

## Higher Education Community Recommendations for Improvements to PTAB Proceedings

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### **Background**

The diverse products and processes that emerge from university technology transfer benefit the public in many ways. They create jobs, contribute to U.S. economic competitiveness and global technological leadership, improve public health, and strengthen national security. To put this in perspective, in 2016 alone, the U.S. Patent and Trademark Office (USPTO) issued U.S. universities more than 6,000 U.S. patents. Additionally, American universities spun off over 950 startup companies (most of which have their primary place of business in the home state of the licensing university) and generated more than 650 new commercial products.<sup>1</sup> Between 1996 and 2015, domestic university and nonprofit patent licensing activity supported up to 4.3 million jobs and contributed up to \$591 billion to our country's gross domestic product and \$1.33 trillion to U.S. industry gross output.<sup>2</sup>

University technology transfer's capacity to achieve its societal benefits depends on a strong patent system. Because inventions emerging from university research tend to be early-stage and high-risk, successful university technology transfer requires an effective patent system that protects these inventions. In other words, university licensees and venture capitalists must have some confidence that the patents on those inventions will be enforceable in fair proceedings, whether in the courts or at the Patent Trial and Appeal Board (PTAB). However, the Inter Partes Review (IPR) process – which universities initially supported because it was intended to streamline patent adjudications – introduced asymmetries into the patent system that unfairly disadvantages patent holders and creates uncertainty for university licensees that discourages investment in university innovations.

### **Recommendations**

As noted above, university technology transfer requires a patent system that reassures university licensees that their investments in developing university innovations to serve the public good will be protected and rewarded. Accordingly, we recommend the following changes, in descending order, to the PTAB and IPR proceedings.

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<sup>1</sup> Association of University Technology Mangers, "2016 Licensing Survey," available at <https://www.autm.net/resources-surveys/research-reports-databases/licensing-surveys/fy2016-licensing-survey/>.

<sup>2</sup> Biotechnology Innovation Organization, "The Economic Contribution of University/Nonprofit Inventions in the United States: 1996-2015," available at [https://www.bio.org/sites/default/files/files/BIO\\_2015\\_Update\\_of\\_I-O\\_Eco\\_Imp.pdf](https://www.bio.org/sites/default/files/files/BIO_2015_Update_of_I-O_Eco_Imp.pdf).

- **Harmonize the IPR claim construction standard with that of the federal courts and the International Trade Commission by applying the *Phillips* standard rather than the Broadest Reasonable Interpretation (BRI) standard.** We support the USPTO's current proposal in this regard and agree that it will promote consistency in claim construction between the PTAB and proceedings in district court or at the ITC, as well as increase efficiency.
- **Harmonize the burden of proof standard applied in IPR proceedings with the burden of proof standard applied in district courts.** This would provide patent owners much-needed certainty that the outcome of a validity challenging procedure will not vary based on use of the preponderance of the evidence standard in a PTAB proceeding, on the one hand, and use of the clear and convincing evidence standard in a federal court, on the other hand.
- **Require an objective panel, not judges who would hear a case, to make decisions to institute PTAB proceedings.** This issue can be remedied by using a two-panel system comprising an institution panel and an adjudicating panel. Objectivity of the PTAB IPR panel is necessary given the additional administrative time and resources it would take for the PTAB to bring two panels up to speed on the case.
- **Close the “integrity loophole” problem by restoring the traditional right of patent holders to sue for damages if their patents are subject to reexamination on the basis of false evidence or other abuses.** A 2011 ruling by the U.S. Court of Appeals for the Federal Circuit (CAFC) denied this right to patent owners who are victimized by post-grant reviews. Restoring this right would enforce the longstanding duty of candor and fair dealing required of all parties who make filings before the PTO, codified at 37 C.F.R. 11.18, and also bring PTAB litigation into line with other district court litigation, where similar remedies exist for parties harmed by fraud on the court or abuse of process.
- **Allow patent holders to amend claims.** In both *In re Aqua Products*, and a recent memo by the USPTO's Chief Administrative Patent Judge David P. Ruschke to the PTAB instructions provided that a patent owner can place forth amendments during the IPR proceeding and the burden is on the petitioner to prove un-patentability, not the burden of the patent owner to show patentability. This allows the patent owners a much easier path toward amending claims in response to petitioners' claim challenges.
- **Strengthen estoppel rules to simplify the disposition of validity disputes by ensuring that decisions by the PTAB have conclusive effect.** Rules and amendments to the statute should be implemented to ensure that each proceeding maximizes the issues and grounds that are decided once and for all.

- **Require petitioners demonstrate a clear error during examination if the art referenced in the petition is the same as that which was considered during said examination.** Such a rule would be consistent with PTO procedures for other review processes.
- **Provide clarity to universities regarding whether or not they are eligible for micro entity status under 35 USC 123(d).** 35 USC 123(d) defines when a university can claim micro entity status and therefore be eligible for the 75% discount. However, the lack of clarity in 35 USC 123(d) regarding the use of the term “applicant” results in uncertainty about when a university can claim micro entity status (as opposed to small entity status). Because universities typically file *on behalf of* their researchers/inventors, this can result in a substantial, and in some cases prohibitively costly, fee differentials for such filings.
- **Do not refund petitioners’ fees if their petitions are denied.** The refund provides a lower risk for petitioners that may institute more marginal cases, and the resources used for considering the petition, captured by the fees, should be kept by the USPTO.
- **Allow live testimony at PTAB hearings, similar to what is permissible under the Federal Rules of Procedure.** Although current IPR practice has a deposition scheme that allows for cross-examination, this scheme is insufficient and does not employ the benefit of direct testimony by patent owners in front of the panel.
- **Provide a more detailed set of ethical rules to govern attorney conduct.** Because lawyers have more leeway in discovery given the limited discovery, it is essential to establish expectations that lawyers will honor their obligations.
- **Adopt a code of conduct similar to that applied to Article III judges.**

Universities and their licensees must be able to defend their patent rights through good-faith judicial proceedings at both the federal court and administrative levels. Ensuring fairness and increasing certainty for patent holders engaged in IPR proceedings is critical for the technology transfer process to work as intended to benefit society and the economy. If implemented, the above recommendations should curb abusive patent practices while maintaining the capacity of our robust patent system to support the innovation and economic competitiveness that serve this nation and its citizens so well.