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,

*Respondent.*

*On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit*

# BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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## INTEREST OF *AMICUS CURIAE*[1]

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the

[1] This brief is filed with the written consent of all parties through letters of consent on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity other than *amicus curiae*, its members, or its counsel made a monetary contribution intended to fund its preparation or submission.

country's leading innovative pharmaceutical and biotechnology companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Those efforts produce the cutting-edge medicines, treatments, and vaccines that save, prolong, and improve the quality of the lives of countless individuals around the world every day. Over the past decade, PhRMA's members have secured FDA approval of more than 300 new medicines. Such results are not obtained cheaply. In 2014 alone, PhRMA members invested roughly $51 billion in development of new medicines.

PhRMA seeks to advance public policies that foster innovation and encourage its members' investments. To those ends, PhRMA seeks to remove barriers that may arise in the nation's patent and other systems for protecting the intellectual property of its members—including as *amicus curiae* before this Court. *See, e.g.*, *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896; *Association for Molecular Pathology v. Myriad Genetics, Inc.*, No. 12-398; *Microsoft Corp. v. i4i Ltd. P'ship*, No. 10-290. As discussed herein, the Federal Circuit's decision creates one such barrier of particular importance. By upholding the Patent and Trademark Office's adoption of the "broadest reasonable interpretation" standard for *inter partes* review proceedings, rather than requiring application of the claim construction principles applied by district courts, the Federal Circuit has endorsed a forum-dependent scheme for adjudicating patent validity that breeds uncertainty and stifles innovation.

## INTRODUCTION AND SUMMARY OF ARGUMENT

In response to growing concern that the costs of patent litigation were negatively affecting the climate for investment and innovation, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011). The AIA took steps to address concerns over litigation costs by encouraging adjudication of the most common patent validity disputes in the U.S. Patent and Trademark Office (PTO) through the creation of new post-grant proceedings—including *inter partes* review (IPR)—conducted by a newly created Patent Trial and Appeal Board (PTAB). At the same time, Congress eliminated *inter partes* reexamination proceedings in which the PTO and the patent holder were able to repeat the iterative process of amending an issued patent—as construed under a broadest reasonable interpretation (BRI) standard—to determine patentability in light of new prior-art evidence. *See* 35 U.S.C. § 305; 37 C.F.R. § 42.100(b).

By all accounts, Congress created IPR to serve as a cost-effective and efficient substitute for litigating patent validity in district court. Rather than give effect to that intent, the Federal Circuit's decision puts IPR on an entirely different path: while a district court gives patent claims their ordinary and customary meaning, *see Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (en banc), the PTAB (pursuant to a PTO regulation) applies the BRI standard historically reserved for the PTO's issuance and reexamination of patents. The Federal Circuit compounded that error by concluding that,

contrary to the presumption in favor of judicial review, the threshold decision to institute IPR proceedings is not reviewable as part of an appeal challenging the PTAB's final written decision.

For the reasons set forth in Petitioner's brief, PhRMA agrees that the decision below should be reversed as to both questions presented. PhRMA writes separately to counter the PTO's suggestion (Br. in Opp'n 10-11, 14 & n.3)—relevant to the first question presented—that IPR is more analogous to initial examination or *inter partes* reexamination than to district court litigation. The AIA's history and the provisions governing IPR leave no doubt that Congress was distancing itself from the failed *inter partes* reexamination proceeding and adopting a new, streamlined adjudicative proceeding akin to district court litigation. Accordingly, given that context, there is no reason to assume—as does the decision below—that Congress intended that the BRI standard, rather than the principles set forth in *Phillips*, would govern claim construction in IPR proceedings.

The Federal Circuit's error is further laid bare by the fact that the currently distorted version of IPR has introduced considerable uncertainty in the construction of patent claims, increased the risk of conflicting invalidity decisions, and subjected patent holders to the cost of defending against such challenges. As such, the PTO's regulation has undercut a central reform that Congress enacted to strengthen the U.S. patent system, thereby allowing flaws of the pre-AIA patent system to continue unabated and, arguably, be exacerbated. All of those

consequences threaten the predictability and strength of the protection that the patent system provides to innovators and the public alike.

## ARGUMENT

### USE OF THE BRI STANDARD FLOUTS CONGRESSIONAL INTENT THAT IPR PROCEEDINGS BE A SUBSTITUTE FOR LITIGATION

As this Court has stated "[o]n numerous occasions," "[i]n expounding a statute, we must *** look to the provisions of the whole law, and to its object and policy." *Pilot Life Ins. Co. v. Dedeaux*, 481 U.S. 41, 51 (1987) (second alteration in original). The Federal Circuit claimed it saw *no* evidence of Congress's intent that a patent claim be given, consistent with established practice in district courts, its ordinary and customary meaning in IPR proceedings,. *See* Pet. App. 12a, 19a; *see also* Pet. App. 51a-52a (Dyk, J., concurring in the denial of the petition for rehearing *en banc*). As such, the Federal Circuit upheld the PTO's regulation instructing the PTAB to give a claim "its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100(b).

That decision is deeply flawed. Although the AIA does not explicitly specify the claim construction standard to be used in IPR proceedings, it is anything but "silent" (Pet. App. 12a) on that front. Congress indicated repeatedly that IPR proceedings should be a *complete substitute* for costly litigation—a goal achieved only if the PTAB and district courts use a single claim construction standard to answer the same validity question—and far removed from the

discarded *inter partes* reexamination proceedings where liberal amendment of patent claims, in the context of a PTO examination, justified the use of the BRI standard. The PTO's refusal to apply the *Phillips* standard of claim construction in IPR proceedings thus impedes Congress's intent by allowing duplicative litigation to proliferate. As courts "must reject administrative constructions of [a] statute *** that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement," *Federal Election Comm'n v. Democratic Senatorial Campaign Comm.*, 454 U.S. 27, 32 (1981), the decision below should be reversed.

### A. PTO's BRI Regulation Thwarts Congress's Attempt To Make IPR A "Complete Substitute" For District Court Adjudication

#### *1. Congress replaced* inter partes *reexamination with IPR to create a better litigation alternative.*

**a.** Congress's enactment of the AIA in 2011 represented the culmination of a decades-long effort to "correct flaws in the [U.S. patent] system that ha[d] become unbearable, and to accommodate changes in the economy and the litigation practices in the patent realm"—a task that had not been accomplished for nearly 60 years. H.R. REP. NO. 112-98, pt. 1, at 38-39 (2011) (cataloging efforts). Among Congress's chief concerns was the need to "limit unnecessary and counterproductive litigation costs." *Id.* at 40; *see id.* (expressing need to "reduc[e] unwarranted litigation costs").

That substantial barrier to American innovation had arisen because there was no viable administrative alternative to litigating validity disputes in district court. Although Congress in 1980 authorized *ex parte* reexamination "in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation," "several limitations" frustrated the realization of that goal. H.R. REP. NO. 112-98, pt. 1, at 45.

In 1999, at the suggestion of "[i]nterested parties *** that the volume of lawsuits in the Federal District Courts would be reduced if third parties were encouraged to, and able to, use reexamination procedures that provided an opportunity for them to present their case for patent invalidity at the USPTO during the examination stage of the proceeding," Congress created *inter partes* reexamination. USPTO, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION 2 (2004) (hereinafter "PTO Report"); *see* H.R. REP. NO. 112-98, pt. 1, at 45. But as the PTO advised Congress, numerous unaddressed defects prevented *inter partes* reexamination from becoming "an inexpensive way, as compared with litigation, for a third party who discovers new prior art to challenge the patent." PTO Report, *supra*, at 4. In the end, "none of the[] [existing] post-grant review procedures alone, or collectively, *** prove[d] sufficient to optimize the USPTO's post-grant review capability." *Id.* at 3.

**b.** Over the ensuing years, Congress—in conjunction with a diverse collection of stakeholders—mounted a sustained effort to address

the shortcomings of the reexamination system. *See, e.g.*, 157 CONG. REC. S1361 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy) (noting support by "both business and labor"). In contrast to other aspects of patent reform, there was little controversy that the elimination of unnecessary litigation costs could be achieved only by ensuring that new post-grant review proceedings be a "*complete* substitute," S. REP. NO. 110-259, at 66 (2008) (emphasis added), such that parties would no longer be "forc[ed] *** to fight in two fora at the same time," 157 CONG. REC. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy).

Members of Congress expressed that sentiment repeatedly. For instance:

- "Section 6 contains procedures for instituting a new type of post-grant review proceeding that will allow the validity of a patent to be challenged in an administrative proceeding conducted by the Patent and Trademark Office *rather than in court litigation*." 152 CONG. REC. S8830 (daily ed. Aug. 3, 2006) (statement of Sen. Hatch) (emphasis added).
- "It is clearly appropriate to have an administrative process for challenging patent validity, but it should exist within a structure that guarantees a quick—*and final*—determination." *Patent Reform Act of 2009: Hearing Before the House Comm. on the Judiciary*, 111th Cong. 153 (2009) (statement of Rep. Manzullo) (emphasis added).

- "The bill will also establish another means to administratively challenge the validity of a patent at the U.S. Patent and Trademark Office, USPTO—creating a cost-effective *alternative to formal litigation*, which will further enhance our patent system." 157 CONG. REC. S951 (daily ed. Feb. 28, 2011) (statement of Sen. Hatch) (emphasis added).

There was also consensus that a "structural change" was imperative. 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Rather than attempt to improve *inter partes* reexamination, Congress eliminated it altogether in favor of an "*adjudicative* proceeding in which the *petitioner *** bears the burden of showing unpatentability*." *Id.* (emphasis added). To that end, Congress focused on importing and adapting the basic aspects of district court litigation to ensure cost-effective resolution of the most common validity disputes. *See, e.g.*, *id.* at S1375-S1376 (discussing high threshold for surmounting dismissal of IPR petition at outset, limited discovery, and a one-year deadline for completing review). It was in that sense that the new post-grant proceedings would be an "efficient alternative to litigation." 157 CONG. REC. S1350 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy).

**c.** Congress adopted those aspects of patent reform wholesale. In particular, it explained that "[t]he [AIA] *converts* inter partes reexamination from an examinational to an *adjudicative* proceeding" and, consistent with that structural change, "renames the proceeding 'inter partes review.'" H.R. REP. NO. 112-

98, pt. 1, at 46-47 (emphasis added); *id.* at 75 (stating that AIA "create[d] adjudicative systems of post-grant and inter partes review"). Congress also explicitly equated IPR with district court litigation, instructing that the "new procedure *** would take place in a court-like proceeding in which both the challenger and the owner of the patent present information regarding the validity of a patent" based on familiar litigation-type rules. *Id.* at 68; *see id.* at 47 (discussing standard for institution decision, petitioner's burden, the ability to "depose witnesses submitting affidavits or declarations" and other discovery, and the "right to request an oral hearing").

Indeed, Congress determined that the overlap between IPR and district court litigation was sufficient to bar parties "from seeking or maintaining an inter partes review if they file an action for a declaratory judgment that the patent is invalid." H.R. REP. NO. 112-98, pt. 1, at 47. Conversely, a civil action raising a validity dispute already subject to IPR would be "automatically stayed." *Id.* at 75. Those provisions strengthened protections against "multiple challenges to a patent." *Id.* at 48.

At bottom, Congress resolved through IPR to "remove current disincentives to current administrative processes" by averting "repeated litigation and administrative attacks on the validity of a patent." H.R. REP. NO. 112-98, pt. 1, at 48. Allowing IPR to fall prey to the deficiencies inherent in the "current administrative processes," Congress warned, "would frustrate the purpose of the section as providing quick and cost effective alternatives to

litigation" and "divert resources from the research and development of inventions." *Id.*

*2. Application of the BRI standard to IPR cannot be reconciled with Congress's objective.*

Giving short shrift to Congress's plainly expressed intent, the PTO's BRI regulation propagates, rather than mitigates, the inefficiencies that the AIA was enacted to address. The Federal Circuit was therefore wrong to endorse it. *See Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 214 (1976) (invaliding regulation "when [statute's] history reflects no more expansive intent").

Under the Federal Circuit's decision, the PTAB in an IPR evaluates claims under a BRI standard, which ignores prosecution history and extrinsic evidence, whereas a district court applies the "ordinary and customary meaning" principles of claim construction set forth in *Phillips*, 415 F.3d at 1312-1313. To the extent the BRI standard enlarges the scope of patent claims beyond the construction compelled under *Phillips*, the tribunals confront the same patent claims in name only. That difference in claim scope, in turn, can lead to different conclusions as to the validity of the same claims: the broader a claim construction, the greater the availability of potentially invalidating prior art. *See Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary*, 113th Cong. 8 (2013) (statement of David J. Kappos) ("[H]aving the USPTO apply a different

standard than the courts is leading, and will continue to lead, to conflicting decisions.").[2]

Such a regime is the antithesis of what Congress enacted. IPR can serve as a "complete substitute" to litigation only if the district court and the PTAB consider the question of validity for the same patent claims in a consistent manner. Because district courts are bound by *Phillips* to give patents their ordinary and customary meaning, it follows that the transformation of a purely administrative proceeding into a district-court surrogate leaves no room for the application of the BRI standard in IPR proceedings.

Congress's explicit desire to break the mold of *inter partes* reexamination confirms that conclusion. BRI "is solely an *examination* expedient, not a rule of claim construction." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) (emphasis added). As such, it has no place in construing claims for purposes of resolving validity disputes in IPR—an *adjudicative* proceeding. Far from suggesting that IPR bears any resemblance to *inter partes* reexamination, the Federal Circuit and the PTO have acknowledged that IPRs "are *distinctly* different from a typical PTO examination or reexamination where a patent examiner performs a prior art search and independently conducts a patentability analysis of all claims, whether newly proposed or previously existing." *Nike, Inc. v. Adidas AG*, --- F.3d ---, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016) (emphasis added); *see* Decision at 4, *Google Inc. v. Jongerius*

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[2] *Available at* http://judiciary.house.gov/_files/hearings/113th/10292013/Kappos%20Testimony.pdf.

*Panoramic Techs., LLC*, No. IPR2013-00191 (P.T.A.B. filed Feb. 13, 2014) ("An *inter partes* review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation."). The Federal Circuit thus erred in assuming (Pet. App. 15a) that Congress intended to import a foundational element of *inter partes* reexamination into IPR.

As the dissenting panel and en banc opinions explain (Pet. App. 37a-40a, 55a-58a, 65a), moreover, the BRI standard has *never* been applied to decide questions of invalidity in adjudicatory proceedings without the right to amend claims freely. To the contrary, use of BRI has always been tied to "[a]n applicant's ability to amend his claims to avoid cited prior art." *In re Yamamoto*, 740 F.2d 1569, 1571-1572 (Fed. Cir. 1984) (citation and quotation marks omitted); *see also* 35 U.S.C. § 305 (providing that in reexamination "the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto"). That iterative process "distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents" because in the former "the applicant has the ability to correct errors in claim language and adjust the scope of claim protection *as needed*." *In re Yamamoto*, 740 F.2d at 1572 (emphasis added); *see In re Skvorecz*, 580 F.3d at 1267 (noting that BRI standard used in context "when claims are readily changed").

Congress offered no such iterative process within IPR. Instead, amendment of claims is presumptively limited to cancellation or substitution

of claims of no broader scope in a *single* motion, 35 U.S.C. § 316(d)(1)—a practice that has allowed amendment only 5.51% of the time to date, *see Synopsys, Inc. v. Mentor Graphics Corp.*, --- F.3d ---, 2016 WL 520236, at *29 (Fed. Cir. Feb. 10, 2016) (Newman, J., dissenting). IPR proceedings thus bear little resemblance to prior forms of examination and reissuance proceedings from which the BRI standard derives. No rationale justifies decoupling the BRI standard from an opportunity to amend claims freely, as the decision below did here.

### B. Consideration Of Prosecution History In IPR, As Permitted By The AIA, Is Inconsistent With Application Of The BRI Standard

Beyond Congress's explicit instruction that IPR should be a complete substitute for litigation, AIA provisions reinforce that the use of BRI, while suitable for reexamination, is incompatible with IPR. *See Ernst & Ernst*, 425 U.S. at 213-214 (holding agency regulation invalid where it contravenes "the will of Congress as expressed by the statute").

Section 325(d) provides that the PTO may take prosecution history into account when "determining whether to institute or order" IPR, 35 U.S.C. § 325(d)—a determination that requires the PTAB to arrive at an initial claim construction. The decision below renders that provision hollow because, unlike claim construction under *Phillips*, the BRI standard eschews consideration of prosecution history. *See Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (canon against superfluity).

As the PTO's Manual of Patent Examining Procedure explains,

> Patented claims are not given the broadest reasonable interpretation during court proceedings involving infringement and validity, and can be interpreted based on a fully developed prosecution record. In contrast, an examiner must construe claim terms in the broadest reasonable manner during prosecution as is reasonably allowed in an effort to establish a clear record of what applicant intends to claim. Thus, the Office does not interpret claims in the same manner as the courts.

MPEP § 2111 (9th ed. Rev. July 2015); *see* MPEP § 2111.01 (9th ed. Mar. 2014) ("Although claims of *issued* patents are interpreted in light of the specification, prosecution history, prior art and other claims, this is not the mode of claim interpretation to be applied during examination. During examination, the claims must be interpreted as broadly as their terms reasonably allow.").

Similarly, the AIA amends 35 U.S.C. § 301 to allow various new categories of information to be submitted to the PTO, including "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." 35 U.S.C. § 301(a)(2). That information becomes part of the prosecution history and can be used only "to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to" (among other provisions)

section 314 (IPR). *Id.* § 301(d); *see* 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (explaining that Section 301(a)(2) written statements are "to be made a part of the official file of the patent").

The "proper meaning of a patent claim," 35 U.S.C. § 301(a)(2), however, is not the broadest reasonable interpretation of that claim. The "proper construction" is "fixed, unambiguous, [and] legally operative," *see Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1375 n.2, 1377 (Fed. Cir. 2005), and is reached by "applying the principles articulated in *Phillips*"—including consideration of prosecution history, *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1371 (Fed. Cir. 2008). By contrast, the broadest reasonable interpretation represents an outer limit reached by "exploring the metes and bounds to which the applicant may be entitled." *In re Skvorecz*, 580 F.3d at 1267. The "differences between the broadest reasonable interpretation standard and *Phillips*" make them anything but interchangeable. *Convolve, Inc. v. Compaq Computer Corp.*, --- F.3d ---, 2016 WL 520247, at *10 (Fed. Cir. Feb. 10, 2016) (reversing district court for relying on examiner's broadest reasonable interpretation in inquiry requiring application of *Phillips*).

### C. PTO's BRI Regulation Undermines Certainty Of Claim Scope And Creates Risk Of Conflicting Constructions

As the joint dissent from the denial of rehearing *en banc* observes, the decision below "fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the

claims during IPRs under a different legal framework than the one used by district courts." Pet. App. 54a-55a. Unfortunately, experience has proven that statement to have found its mark.

*1. Forum-dependent construction of patent claims obscures their scope.*

This Court has long warned that "[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the public." *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938). Such clarity cannot be achieved under the Federal Circuit's endorsement of a dual standard for claim construction, which creates a forum-dependent scheme for assessing the protection provided by, and validity of, an issued patent. Application of distinct claim construction standards disparately "capture[s] the scope of the actual invention that is disclosed, described, and patented." *Fenner Invs., Ltd. v. Cellco P'ship*, 778 F.3d 1320, 1323 (Fed. Cir. 2015) (citation and internal quotation marks omitted). That fact creates the risk that a patent claim could be (correctly) found valid by a district court under *Phillips*, but also (correctly) found invalid by the PTAB in an IPR proceeding under the BRI standard.

That new reality clouds and diminishes patent rights to the detriment of patent holders, innovators, and the public at large. Uncertainty regarding the scope of patent claims and their validity is costly to the inventive community and discourages innovation. Uniformity in claim construction is critical 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." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (citation and quotation marks omitted).

Such uncertainty is of particular concern to PhRMA's members, which invest billions in research and development to discover new therapies—including $51 billion in 2014 alone. Indeed, in the twenty-first century, it costs an average of $2.6 billion to develop a new drug.[3] Meaningful patent protection is required to justify that investment, especially in the face of frequent validity challenges in litigation arising under the Hatch-Waxman Act. *See Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1356 (Fed. Cir. 2008). Worse still, application of distinct claim construction standards creates an unfair system where patent claims are considered in a narrower manner for infringement purposes in district court and a broader manner for IPR validity challenges; such a system skews results against patent holders and leads to inconsistent determinations.

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[3] PHRMA, 2015 PROFILE, BIOPHARMACEUTICAL RESEARCH INDUSTRY, KEY FACTS (inside cover) (Apr. 2015), http://www.phrma.org/sites/default/files/pdf/2015_phrma_profile.pdf.

*2. Patents deemed valid in district court are being invalidated in IPR.*

Those concerns are far from academic. The PTAB's application of the BRI standard has seen nearly 70% of properly joined IPR petitions granted,[4] with 87% of final written decisions finding at least some claims unpatentable.[5] By contrast, invalidity challenges litigated in federal court prevail only 42% of the time. *See* John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1787 (2014). That significant discrepancy belies any suggestion that IPR invalidity determinations are a surrogate for those made in district court.

As recent IPR proceedings demonstrate, the application of different claim construction standards works against Congress's goal of streamlining invalidity proceedings. *See* J. Steven Baughman et al., *Coordinating PTAB and District Court Litigation*, PRAC. L.J., Dec. 2014/Jan. 2015, at 34, 36 (reporting that 80% of patents subject to an IPR are also involved in district court litigation). Unsuccessful challenges to the validity of patents are resurfacing in IPR proceedings—oftentimes with a different

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[4] Tom Irving et al., *The Latest Unsuccessful* Inter Partes *Review Petitions*, LAW360.COM (Oct. 30, 2015), http://www.law360.com/articles/717123/the-latest-unsuccessful-inter-partes-review-petitions.

[5] USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS 9 (Dec. 31, 2015), http://www.uspto.gov/sites/default/files/documents/2015-12-31%20PTAB.pdf.

result.[6] That hardly fulfills Congress's promise that, with the creation of IPR, patent holders will no longer need to defend their patents unnecessarily in two fora. *See* pp. 7-11, *supra*.

To take one example, for years, Allergan had been defending against challenges in court under the Hatch-Waxman Act that four Orange-Book-listed patents covering its combination eye-drop product used for treating glaucoma are invalid for obviousness. After construing the asserted claims using the principles outlined in *Phillips*, a district court concluded that there was insufficient proof that a claim of U.S. Patent No. 7,030,149 would have been obvious to someone of ordinary skill in the art. The Federal Circuit affirmed, and this Court denied review. *See Allergan, Inc. v. Sandoz, Inc.*, 726 F.3d

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[6] *Compare* Special Verdict at 7, *Paice LLC v. Hyundai Motor Co.*, No. 1:12-cv-499-MJG (D. Md. Oct. 7, 2015), ECF No. 756 (finding no invalidity), *with Ford Motor Co. v. Paice LLC*, No. IPR2014-00904, 2015 WL 8536745 (P.T.A.B. Dec. 10, 2015) (invalidating claims); Orders, *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-9-RGA (D. Del. Aug. 28 and Nov. 5, 2014), ECF Nos. 361, 453 (denying pre- and post-trial motions for finding of invalidity), *with ZTE Corp. v. IPR Licensing, Inc.*, No. IPR2014-00525, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2014) (invalidating claims); *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 24-25 (Fed. Cir. 2012) (affirming jury verdict rejecting invalidity), *with Google, Inc. v. Whitserve LLC*, No. IPR2013-00249, 2014 WL 4537504 (P.T.A.B. Sept. 9, 2014) (invalidating claims). *Cf. Ultratec, Inc. v. CaptionCall, LLC*, 611 F. App'x 720 (Fed. Cir. 2015) (mem.) (rejecting mandamus petition to require patent case already litigated to $44 million verdict to continue with post-trial phase on invalidity after district court stayed litigation in light of IPR final written decision invalidating all but one asserted claim).

1286, 1293-1294 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 1764 (2014).

Following the conclusion of the federal court litigation, however, "a recently-formed, self-described privately-held investment venture" filed an IPR petition raising the *same* invalidity issue. *The Impact of Abusive Patent Litigation Practices on the American Economy: Hearing Before the S. Comm. on the Judiciary*, 114th Cong. 18-19 (2015) (statement of Hans Sauer, Ph.D, Deputy General Counsel for Intellectual Property, Biotechnology Industry Association);[7] *see also* Complaint, *Allergan, Inc. v. Ferrum Ferro Capital, LLC*, No. 8:15-cv-992 (C.D. Cal. June 19, 2015), ECF No. 1 (alleging that subsequent IPR filing was extortion attempt by shell company). Citing the Federal Circuit's decision in this case and the PTO's regulation, the IPR petition candidly argued that the application of the BRI standard compelled the invalidation of the same patent claim on the same obviousness grounds. *See* Petition for Inter Partes Review of U.S. Patent No. 7,030,149, at 7, 15-16, *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858 (P.T.A.B. filed Mar. 9, 2015).[8]

Despite ultimately declining to institute IPR proceedings under either claim construction standard, the PTAB readily accepted that "[f]or *inter partes* review, claim terms in an unexpired patent are

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[7] *Available at* http://www.judiciary.senate.gov/imo/media/doc/03-18-15 Sauer Testimony.pdf.

[8] *Available at* http://fishpostgrant.com/wp-content/uploads/IPR2015-00858-petition.pdf.

given their broadest reasonable interpretation in light of the patent specification." *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858, 2015 WL 5608290, at *3, *5-*7 (P.T.A.B. Sept. 21, 2015) (citing 37 C.F.R. § 42.100(b); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1275-1278 (Fed. Cir. 2015)). Thus, if the petitioner had prevailed, the Federal Circuit would have faced the prospect of declaring Allergan's patent claim obvious, even though it had rejected that argument already.

Permitting a single patent claim to have different constructions and to be valid or invalid depending on the forum—IPR or district court—in which the claim is adjudicated contravenes the uniformity, certainty, and efficiency that the creation of the Federal Circuit was meant to foster. *See Markman*, 517 U.S. at 390. As this Court recently noted in the context of the preclusive effect of proceedings before the Trademark Trial and Appeal Board, the "idea is straightforward" that "[o]nce a court has decided an issue, it is 'forever settled as between the parties, thereby protect[ing] against the expense and vexation attending multiple lawsuits, conserv[ing] judicial resources, and foster[ing] reliance on judicial action by minimizing the possibility of inconsistent verdicts." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302 (2015) (alterations except first in original) (citations and internal quotation marks omitted). The decision below stands at odds with those values.

## CONCLUSION

For the foregoing reasons, the decision of the Federal Circuit should be reversed.

Respectfully submitted.

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