



Remarks by Director Iancu at the American Intellectual Property Law Association Annual Meeting

October 25, 2018

Remarks delivered at the American Intellectual Property Law Association (AIPLA) Annual Meeting

Director of the U.S. Patent and Trademark Office Andrei Iancu

October 25, 2018

Washington, D.C.

As delivered

Thank you, Myra, for the introduction. And good afternoon everyone. I'm honored and delighted to be here with all of you today. The USPTO and AIPLA have had a wonderful, longstanding relationship, and I know that our work together to strengthen and protect the American intellectual property system—so critical to our country's continued economic success—will continue for a long time to come.

This is a new day for the USPTO and our Patent Trial and Appeals Board (PTAB). For we are now increasing balance, consistency and transparency, especially in post grant proceedings. And in doing so, we are increasing confidence in these important proceedings.

Since Congress passed the America Invents Act (AIA) in 2011, we have received more than 9,000 petitions and issued over 2,000 final written decisions. So, we now have broad experience in understanding the true benefits and true challenges of these proceedings.

Opinions on how post-grant proceedings have been conducted to date diverge widely. Some vigorously dislike them, arguing that they are unfair and tilt too much in favor of the petitioner. Indeed, some would like to see the system abolished entirely. Others love the system, believing it's the best tool we have to correct errors, eliminate "bad patents," and improve patent quality. In fact, some would like to see IPRs expanded to consider even more issues.

As the agency in charge of administering these proceedings, it is our duty to carefully weigh all these points of view, and everything in-between, and to bring balance to the current process. It is our duty to look at validity challenges holistically, and determine the overall best approach for the patent system as a whole.

The USPTO has carefully studied the past 6 years of these proceedings; we have discussed the issues with our stakeholders, including many of you in this room today; and we have listened to all who spoke up. And so now, in order to ensure balance, consistency and transparency, in order to increase confidence in the proceedings, and in order to make the patent system as a whole more effective, more efficient and more reliable, we took action.

To that end, we updated the Trial Practice Guide this past August, published two new Standard Operating Procedures for PTAB in September, and published a final rule on the claim construction standard in October. And in just a few days, we will formally publish a proposal for an updated claim amendment procedure in AIA trials.

All of which is what I mean when I say: It is a new day at the PTAB!

To start, our recent update to the Trial Practice Guide was the first since it was published in 2012. In the update, we outlined some non-exclusive factors regarding the institution decision, including considerations regarding follow-on petitions, the overall effect on the economy, the integrity of the patent system, and the like; added sur-replies for the patent owner; provided new guidance on the proper use of expert testimony, and procedures for oral hearings before the Board; and established a pre-hearing conference, which could help focus disputes and expedite resolution of issues.

Second, in an effort to further improve Board practices and transparency, we issued two revised Standard Operating Procedures, or SOPs.

The first SOP outlines the procedures the Board uses for assigning (or re-assigning) judges to cases. This SOP also clarifies that the PTAB will expand panels only in very limited circumstances, generally where consistency among multiple related cases is needed. And even then, the expansion must be done with the approval of the Director and advance notice to the parties.

The second SOP creates a Precedential Opinion Panel and governs precedential and informative decisions of the Board. This panel will mostly be convened to decide issues of exceptional importance that will set forth binding agency policy. Members of this panel are by default the USPTO Director, the Commissioner for Patents, and the Chief Judge, although in some circumstances this authority can be delegated to a pre-defined list of individuals for a particular case.

This panel will enable top agency management to address some of the thorniest issues that come to us, and to instill consistency throughout the agency. This will help ensure that the different groups within the agency speak, where appropriate, with one voice. We are, after all, one agency.

This SOP also outlines the requirements for designating, or de-designating, a decision as precedential or informative – to address concerns about consistent guidance for practice before the PTAB. This new designation procedure should help increase the number of precedential opinions issued by the PTAB.

To date, we have averaged only a handful of precedential opinions every year, an amount that seems far too low for the volume and importance of the cases we see. By comparison, the TTAB, on the trademarks side, designates significantly more precedential opinions, despite a much smaller docket. I am not suggesting that the PTAB should necessarily designate as many precedential decisions as the TTAB, but, to increase consistency at the PTAB, something more than the current mere handful seems in order. The designation process outlined in the new SOP should help in that regard.

Combined, these two SOPs increase transparency, promote consistency, and—I believe—will increase confidence in the process.

Third, on October 11, we published the final rule for claim construction in AIA proceedings before the PTAB. The same standard will now be applied in AIA Trials before the Board as in civil actions in district courts, and in proceedings at the International Trade Commission (ITC). Furthermore, any prior claim construction decision in a civil action or before the ITC will be considered by the Board, as long as it is introduced into the record on a timely basis. The new claim construction standard will apply to all petitions filed on or after November 13, 2018.

Looking at the patent system holistically, this is a critically important rule change.

For the sake of predictability and reliability, the boundaries of a patent should not depend on which forum happens to analyze it. People who want to invest in a patented technology, or who want to invent or design around one, should be able to determine, within reason, what that patent means. Objectively speaking, that meaning cannot, and should not, depend on the happenstance on which forum might review the patent, years after issuance. The rule change, therefore, increases the predictability of our patent system.

Likewise, using the same claim construction standard should improve efficiencies for everyone involved. Parties can develop a single set of claim construction arguments and can leverage the work already done in district court proceedings, or vice versa. Plus, one forum can consider the work previously done by another forum. The rule will therefore also improve consistency between proceedings.

After all, some 85 percent of patents contested at the PTAB are involved in parallel litigation. It seems self-evident that the same patent contested in different tribunals should have its meaning – its boundaries – determined using the same standard.

Now, as it turns out, the change from the Broadest Reasonable Interpretation to the *Phillips* construction has generated significant interest among our stakeholders. We have received about 375 public comments, and the rule change has been met with widespread support from industry, academics, individuals, and trade organizations, including the AIPLA.

A few, however, are not pleased with the change. Some of these groups have suggested that this change makes it easier to preserve what they call “low-quality patents.”

That’s curious, because all we did was to say that we will use the same standard currently used by district courts and the ITC, and that has been used in countless court proceedings for many years to date. Arguments that using the very same standard already used in federal courts preserves “low-quality patents” are, therefore, unconvincing. In other words, whatever a “low-quality” patent means, it cannot be that it is a patent that survives challenge based on a claim construction standard used in district court.

Put another way still: There is no reason for the USPTO to be using a claim construction standard in IPR that eliminates patents that would otherwise survive challenge in District Courts. Doing so is an example of what I have referred to as an over-correction that risks throwing out the baby with the bathwater.

Our filters need to be appropriately set. Aligning AIA proceedings at the PTAB with the district courts and the ITC brings balance, predictability and consistency to the patent system as a whole.

Finally, in the next few days, we will formally publish a notice seeking comments on a new claim amendment process for post grant proceedings.

I believe that the current amendment process in AIA proceedings is not working as intended. As noted just last year by the Federal Circuit in its lead *Aqua Products* decision: “Despite repeated recognition of the importance of the patent owner’s right to amend during IPR proceedings—by Congress, courts, and the PTO alike—patent owners largely have been prevented from amending claims in the context of IPRs.”

Indeed, claim amendments have been relatively rare – filed in less than 10 percent of AIA trials – and infrequently granted. Of the already small number of cases where the Board decided a motion to amend, the Board granted or granted in part only 10 percent of such motions. Some have suggested that parties have simply stopped even trying to amend the claims because they see the effort as largely futile.

But the AIA statute specifically provides for claim amendments in IPRs, so in order to fully implement the intent of the AIA, we must find a way to make this amendment process feasible and meaningful. In other words, it is important to ensure that post grant proceedings are not all-or-nothing. It is not in the interest of the patent system as a whole to invalidate a patent entirely if it actually describes patentable subject matter, and appropriately-scoped claims can be drafted.

Therefore, the amendment process should allow the patent owner a meaningful opportunity to draft narrower claims. And in order for the opportunity to amend to be *truly* meaningful, the patent owner needs input from the petitioner and the Board, so that appropriately-scoped claims can be drafted in light of the prior art and arguments presented.

The AIA statute itself requires a number of things with respect to claim amendments. For example: First, 35 U.S.C 316(d) requires that patent owners must have an opportunity to amend their claims during the proceeding itself. In fact, 35 U.S.C 318(a) requires the final written decision to address both the original and the amended claims. Thus, amendments must be available within the AIA trial itself.

Second, 35 U.S.C. 316(a)(11) states that AIA trials generally should conclude within 12 months from institution. Therefore, the amendment procedures should generally fit within the allotted 12 month window. Third, these are *inter partes* proceedings. Thus, the Petitioner must have a meaningful opportunity to participate.

And so, based on extensive analysis and consultation with a wide variety of stakeholders, we have developed a detailed solution that meets all of these requirements.

To achieve these goals, we propose a new amendment process that would involve a motion filed by the patent owner soon after institution, an opposition by the petitioner, a preliminary non-binding decision by the Board, and the opportunity for the patent owner to revise the amended claims in light of this preliminary decision.

Specifically: the patent owner will have a window of six weeks following an institution decision to file a motion to amend, if they so desire. The petitioner will then have six weeks to oppose.

After receiving both parties' papers, one month after the opposition is due the Board will provide a preliminary non-binding decision on the proposed amended claims, similar in concept to the institution decision for the original claims. This preliminary decision would provide valuable insight to both parties regarding the merits of the motion to amend.

Then, the patent owner will have one further opportunity to revise the amended claims, and the petitioner will have a corresponding opportunity to oppose the revision. In the end, the Board will consider both the original claims and any amended claims at the hearing and in the final written decision.

Having the Board provide this extra feedback to the parties earlier in the case should lead to more narrowly-tailored and focused claim amendments, and potential earlier resolution of the issues. As I said, we will seek public comments before finalizing the new procedure. We want to ensure that the final amendment procedure takes into account all of your views.

And so, with the newly updated trial practice guide, the new standard operating procedures, the claim construction standard newly aligned with federal courts, and a robust new amendment process, it is indeed a new day at the PTAB!

I firmly believe that this combination brings more balance to the proceedings, and better aligns them with the original intent of the AIA legislation.

And speaking of legislation, a brief legislative update: Congress recently passed the Study of Underrepresented Classes Chasing Engineering and Science Success (SUCCESS) Act, and it is expected to be signed by President Trump soon.

Importantly, this act extends the USPTO's fee-setting authority to 2026, and is also aimed at promoting innovation by women, minorities and veterans.

Expanding the innovation ecosphere broadly—both demographically and geographically—is a key priority of ours, and we welcome the opportunity to study what can be done to increase participation from these critically important groups. The world today is very competitive when it comes to innovation and entrepreneurship. Across the United States, and across our population, we need all hands on deck!

We also need all hands on deck when it comes to examining trademark applications at the USPTO. This is because the growth of trademark registration applications continues to rise dramatically. It grew eight percent in fiscal year 2018, which ended just a few weeks ago. And this was on top of an unprecedented 12 percent growth rate in fiscal year 2017. Despite the massive growth, the Trademark Office has met all of its pendency and quality goals for more than a decade straight. But not without straining our personnel and resources. So we are currently hiring more trademark examining attorneys, and integrating them into our operations and culture.

We are also working on moving to mandatory electronic filing for all trademark applications, a move which the TTAB successfully initiated almost two years ago. Although 99.9 percent of initial trademark filings are electronic, only 88 percent of applications stay electronic through the whole prosecution. Paper filings cost the USPTO extra time and money, and may also lead to optical character recognition errors due to the scanning process. And so, we aim to make the entire process fully electronic.

Separately, the Trademark Office also launched a multi-year nationwide anti-counterfeiting campaign to reduce the demand for counterfeit goods. To kick off this campaign, there is an anti-counterfeiting video contest, which I urge you all to enter. The deadline is November 16 and you can even win up to \$2500!

And finally, on to the most exciting news of the day!

Just last night, we launched a newly re-designed homepage for our uspto.gov website. The new homepage modernizes our look, highlights our main priorities, and makes it easier to navigate to the places you most-often use.

And this is just the beginning. We will further refine the home page itself, and will also continue to improve the rest of the website. And for all that future work, I want to ask you for help. We need feedback from frequent visitors like you. If you want to be a tester and help us improve the website, please stop by our booth in the exhibit hall and sign up.

And now, let me share with you a brief demo of the new page. Our new homepage includes several new features specifically requested by our stakeholders. For example, we created a "Find it Fast" feature, which allows you to find the 25 most-used areas of our site in just one click. Please note that the business-end of the website, including the pages you would access for search or filings, remain unchanged for now.

And specifically for independent inventors, junior attorneys, or anyone new to IP, we created a "New to IP" section linking to basic educational resources.

We've also added quick links on the side where you can easily access the latest USPTO news, public events, and you can even find my past remarks here! Today's remarks should appear there by the end of today.

And at the bottom of the home page, you will find features such as our leadership blog postings, interesting videos and various IP-related featured events. The video there now, for example, on IP attachés, features AIPLA's own Lisa Jorgenson!

In addition, we also made the interface better for mobile devices. You will see similar pull-down menus for quickly finding the most important functions. And you will also see a variety of other features as you scroll.

And finally, my favorite part is our new feature story, right at the top of the home page. This is where each month we will feature interesting IP-related stories, such as an entrepreneur, inventor, or journey of innovation. This feature will provide an opportunity for the PTO to highlight – among other things – the brilliance of inventors, the excitement of innovation, and the incredible benefits they bring to the world.

This month, for example, we feature Steve Katsaros, entrepreneur and inventor of a solar lightbulb, which provides a low-cost, safe replacement to kerosene lamps. His start-up, Nokero, one of our Patents for Humanity winners, could help over 1.2 billion people living without electricity in developing countries to literally see the light.

Nokero's mission, embodied in their name—NoKero, which stands for "no kerosene" — is to eliminate the use of kerosene lamps, which emit noxious fumes and cause countless fires, and replace them with clean energy from the sun. The lamp is charged by solar power during the day, enabling its use by night.

Mr. Katsaros shared a poignant message that he received from a young boy in Kenya named Joseph who said, "somebody purchased a couple of solar lights for me and my siblings...I'm the first one in university because I could study for hours every night when I couldn't before."

Inventions like that, and inventors like Steve Katsaros, are changing the world every day. Just as they have done since the founding of our nation.

Steve Katsaros said he filed a patent within three days of conceiving his first product. As a patent agent himself, he knew the importance of protecting his intellectual property. And so do all of you.

We must celebrate the inventors, the inventions, and the entrepreneurs that make all this possible. Let's shine a light on the people who put our country at the leading edge of global innovation, and the world-class IP system that made it all possible.

This is the dialogue we should have. This feature on our website is but a part of our effort at the USPTO to do so.

It is a new day indeed! Thank you.