judicial claim construction rules could be invalidated when subjected to an overly broad reading under the BRI Rule. This is unfair to patent owners and an open invitation to gamesmanship. Moreover, the application of different standards in PTO and district court proceedings means that each proceeding's claim construction has no estoppel effect for subsequent proceedings, further encouraging gamesmanship.

Use of the BRI Rule can also lead, unfairly, to the creation of intervening third party rights.[9] A competitor facing infringement litigation might initiate a post-issuance proceeding in hopes of forcing the patentee to narrow its claims to overcome additional prior art that becomes relevant under the BRI standard. By triggering third-party intervening rights under 35 U.S.C. § 252, the patent owner may forfeit valuable, legitimate patent scope (based on a *Phillips* construction) vis-à-vis anyone who practiced the invention prior to the issuance of any new or amended claim.

The inconsistent results arising from application of the BRI Rule create a strong incentive for parties to challenge patent validity in post-issuance proceedings while patentees seek to enforce the same patent in district court. This Court has recognized the problems associated with construing the same claims of a patent in different forums. In reaffirming that de novo review is appropriate for appellate review of claim construction, the Court emphasized the importance of national uniformity and finality of claim construction:

> Because differing claim constructions can lead to different results for infringement and validity, the possibility of disparate district court constructions unravels the "uniformity in the treatment of a given patent" that the Court sought to achieve in *Markman II*. It

[9] Intervening rights will attach to a claim amended in a PGR or IPR proceeding. 35 U.S.C. §§ 318(c), 328(c).

> would restore the forum shopping that the Federal Circuit was created to avoid.

Lighting Ballast, 2014 U.S. App. LEXIS 3176, at *34. The BRI Rule exacerbates the problem by creating an avenue for inconsistent treatment of patents. Indeed, former PTO Director David Kappos testified to the House Judiciary Committee that "having the USPTO apply a different standard than the courts is leading, and will continue to lead, to conflicting decisions." *Statement of David Kappos Before the House Committee on the Judiciary, H.R. 3309 Innovation Act* at 8 (Oct. 29, 2013).

The need for uniformity, as between post-issuance proceedings on the one hand, and district court and ITC proceedings on the other, is all the more acute due to the huge number of proceedings before the Board.[10] In November 2013, the PTO reported that the Board had 563 proceedings filed in about a twelve-month period, putting its docket behind only the Eastern District of Texas and the District of Delaware.

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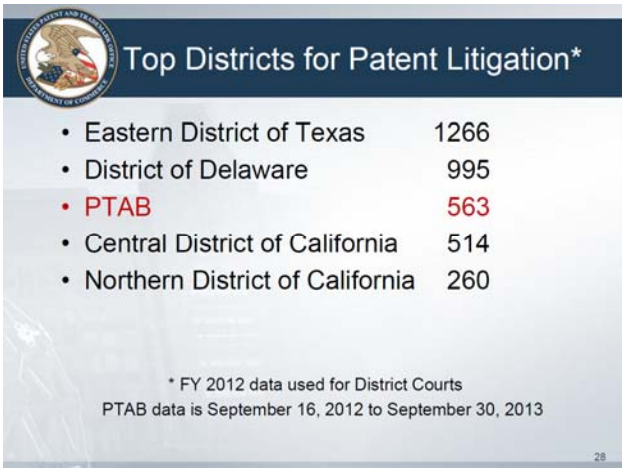
[10] The PTO has argued that it is unworkable to apply the two different claim construction standards in examinations and post-issuance proceedings. This argument rings hollow: the PTO already applies the two standards. As noted above, for claims in a reexamination that are ineligible for amendment, the PTO follows the usual ordinary and customary meaning claim construction, as instructed in *Phillips*. MPEP § 2258G.



Patent Trial and Appeal Board Update (Nov. 21, 2013), http://www.uspto.gov/about/advisory/ppac/20131121_PPAC_PTABUpdate.pdf The total number of AIA post-issuance filings as of February 20, 2014 is 1,028. *AIA Trial Statistics*, Patent Trial and Appeal Board, http://www.uspto.gov/ip/boards/bpai/stats/aia_trial_statistics.jsp. Many, if not most, of these patents are the subject of concurrent litigation. Various sources report that 80% of all IPRs are also in related co-pending litigation and 100% of CBM proceedings have co-pending litigation. *See, e.g.*, *One Year Later: Observations from the First Year of Contested Proceedings at the USPTO*, Sterne Kessler Goldstein Fox, 1 (Sept. 16, 2013), http://www.skgf.com/uploads/1230/doc/AIA_One_Year_Later_Report.pdf.

Lastly, the PTO's BRI Rule will impose significant burdens on this Court when faced with appeals directed to differing constructions of the same claims by

the Board and a district court. Such discrepancies will pose challenges for effective appellate review, compounded by uncertainty in this Court's jurisprudence as to whether any deference is owed to the PTO's claim construction. *See Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1378 (Fed. Cir. 2013) (Plager, J., additional views). Simultaneous review of discordant Board and district court claim constructions threatens to undermine the goal of uniformity this Court was created to achieve. "The crying need for definitive, uniform, judicial interpretation of the national law of patents, on which our citizens may rely and plan with some certainty, has been recognized for over 60 years." Court of Appeals for the Federal Circuit: Hearings Before the Subcomm. on Courts, Civil Liberties and the Administration of Justice of the Comm. of the Judiciary, 97th Cong. 7 (testimony of C.J. Markey).

In sum, the Board's use of the BRI Rule in AIA post-issuance proceedings not only contravenes the intent of Congress in creating efficient alternatives to district court litigation, it also threatens fundamental tenets of our patent system: that the "ordinary and customary meaning" of the claims of an issued patent defines the invention's metes and bounds, and that the "claims are construed the same way for both invalidity and infringement." *Source Search Techs.*, 588 F.3d at 1075.

CONCLUSION

For all the above reasons, this Court should hold that the PTO exceeded its rulemaking authority in promulgating the BRI Rule, and that the BRI Rule is invalid because it is contrary to the language and intent of the AIA.

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Respectfully submitted,

/s/ *Barbara A. Fiacco*
Barbara A. Fiacco
Donald R. Ware
Sarah S. Burg
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
(617) 832-1000
Counsel for Amici Curiae

CERTIFICATE OF SERVICE

I hereby certify I filed this Amici Curiae Brief of 3M Company, Caterpillar Inc., Eli Lilly and Company, General Electric Company, Johnson & Johnson, The Proctor & Gamble Company, Amgen Inc., BP America Inc., GlaxoSmithKline LLC, Illinois Tool Works Inc., Pfizer Inc., Qualcomm Incorporated, and Sanofi US in Support of Neither Party with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF SYSTEM. Counsel registered with the CM/ECF system have been served by operation of the Court's CM/ECF SYSTEM per Fed. R. App. P. 25 and Fed. Cir. R. 25(c) on the 24th day of March, 2014.

/s/ Barbara A. Fiacco

Barbara A. Fiacco
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
(617) 832-1000
Counsel for Amici Curiae

CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C), the undersigned hereby certifies that the brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B).

1. The brief contains 6,998 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b). As permitted by Fed. R. App. P. 32(a)(7)(C), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.
2. The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and type style requirements of Federal Rule of Civil Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Office Word Version in 14-point Times New Roman.

Dated: March 24, 2014

/s/ Barbara A. Fiacco

Barbara A. Fiacco
FOLEY HOAG LLP
155 Seaport Boulevard
Boston, Massachusetts 02210
(617) 832-1000
Counsel for Amici Curiae