No. 16-712

IN THE
Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.,
Respondents.

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

BRIEF AMICUS CURIAE OF THE PATENT TRIAL AND APPEAL BOARD BAR ASSOCIATION IN SUPPORT OF NEITHER PARTY

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INTEREST OF AMICUS CURIAE[1]

The Patent Trial and Appeal Board (PTAB) Bar Association is a voluntary bar association of approximately 900 members engaged in private and corporate practice and in government service. Members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent law as well as other fields of law affecting intellectual property. They represent owners, users, and challengers of intellectual property rights.

The PTAB Bar Association has no interest in any party to this litigation or stake in the outcome of this case, other than its interest in seeking a correct and consistent interpretation of the law affecting intellectual property.[2] PTAB Bar Association members may not be in full agreement on whether inter partes review (IPR), covered business method (CBM), and post-grant review (PGR) proceedings—all of which Congress cre-

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, the PTAB Bar Association believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter and (ii) no representative of any party to this litigation participated in the authorship of this brief.

[2] The parties have consented to the filing of this amicus brief in support of neither party through the filing of blanket consent letters.

ated through the Leahy-Smith America Invents Act (AIA)—currently strike a proper balance between petitioners and patent owners involved in those proceedings. Nonetheless, the PTAB Bar Association believes that these procedures are constitutional and that any perceived deficiencies in the procedure at present can be addressed with revisions to the IPR process, either by Congress or through regulatory changes. Indeed, Congress has frequently revised the patent statutes and is well-positioned to do so here. The PTAB Bar Association is providing a forum for proposing regulatory changes as well.

The PTAB Bar Association submits this brief to apprise the Court of the important role that IPRs play in the patent system, and to highlight their advantages relative to district court adjudication of validity issues.

SUMMARY OF ARGUMENT

1. Like reexaminations and other procedures that have existed for many decades, the IPR process allows the U.S. Patent and Trademark Office (USPTO) to "reexamin[e] an earlier agency decision." *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). More specifically, IPRs strike a balance between the interests of patent owners and those of the public by creating efficient, but limited, procedures to revisit the initial decision to grant patents. The IPR procedure is an incremental modification of reexamination procedures used by the USPTO for decades to consider the same questions of patentability. But IPRs are far more efficient: by statute, they must reach final decisions within fixed times. Accordingly, district courts are more likely to stay cases pending IPRs than

they were pending reexaminations, to take advantage of IPRs' streamlined patentability determinations.

2. IPRs address constraints inherent in the initial examination of patent applications. In order to process more than 600,000 applications a year, the USPTO gives each application in a given technology area approximately the same level of examination. Only later, post-issuance, does it become evident which patents are sufficiently important to warrant more extensive review. IPRs provide a way for incentivized members of the public to initiate a continued examination of the patent, and to assist the USPTO in finding prior art and analyzing the validity of the patent claims.

3. IPRs provide advantages over district court consideration of the questions of anticipation and obviousness. For instance, USPTO factfinders are well-versed in patent law and technology, and are repeat players in resolving these questions. Moreover, in an IPR, the issues of anticipation and obviousness are the only ones considered, whereas in district court litigation, the presentation of these issues is often sacrificed to other considerations. Holding the IPR procedure unconstitutional would deprive the public and patentees of these and other benefits to the patent system.

ARGUMENT

I. The role of IPRs in the patent system.

Historically, post-grant challenges to patents have taken various forms. Currently, the most common form of post-grant challenge is an *inter partes* review (IPR)

proceeding; the case now before the Court arose from an IPR that resulted in the cancellation of Oil States' patent claims. This brief accordingly focuses on IPR proceedings, even though most of the discussion applies to CBM and PGR proceedings as well.

While IPRs are relatively new, the practice of revisiting granted patents is not. The United States Patent and Trademark Office (USPTO), of which the PTAB is a part, has been adjudicating patentability[3] in connection with already-granted patents for many decades through reexamination, reissue, and interference proceedings. IPRs provide another improved mechanism for efficiently enabling the USPTO to adjudicate patentability in connection with granted patents. The USPTO's role in reviewing granted patents through

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[3] Both the PTAB and a district court are charged with determining whether the claims at issue are the same as or obvious in view of the prior art. In a district court litigation, this evaluation of the claims in view of the prior art is referred to as a validity question. In the USPTO, by contrast, it is an issue of patentability. The differences between validity and patentability relate to what standard of proof is used and which party has the burden of proof on certain issues.

Specifically, in a district court, the patent claims are fixed and an issued patent receives a presumption of validity; an accused infringer must meet the clear-and-convincing evidentiary burden to invalidate a patent. 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91 (2011). As this Court recognized in *Microsoft v. i4i*, Congress could change that burden if it wished—*i.e.*, it is not constitutionally required. Instead, Congress created IPR proceedings, in which the petitioner bears the ultimate burden of persuasion at trial. That burden is not a clear-and-convincing burden, for the USPTO does not need to defer to its own prior determinations.

IPRs serves an important function and should be upheld.

A. The IPR system benefits all parties.

The AIA's creation of post-grant procedures to review the patentability of previously issued claims recognizes concerns akin to those discussed in *Nautilus*, *Mayo*, and other recent decisions of this Court invalidating issued patents. *See, e.g.*, *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 (2014); *Mayo Collaborative Serv. v. Prometheus Labs., Inc.*, 566 U.S. 66, 86-87 (2012). At the same time, it is faithful to federal patent policy, which properly provides patent holders with time-limited rights to royalties or an injunction against other parties using the claimed invention. *Brulotte v. Thys Co.*, 379 U.S. 29, 31-32 (1964). Protection of the legally-granted patent monopoly is important, and so are the rights of the public (including accused infringers) to challenge the validity of a patent. *See Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

The AIA strikes a balance by creating avenues to request review of previously issued patents in the USPTO, while offering benefits to patent owners that prevail in those proceedings. IPRs can be used to challenge patentability only on grounds of lack of novelty (*i.e.*, anticipation) or obviousness, and only based on prior patents or printed publications. 35 U.S.C. § 311(b). While any person other than the patent owner can petition for an IPR, a party that has been sued for patent infringement must file an IPR within one year. *Id.* §§ 311(a), 315(b).

Parties sued for infringement—like Greene's Energy in the present case—are estopped from later raising a challenge based on the same anticipation and obviousness challenges should the patent's claims be upheld in an IPR.[4] 35 U.S.C. § 315(e). Therefore, an accused infringer unsuccessfully challenging the validity of an issued patent before the PTAB will forfeit its right (and the right of those in privity with it) to raise invalidity defenses before a district court or the International Trade Commission. *Id.* In many cases, therefore, a petitioner who loses an IPR will thus be deprived of substantial defenses before the district court.

An IPR begins when the petitioning party submits a petition and supporting documentation arguing that the patent is invalid. 35 U.S.C. § 312(a); 37 C.F.R. §§ 42.101, 42.104. The patent owner then has approximately three months to file its own response and evidence arguing that the patent is valid and the IPR proceeding should not be instituted. 35 U.S.C. § 313; 37 C.F.R. § 42.107. Within three months of receiving that response, typically three PTAB judges assigned to the case determine whether to institute the IPR proceeding. 35 U.S.C. § 314(b). These judges have special technical and legal expertise, and at least one of them typically has a technical background and work experience related to the subject matter of the patent in question. The percentage of IPR petitions accepted in this fashion has been declining, to less than 70% in fiscal year 2016, and 63% in the latest data. U.S. Patent &

[4] The courts are evaluating the precise scope of this estoppel, but at the very least it applies to the same grounds addressed in an IPR that reaches a final written decision.

Trademark Office, *Trial Statistics IPR, PGR, CBM: Patent Trial and Appeal Board Statistics* 7 (July 2017); https://www.uspto.gov/sites/default/files/documents/trial_statistics_july2017.pdf.

When an IPR is instituted, the so-called "trial phase" begins before the PTAB. *See* 35 U.S.C. § 316; 37 C.F.R. § 42.100. This proceeding differs significantly from a trial in court, as the parties work on a strict schedule with only limited means to marshal evidence and create a record. *See* 37 C.F.R. §§ 42.1 - .74. For the petitioner, the record is largely set at the time the petition is filed, with only limited opportunities to supplement its evidence or make other arguments. *Id.* § 42.123. For the patent owner, the record is largely set when it files its response to the petition, again with few opportunities to supplement its evidence or make other arguments. *Id.* § 42.120. IPRs feature only limited opportunities for discovery, other than depositions of the other side's experts.[5] 35 U.S.C. § 316(a)(5); 37 C.F.R. §§ 42.51 - .53; *see, e.g.*, *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, Case IPR2012-00001, (P.T.A.B. Mar. 5, 2013) (Paper 26); *John's Lone Star Distribution, Inc. v. Thermolife Int'l, LLC*, Case IPR2014-01201 (P.T.A.B. May 13, 2015) (Paper 29). At the hearing, which typically lasts no more than a few hours, live testimony is

[5] The IPR process does not provide either the petitioner or the patentee with the right to a jury trial. Even in district court, however, the parties do not necessarily have that right. Specifically, they lack that right in cases where the only remedies sought are equitable ones, including most cases brought pursuant to the Hatch-Waxman Act or the Biologics Price Competition and Innovation Act.

rarely presented and instead testimony is presented by deposition transcript. 37 C.F.R. § 42.53. By statute, the trial phase must result in a final decision as to patentability within twelve months of institution. 35 U.S.C. § 316(a)(11). That decision is reviewable by the Federal Circuit.

Practitioners appreciate and depend on the opportunity to have issued patents reviewed in the USPTO. *Cf. Kimble v. Marvel Entm't, Inc.*, 135 S. Ct. 2401 (2015) (stressing that practitioners understood and had adapted to the settled *Brulotte* rule). In addition to being a lower-cost method of reviewing a patent's validity, such review allows the USPTO—which is already familiar with the patent process and has appropriate technical expertise—to weigh in on new issues relating to prior art and claim scope, and thus to bolster confidence in the patent system.

B. The USPTO has long been able to review its prior decisions.

Congress created the USPTO to have "special expertise in evaluating patent applications" and directed it to issue patents that meet the requirements for patentability. *Kappos v. Hyatt*, 566 U.S. 431, 445 (2012); 35 U.S.C. § 131. For decades, the USPTO has properly viewed its mission as allowing it to review its prior decisions issuing patents.

Interference proceedings are an important example. Prior to the AIA, the USPTO awarded patents to the first person to invent particular subject matter, regardless of whether that person was the first to file a patent

application on that subject matter.[6] To facilitate this determination, the USPTO would sometimes declare "interferences" between issued patents and pending applications directed to the same invention. 35 U.S.C. § 135 (2011); U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* §§ 2300-2309 (9th ed. Rev. 07.2015, Nov. 2015), http://www.uspto.gov/web/offices/pac/mpep/index.htm ("MPEP"). The first phase of an interference was a preliminary motions phase, in which (as in an IPR today) the parties could bring prior-art invalidity motions decided on the basis of argumentative briefs and expert testimony. *Id.* In an interference proceeding, the USPTO had the authority—which it often exercised—to cancel claims of an issued patent. 35 U.S.C. § 135(a) (2011). Such a determination could be challenged in a district court, with a subsequent appeal to the Federal Circuit. *See generally Kappos*, 566 U.S. 431.

Later-created proceedings to reexamine issued patents, however, could not be challenged in district courts. The first of these later-created proceedings were *ex parte* reexamination proceedings, in which anyone could petition the USPTO to reexamine an issued patent based on prior art that raised a substantial new question of patentability. 35 U.S.C. §§ 301-307; MPEP § 2209. At the end of the reexamination process, if the USPTO decided the claims were unpatentable, a certificate of unpatentability could be issued, cancelling the

[6] The AIA, in contrast, awards a patent to the first inventor to file an application directed to the inventive subject matter.

unpatentable claims. 35 U.S.C. § 307.[7] In 1999, Congress expanded the availability of reexamination to allow for *inter partes* reexamination. *Id.* § 311. It did so, as this Court noted in *Microsoft Corp. v. i4i Ltd. Partnership*, "to account for concerns about 'bad' patents." 564 U.S. 91, 113 (2001). These proceedings, like *ex parte* reexamination, could result in cancellation of claims. Both kinds of reexamination allowed a patent owner to seek review in the Federal Circuit.

IPR proceedings are consistent with this long tradition of post-grant review of patents by the USPTO—but they offer patentholders protections that these older proceedings did not. For example, a patent owner in an IPR proceeding knows that there will be a decision within twelve months of institution—in contrast with reexamination, reissue, and interference proceedings, which had no set time limit and often took many years. *E.g.*, *Tempo Lighting v. Tivoli*, 742 F.3d 973, 981 (Fed. Cir. 2014) ("As this reexamination has lasted nearly a decade, this court urges the PTO to provide a speedy resolution to this dispute as envisioned under [pre-AIA] 35 U.S.C. § 314(c)."). In addition, IPR petitions must be filed within twelve months of the service of an infringement suit, *see* 35 U.S.C. § 315(b), while the older proceedings had no such time bar. A patent owner can also receive limited discovery in an IPR proceeding—something unavailable in reissue or reexamination proceedings. And a patent owner can depose the peti-

[7] In its recent decision in *Cuozzo*, this Court held that the IPR process is similar to reexamination and preserved the procedure's basic purpose of "reexamin[ing] an earlier agency decision." 136 S. Ct. at 2143-44.

tioner's expert, an option unavailable in a reexamination. Many of the efficiencies created by these protections benefit petitioners as well.

Other protections relate to estoppel, which (as noted above) binds a losing petitioner in an IPR. 35 U.S.C. § 315(e); 37 C.F.R. § 42.73(d). Consequently, IPR proceedings can be used in conjunction with district court litigation to provide a thorough and fair consideration of patentability by experts whose only job responsibility is deciding patentability. District courts typically stay patent infringement litigation once an IPR is instituted on a patent-in-suit. Perkins Coie, *Inter Partes Review Proceedings: A Fourth Anniversary Report* 39-40 (2016) (74% of stay requests were granted in prior year; 75% of contested motions were granted after institution of an IPR). After the IPR concludes, the patent claims that survive can be asserted against a defendant that has lost its ability to pursue anticipation and obviousness defenses—putting the patent owner in a more favorable position than before. Meanwhile, the estoppel provisions promote efficiency because an infringement defendant effectively receives only one opportunity to raise prior art defenses.

Regardless of the differences between IPRs and other post-grant proceedings, however, a decision by this Court holding IPRs unconstitutional would cast grave doubt on the legitimacy of more than just IPRs. It would throw into question the constitutionality of post-grant review (PGR) and covered business method (CBM) review, two additional post-grant proceedings created by the AIA. 35 U.S.C. §§ 321-329, 37 C.F.R. §§ 42.200, 42.400. Moreover, holding IPRs unconstitution-

al would likewise cast doubt on the constitutionality of *ex parte* and *inter partes* reexamination procedures.

II. Administrative review of issued patents provides an important corrective measure to erroneous government issuance of patent rights.

IPRs give the USPTO the chance to take a second look at patents that interested members of the public have specifically chosen for further review. An accused infringer usually petitions for an IPR after it has conducted its own thorough search of the prior art, including prior art that may be unavailable to the USPTO. Thus, only those patents important or controversial enough to warrant further review become the subject of IPRs. The run-of-the-mill patent that is not commercially significant and never asserted against an accused infringer will never be the subject of an IPR, because no member of the public will spend the hundreds of thousands of dollars needed to prepare an IPR petition and see the proceeding through to its conclusion. To illustrate the difference in magnitude between initial examinations and IPRs, between 2012 and 2016, the USPTO completed the examination of more than 3,100,000 patent applications and issued more than 1.5 million patents (approximately 270,000 to 330,000 patents each year); as of September 30, 2016, there were only 1,491 IPR cases pending. U.S. Patent & Trademark Office, *Performance and Accountability Report Fiscal Year 2016* 178, 191 (Nov. 14, 2016) ("USPTO Perf. Account. Report FY 2016"). But for the small fraction of issued patents that *do* become the subject of IPRs, the process provides an important avenue to cor-

rect the erroneous grants of patent rights by the USPTO.

A. Initial review can never be as thorough as an IPR.

Perhaps by necessity, the patent examination process is structurally biased towards allowing patents. When a patent application is denied by an examiner, the applicant can contest the denial to the PTAB and seek judicial review in the Federal Circuit. This process brings to bear the views of one or two patent examiners, three administrative judges, and three Article III judges in reviewing the denial of an application.

When the USPTO *grants* a patent, by contrast, the decision is unappealable, either within the USPTO or in court; after all, there is no party adverse to the applicant in the administrative patent examination process. And the decision to grant a patent is usually vested in only one or two patent examiners, with no input from administrative or Article III judges. If the examiner issuing a patent has made a mistake in granting a patent—even a mistake of which the public is aware—there is no vehicle to appeal that decision. And while patent examiners generally are highly skilled in both technology and patent law, they do nevertheless occasionally make mistakes and issue claims that should not have been issued.

As a practical matter, initial review by the USPTO often does not (and cannot) encompass the full scope of prior art relevant to a patent application. The USPTO is best suited for finding prior art that takes the form of patents published in English, such as U.S. or European

patents. But eligible prior art often takes the form of patents in foreign languages, too. Non-patent literature, moreover, is constantly changing in form and location, and the USPTO does not have access to all of it. Non-patent literature includes thesis papers located in obscure libraries around the world, obscure foreign publications that have not been translated into English, and online journals that require subscriptions or payments of some kind. Confronting this sweeping landscape of potential prior art, the USPTO's own prior art search is constrained by time and money. Members of the public affected by a granted patent, by contrast, often are incentivized to locate prior art references that did not emerge during the initial review. If a patent is a commercial threat or if it is blocking new products from reaching consumers, the time and money an incentivized member of the public will devote to a prior art search will greatly exceed what the USPTO can devote to each of the approximately 650,000 applications filed a year.

Indeed, at the time of initial examination, it is unknown to the USPTO and often to the applicants which of the many patent applications under examination relate to inventions that will turn out to be important or controversial. That becomes clear only later, when patents are asserted in the marketplace. Consistent with this inability to predict the future, the USPTO generally allocates the same amount of time for examination of each patent application within a given technological field, in effect treating each application with the same relative importance.

The above problems are inherent in any examination system of patents. No matter how much funding the USPTO receives, it still will be examining patent applications before their full value or ability to affect the marketplace is known. And the public will not be incentivized to commit private resources to consider a patent's patentability or validity until marketplace conditions—including litigation or licensing campaigns initiated by a patentholder—sharpen the focus on a particular granted patent.

B. The USPTO faces enormous pressures that are eased by the availability of IPRs.

In addition to these inherent problems, the initial examination system has other limitations that flow from the sheer volume of patent applications that the USPTO must process. These limitations have emerged over the last century, as the USPTO has grappled with how to handle the crush of patent applications filed every year.

In 2016, applicants filed over 650,000 new patent applications requiring examination. USPTO Perf. Account. Report FY 2016, at 178. In addition to these new applications, the USPTO confronted a backlog from prior years, resulting in a total of about 1,200,000 patent applications pending in 2016. *Id.* at 181. The USPTO disposed of about 680,000 applications in 2016, of which more than half were allowed. *Id.* at 178. Of the allowed applications, more than 330,000 issued as new patents. *Id.* The USPTO has approximately 8,300 patent examiners charged with processing these million-plus applications. *Id.* at 205. In 2016, that equated to about 144 pending applications per examiner. Unsur-

prisingly, there are enormous pressures on the USPTO to reduce the amount of time it takes to review patent applications. *Id.* at 22-24.

Each of the hundreds of technology areas has an "examination time goal," which is the number of hours in which patent examiners "are expected to complete their examination of an application." *Request for Comments on Examination Time Goals*, 81 Fed. Reg. 73,383 (Oct. 25, 2016); U.S. Gov't Accountability Office, GAO-16-479, *Intellectual Property: Patent Office Should Strengthen Search Capabilities and Better Monitor Examiners' Work* 8 (2016) ("GAO 16-479"). These goals vary by technology area. For example, an examiner in the wire fabrics unit may be allotted 14 hours for examination, whereas in the database and file management unit an examiner could be allotted 32 hours. GAO 16-479, at 8. In his or her allotted amount of time, the examiner must review the application, perform a search for prior art, and complete all office actions. *Id.* This includes reviewing all prior art submitted by the applicant—which can number scores or hundreds of patents or articles—drafting and submitting multiple opinions rejecting or allowing claims ("office actions"), conducting interviews, and dealing with all other aspects of the examination process.

Making changes to the system is cumbersome. The time goals were originally assigned forty years ago but have not been comprehensively reevaluated until the past year. *Id.*; U.S. Patent & Trademark Office, *Patent Quality Chat: Examination Time Analysis* 9 (Apr. 11, 2017), https://www.uspto.gov/sites/default/files/documents/patent-quality-chat-april-presentation.pdf.

While the USPTO should (and no doubt will) continue to reevaluate the time goals, the size of the examining corps makes it unrealistic to tailor them so that they fully address the limitations of initial examination that IPRs address. Indeed, efficiency is an important goal of the USPTO, and one that is likely promoted by the practice of giving similar treatment to all patent applications within a given area of technology. Efficiency is not consistent with a system that tries to identify important or controversial patents for extra attention in the first instance. Besides, the USPTO has never had this responsibility or ever attempted to allocate examination resources on this basis.

Further, examiners have quotas for the number of office actions they must issue in a given period of time. *Id.* at 10. Their annual performance ratings are based on a weighted average of four factors, with the combined weight of two factors—the "number of office actions completed" and meeting timeliness goals—exceeding the weight assigned to the "quality" of their work. *Id.* at 10-11. The performance goals are difficult to meet. A recent GAO study found that about 72 percent of examiners "worked voluntary/uncompensated overtime" in order to meet their minimum production goals. GAO 16-479, at 22.

Patent examiners, moreover, are not rewarded for long, drawn-out fights against determined applicants. Examiners receive "disposal" credits for key actions they undertake—but the disposal credit system is skewed towards granting patents. For instance, an applicant whose application is finally rejected must appeal the rejection within the USPTO, file a continuation ap-

plication and start the process over again, or let the application go abandoned. 35 U.S.C. § 134; 37 C.F.R. § 1.53; *Id.* § 1.135. If the applicant chooses to appeal and files an appeal brief, the examiner must either file an answering brief or allow the claims. *Id.* § 41.39; MPEP § 1207. The examiner receives the same disposal credit for either action, even though granting an application takes a fraction of the time and effort that drafting a brief takes. MPEP § 1705. Conscientious examiners will spend the effort—but examiners are only human, and on the margins, the incentives to allow the claims are significant.

What is more, there is a widespread feeling among practitioners that examiners, being human, are eventually fatigued into granting patents in the mistaken belief that courts can easily correct mistaken issuances. This is not a new problem, nor is it the USPTO's fault: Learned Hand commented almost a hundred years ago that "the antlike persistency of solicitors has overcome, and I suppose will continue to overcome, the patience of examiners, and there is apparently always but one outcome." *Lyon v. Boh*, 1 F.2d 48, 50 (S.D.N.Y. 1924), *rev'd*, 10 F.2d 30 (2d Cir. 1926). Rather, this is a problem inherent in any large examination system and cannot be fully corrected by putting more pressure on already overworked examiners, or by merely spending more money on the examination process.

C. Extensive third-party participation in the initial examination process would lead to years' delay in the issuance of patents.

Initial patent examination is *ex parte*, with only the government and the applicant having full rights of participation. Third parties have limited rights to file single documents that "protest" the patent claims or alert the USPTO to prior art of which it might not be aware. 35 U.S.C. § 122(e); 37 C.F.R. § 1.291. To exercise even these limited rights, however, a third party must be aware of the pending claims, and must be concerned about their potential allowance. That is unrealistic, since the pending claims are not yet in the marketplace, where they might spark public interest.

Congress no doubt has the power to modify the initial examination process to permit and promote additional third-party participation. For instance, Congress could delay the issuance of a patent for years until its marketplace value is known and the public is incentivized to engage in IPR-like procedures. But changes like these would slow down the examination process even more and might disincentivize innovation or entry into the patent system. Making these procedures available *after* a patent issues, by contrast, does not have these ill effects.

D. IPRs address these problems.

IPRs remedy the problems associated with initial patent examination. They enable a second examination of the initial decision by the same body that conducted the initial review. And they do so in a setting that makes use of resources provided by petitioners who are

most affected by the patent's issuance. Such petitioners can supply the USPTO with prior art that was not available (or not located) during the initial review. They also can present arguments for canceling the patent or claims that may not have occurred to the examiner. And they can point out flaws in arguments presented by the patentee. Importantly, the entire IPR process is typically completed within 18 months. Thus, it provides an alternative to expensive and time-consuming district court litigation. Ultimately, when the PTAB ends an IPR by cancelling patent claims, that result embodies a determination that those claims would not have issued had a more thorough review been conducted. The IPR thus allows the USPTO to ensure that litigated patents are actually valid and not the result of a mistake or insufficient USPTO resources.

III. IPRs provide significant advantages over district court review of a patent's validity.

Of course, district courts provide an alternative forum for invalidation of issued patents. But compared to district court proceedings, IPRs have significant advantages.

Perhaps most notable is the quality of the factfinders. The USPTO is composed of experts who understand the relevant technology and law: It hires examiners and administrative judges who are already familiar with technology, patent law, or both. Over the course of their tenure, examiners and judges acquire further expertise that even the most patent-heavy district courts will never have. Its experience leads to more predictability and efficiency for evaluations that

are inherently complex.[8] In district court, by contrast, the factfinders—judges or juries—are typically generalists. Many courts infrequently hear patent cases, and for most jurors a patent trial is a once-in-a-lifetime experience.

Additionally, by focusing only on the limited issues of obviousness and anticipation, IPRs enable more accurate and effective resolution of those issues. In district court litigation, tactical considerations or time limits often require defendants to sacrifice a robust presentation on obviousness or anticipation. In a patent trial, the plaintiff typically asks a jury to decide infringement, willful infringement, and damages; the defendant, in turn, must both rebut those arguments and raise invalidity defenses. The parties typically are constrained by court-imposed time limits. The consequences of failing to allot sufficient time to infringement and damages can be so severe that it is difficult for a rational defendant to devote significant portions of its case to obviousness or anticipation issues. As a result, these issues often take a back seat to infringement and damages.

In addition, in jury trials, there is the potential problem of a jury's bias. To be sure, whether such bias exists is often debated. Nonetheless, it is a fact that patent practitioners often advise clients to choose ju-

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[8] The ultimate question of obviousness is one of law reviewed *de novo* by courts of appeals. In practice, however, resolution of that question usually is driven by the determination of underlying and highly technical questions of fact. Because of the need to defer to these factual determinations, juries' conclusions regarding obviousness rarely are overturned on appeal.

ries if they are asserting a patent and avoid juries if they are defending against one. *See, e.g.*, Barry L. Grossman & Gary M. Hoffman eds., *Patent Litigation Strategies Handbook* 769 n.3 (4th ed. 2015); Wesley A. Demory, Note, *Patent Claim Obviousness in Jury Trials: Where's the Analysis?*, 6 J. Bus. & Tech. L. 449 (2011). As between judges and juries, juries deciding issues of patent validity are viewed as more likely to defer to the USPTO's decision to grant a patent. *Id.* at 467-468. "The pro-patentee reasoning is that juries give significant deference to the PTO's allowance of the patented subject matter and the fact that they cannot wrap their heads around the issues enough to invalidate a patent." *Id.* And, indeed, patent owners who demand juries are more likely to succeed on patent validity than if they opt for bench trials. *Id.* Whatever its prevalence in district court proceedings, the problem of jury bias clearly does not taint the results of IPRs.

Moreover, in an IPR, the issues of obviousness and anticipation take center stage without the potential for distortion by the circumstances of district court litigation. For the petitioner, the consequences of losing are not catastrophic: the petitioner can still challenge infringement and damages in the district court, and may have other invalidity defenses that the USPTO could not or did not agree to consider or that could not be raised in an IPR. Thus, both the petitioner and the factfinder in an IPR[9] can give full attention to the

[9] IPRs also allow patent owners to request amendments to claims in response to such obviousness and anticipation arguments. While the procedures for amendments during the IPR are the subject of ongoing court review, *see In re Aqua Prods., Inc.*, No.

raised questions of obviousness and anticipation, making it more likely that they will reach the correct result.

CONCLUSION

IPRs play a vital role in the patent system—one that is consistent with the long tradition of post-grant review proceedings. Although IPRs are by no means perfect, they serve as an important corrective measure to the erroneous grant of patents without impairing the USPTO's ability to process a massive volume of patent applications. IPRs, moreover, can offer significant advantages relative to litigation of validity issues in a district court. Holding IPRs unconstitutional would deprive the public and the patent system of these important benefits.

Respectfully submitted,

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2015-1177 (Fed. Cir.) (argued *en banc* on Dec. 9, 2016), no amendment is permitted in district court.