

WRITTEN TESTIMONY

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BEFORE THE

**Subcommittee on Courts, Intellectual Property, and the Internet  
COMMITTEE ON THE JUDICIARY  
U.S. House of Representatives**

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Good morning Chairman Johnson, Ranking Member Issa, members of the Subcommittee on Courts, Intellectual Property, and the Internet. Thank you for offering me an opportunity to provide my views on the USPTO's Patent Trial and Appeal Board (PTAB), its impact on the U.S. patent system during its first ten plus years of operation and ways to improve the PTAB to enhance future U.S. innovation and competitiveness. I am testifying today solely on my own behalf.

I was the Director of the USPTO 11 years ago when the America Invents Act (AIA) created the PTAB and corresponding post-grant review system. Since then, the PTAB has on balance been a success, providing our country with a timely and efficient way to take a second look at important patents. Patents that should not have been granted can be invalidated, and owners of valid patents can be timely assured of continued protection of their well-earned rights by subject matter experts. This balancing of interests enables U.S. business investment, growth and job creation. My thanks and appreciation go out to Congress, the Federal Circuit, the

USPTO and the PTAB, especially the Chief Judges and administrative patent judges (APJs), for their successful work in creating, building, maintaining and administering a first-class adjudication body within the USPTO. The PTAB, on balance, has achieved the vision Congress set out for it.

Of course we have learned a lot during the PTAB's first ten years of operation, with some things going extremely well and others not as well. While there is plenty that should be preserved, there are also a number of places where the laws and rules governing the PTAB's operations can be improved, and I applaud Congress for revisiting the AIA on its tenth anniversary to make needed improvements for the PTAB. But when working to improve something that is not fundamentally broken, we must heed the Hippocratic Oath: "first, do no harm". In its current state, the PTAB unquestionably works. In seeking to improve it, Congress should beware unintended consequences that push the system backwards.

Turning to specific improvements, we are fortunate that the Supreme Court has addressed APJ constitutionality in the *Arthrex* case. Congress should clarify the administrative patent judge appointment process by codifying the Supreme Court's holding in *Arthrex*. When doing so, Congress should take care to insulate administrative patent judge appointments from political interference. PTO APJs should be appointed for their legal and technical acumen, period.

Congress should also address the PTAB's *Fintiv* rules. The number of *Fintiv* challenges has declined significantly, as both IPR applicants and patentees have adjusted their litigation strategies to account for *Fintiv*,<sup>1</sup> but a Congressional fix to this divisive issue would nonetheless benefit U.S. innovation. As was done in the original AIA, the fix must start by taking into

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<sup>1</sup> See Matthew Bultman et al., '*Fintiv*' Patent Review Denials Fall as Calls to End Rule Persist, Bloomberg Law (May 31, 2022), <https://news.bloomberglaw.com/ip-law/fintiv-patent-review-denials-fall-as-calls-to-end-rule-persist> (indicating rate of discretionary denials under *Fintiv* has declined from 38% to 13% to 10% across 2020-2022 with only thirteen *Fintiv* denials in 2022 through May 26).

account the needs of small businesses—both those reliant on the protections provided by valid patents and those that need a cost-effective method to challenge invalid patents. I encourage Congress to strike a balance between these opposing interests when addressing *Fintiv*. In this regard, I am concerned that the fix proposed in the Senate’s newly introduced Patent Trial and Appeal Board Reform Act of 2022 is too extreme and too easily gamed. Any legislation requiring an expert agency to ignore obvious and important facts—e.g., requiring the Director of the USPTO to ignore one or more court cases considering a patent at issue in a PTAB proceeding—is problematic. Further, fixes to abusive IPR filings in the proposed Patent Trial and Appeal Board Reform Act of 2022 that address IPRs filed on different days but do not address multiple IPRs filed on the same day will be easily gamed and ineffective at stopping abusive IPR practices. Well-founded concerns have been raised over IPR petitioners holding up good-faith patent owners essentially indefinitely with multiple proceedings. The law must continue to provide mechanisms to discourage and address these abusive practices by petitioners, and it needs to be flexible enough to be resistant to gaming and able to address the near-infinite circumstances in which multiple IPR challenges can be raised.

Consistent with the text of the Senate bill, Congress should codify the *Phillips* standard for claim construction. The “broadest reasonable interpretation” (BRI) standard used by the examining corps in normal patent application examination was originally chosen for the PTAB in anticipation that claim amendments would be a commonplace feature of PTAB proceedings. This has not turned out to be the case in practice. In fact, the opposite is closer to actual experience, with few IPR proceedings including claim amendments. When the endemic paucity of claim amendments became clear despite changes in PTAB practice designed to encourage them, and was further propelled by complaints from district courts that the misalignment in claim

interpretation standards made it difficult for district courts to make effective use of PTAB determinations, the PTAB several years ago adopted the *Phillips* standard in practice to align with district courts.<sup>2</sup> It is time for Congress to reflect this simple good-policy change that recognizes the role the PTAB has taken on in practice, aligns with the claim construction standard long employed by the district courts, and accepts that rarely occurring claim amendments cannot drive PTAB practice, to remove any doubt and ensure against temptation to have the standard revert in the future.

Additionally, Congress should refrain from limiting IPR estoppel based on the disposition of a final written decision “that the claim is not unpatentable”. As it stands now, estoppel applies to enforceability, eligibility and other non-prior art bases for finding a patent invalid, while the added language in the Senate bill would limit estoppel and may encourage duplicating validity challenges in parallel proceedings. Again, changes to the PTAB should first “do not harm”. Significant estoppel implications were a critical component of the original AIA, and good policy calls not for further limiting estoppel, but for applying it to the full scope of the final written decision.

Other critically needed improvements to the PTAB are actually not addressed in the proposed Senate bill. I’ll recount them here. But as a threshold matter, any changes to the law that governs the operation of, and the standards employed by, the PTAB must account for something we did not anticipate in 2011: the PTAB has become the dominant venue for determining patent claim validity in the decade since it was created. Certain standards that were put in place in expectation of hypothesized PTAB usage have proven a mismatch with actual

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<sup>2</sup> Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340 (October 11, 2018) (amending 37 C.F.R. § 42).

events. We need the law to respond to the reality of the role the PTAB has taken on, and adjust standards to meet that reality.

First, Congress should move the PTAB from the “preponderance of evidence” to the “clear and convincing evidence” standard as the standard of proof required to invalidate a patent. As the predominant venue for determining patent validity, the PTAB’s standard of proof should be aligned with the standard of proof that has been used to determine patent validity under U.S. patent law in all other venues for decades—“clear and convincing evidence”. The “clear and convincing” standard has long been held by the courts to strike the right balance between patentees and patent challengers, and given the actual usage of the PTAB there is no reason to apply a different standard there. Beyond conforming to well-settled district court practice, doing so will address the difficulties caused in PTAB proceedings by hindsight bias and the inability to introduce evidence of secondary factors of non-obviousness due to the lack of discovery and few oral hearings at the PTAB. Patentability requires novelty and non-obviousness as of the effective filing date of a patent application, and using the “clear and convincing evidence” standard would help insulate PTAB decisions from hindsight bias caused by the passage of time between filing and determining patentability.

Second, Congress should create an IPR off-ramp to reexamination to permit efficient claim amendments. This provision is missing from the Senate bill introduced last week but would make for sound policy. The PTAB has proven to be a difficult forum in which to manage claim amendments, but the Central Reexamination Unit (CRU)—which handles reexamination practice—is extremely well-suited to manage such amendments. Unlike the PTAB, the CRU is designed and especially equipped with examiners to perform prior art searches and reexamination proceedings. The best policy approach would involve a patentee election to take

the off-ramp that would trigger a dismissal-without-prejudice of litigation as to the applicable patent. The off-ramp would end the IPR and guarantee that the applicable claim(s) would emerge in a narrower amended form (or be canceled) after the reexamination. This is in contrast to the current IPR regime that allows for “contingent amendments,” where an original patent claim can coexist with the contingent amended form of that claim, enabling the patent owner to continue asserting the original patent claim pending a final decision in the IPR. With the IPR off-ramp to reexamination, the ability to narrow claims affords fairness to the patent owner and the accused infringer, enabling the post-grant processes created by the AIA to meet Congress’s original vision.

Chairman Johnson, Ranking Member Issa and members of the Subcommittee, thank you again for the opportunity to share my thoughts this morning. I appreciate your efforts to reflect on the 10-year experience of the PTAB. To the extent you find it helpful, I would be pleased to assist the Subcommittee as it further considers these topics. I look forward to addressing your questions.