

USPTO Chief's Call For New Path On Patents Draws Cheers

By Ryan Davis

Law360 (April 12, 2018, 10:52 PM EDT) -- U.S. Patent and Trademark Office Director Andrei Iancu put the agency on a new course toward stronger patents with a speech Wednesday pledging to make the patent system more predictable, a move praised by experts who said he appears set to reshape patent examinations and review proceedings.

Speaking at an event at the U.S. Chamber of Commerce two months after being confirmed to lead the agency, Iancu decried what he called "a yearslong onslaught" against the patent system in the form of judicial decisions, new laws and negative rhetoric, and outlined changes he aims to make at the office to make to push back.

The patent system is "at an inflection point," Iancu said, and "we will not continue down the same path."

Former Federal Circuit Chief Judge Paul Michel, who last year said that the patent system has been weakened by America Invents Act reviews and patent-eligibility decisions to the point that it is in "crisis mode," said he was "very, very heartened" by Iancu's comments.

"Director Iancu is the brightest hope for the patent system visible anywhere," he said, adding that the speech "gives hope that he really means business and will act swiftly and boldly to make changes to the maximum possible extent."

Robert Stoll of Drinker Biddle & Reath LLP attended the event and said, "It was an outstanding speech and I am confident that he is looking to support a strong patent system."

Stoll, the former USPTO commissioner for patents, said the changes Iancu can make include improving the workings of the Patent Trial and Appeal Board, providing more guidance to examiners about patent eligibility and improving the quality of issued patents.

Iancu said in the speech that U.S. Supreme Court decisions on patent eligibility like *Mayo* and *Alice* have created standards that are "difficult to follow" and made it challenging for attorneys, courts and examiners to determine whether inventions are eligible for patenting.

The USPTO must faithfully apply the court's precedent, he said, but the agency "will do everything we can" to increase clarity and predictability.

"We're actively looking for ways to simplify the eligibility determination for our examiners through forward-looking guidance," he said. "Through our administration of the patent laws, which we are charged to execute, the USPTO can lead, not just react to, every new case the courts issue."

The USPTO gives examiners new patent-eligibility guidance following court decisions, but it generally reiterates what the rulings say. Iancu appears to be suggesting that the office will now seek to "test the edges" with guidance taking positions on what should be patent-eligible that goes beyond judicial holdings, said Bob Steinberg of Latham & Watkins LLP.

"We have not necessarily seen the office try to push the envelope, and I think that's refreshing to hear," he said.

Judge Michel said that the high court's unclear standards on patent eligibility have caused "chaos" that has thrown the value of many patents into doubt. The USPTO can help address that by answering some of the questions the justices left unresolved, he said.

For instance, the high court said that inventions that are "directed to" an "abstract idea" are not patent-eligible, but what those phrases mean has bedeviled courts, litigants and the patent office. The USPTO could make the eligibility analysis clearer by issuing guidance explaining what those terms mean during examinations or patent reviews, Judge Michel said.

"The Supreme Court in Mayo and Alice completely declined to define those terms," he said. "Director Iancu, in my view, has the authority to define them. He could do that very quickly and I hope he will."

Iancu's speech also addressed AIA reviews, which have been used to challenge thousands of patents since they became available in 2012. They have been embraced by accused infringers but decried by patentees because statistics show most decisions result in claims being invalidated.

Iancu said one of the USPTO's "highest priorities" is to carefully balance the rights of patent owners and interests of challengers in the proceedings, so that the PTAB can effectively address invalid claims but does not "throw out the baby with the bathwater."

"We are now examining how and when we institute proceedings, the standards we employ during the proceedings, and how we conduct the overall proceedings," he said. "The goal, with whatever action we take, is to increase predictability of appropriately scoped claims."

Compared with patent eligibility, where the USPTO is constrained by judicial precedent, Iancu has broad latitude to make changes to the AIA review process. That could include altering the standards used by the board, how it decides to institute reviews and how the panels are set up.

"He has an opportunity to make adjustments that will be helpful," Steinberg said.

Judge Michel said the director could change the claim construction standard used by the PTAB, which gives patent claims their "broadest reasonable interpretation," to the narrower standard used in district court, known as Phillips.

The so-called BRI standard is "a meaningless, elastic, improper standard," he said. "Patent claims have only one correct meaning. Director Iancu could immediately abolish BRI and adopt Phillips."

Similarly, the AIA statute gives the director wide discretion to decide not to institute reviews, but "up to now, that power has been completely unused by the patent office," Judge Michel said.

Iancu could therefore exercise that authority to block AIA review petitions that are repetitive or would be harmful to a patent owner whose business is based on the patent, he said.

Iancu's speech also called for discussions of intellectual property to emphasize the positive benefits the patent system brings to society.

"For too long, the words surrounding our patent system have been overly focused on its faults," he said. "A successful system cannot be defined by its faults. Rather, a successful system must be defined by its goals, aspirations and successes."

That call for a pro-IP tone would be a welcome shift when policy discussions about the patent system are often centered on abusive litigation and the potential harm that can be caused by patents, observers said.

Iancu's speech "sends the right message" by emphasizing the benefits of intellectual property and the need for a predictable system, said Robert Hanson, chairman of the U.S. intellectual property and technology practice at Dentons.

"Uncertainty in the ability to obtain and enforce patents hurts everyone, undermining the incentives that drive innovation in America," Hanson said. "Although the USPTO cannot address this alone, Director Iancu's speech provides an encouraging message on protecting the technological advances that bring forth progress and development in our nation."

Iancu appeared determined to strike a balance between addressing the concerns of patent owners who worry that recent developments have weakened patents and those who have embraced the new opportunities the eligibility ruling and AIA reviews create to challenge patents.

"I understand that there are a variety of legitimate points of view. We must work together to achieve a careful balance that is most beneficial to the American economy as a whole," he said.

By talking about issuing better patents and making sure the system is predictable, Iancu "really addressed the concern of constituencies in the U.S. economy," said Michael Ray, managing director of Sterne Kessler Goldstein & Fox PLLC.

"He's showing the promise of great leadership," he said. "It was exciting to read the speech."

Steinberg said Iancu, formerly the managing partner of Irell & Manella LLP, seems committed to making an impact on the patent system in his new role.

"I really think he has the ability to proactively make changes," he said. "I don't think he would have the practice to not make his mark, and I think he will."

--Editing by Katherine Rautenberg and Alanna Weissman.