

ALERT

PTO Proposed Rules Represent Shift for Claim Interpretation at PTAB

May 10, 2018

The United States Patent and Trademark Office (PTO) released proposed new rules yesterday that if adopted will change the claim construction standard used in all trial matters before the Patent Trial & Appeal Board (PTAB), including Inter Partes Review (IPR), Post-Grant Review (PGR), and Covered Business Method (CBM) proceedings. See *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings before the Patent Trial & Appeal Board*, 83 Fed. Reg. 21221 (proposed May 9, 2018) (to be codified as 37 C.F.R. pt. 42). Interested parties have until July 9, 2018, to submit comments on the proposed rulemaking.

Currently, the PTAB gives unexpired patent claims their broadest reasonable interpretation (BRI), “consistent with longstanding agency practice,” that recognizes patent claims may be amended during PTAB proceedings. M.P.E.P. §2240 (construing according to their ordinary and customary meaning for expired patents, where no amendments are possible); see also *id.* at 21222. The proposed new rules make two significant changes.

First, the PTAB proposes using the Federal Circuit’s *Phillips* standard for claim construction. *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). In addition to directing administrative patent judges (APJs) to review the specification and prosecution history for disavowals that narrow claim scope, the proposed rules contemplate construing claims “to preserve their validity” as a last resort. 83 Fed. Reg. at 21223. This *Phillips* approach resulting in often narrower claim construction would likely mean that fewer patent challengers are successful at the PTAB at invalidating patent claims.

Practice Areas

Intellectual Property

Second, the proposed rule provides that the PTAB will consider claim constructions adopted by federal courts or the International Trade Commission (ITC) if timely made of record in IPR, PGR, and CBM proceedings. This proposed rule raises strategic considerations on the timing of petitions to account for federal court and ITC claim construction orders.

I. The Proposed New Rules on Claim Construction.

The proposed new rules seek to 1) “replace the broadest reasonable interpretation standard for construing unexpired patent claims in [PTAB] proceedings with a standard that is the same as the standard applied in federal district courts and International Trade Commission,” and 2) require the PTAB to consider “prior claim construction determination[s] concerning a term of the involved claim in a civil action or an ITC proceeding.” 83 Fed. Reg. at 21221-22. If adopted, 37 C.F.R. 42.100(b) regarding IPRs would be amended to read as follows:

In an inter partes review proceeding, a claim of a patent, or a claim proposed in a motion to amend under § 42.121. A claim in an unexpired patent that will not expire before a final written decision is issued shall be construed using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent. given its broadest reasonable construction in light of the specification of the patent in which it appears. Any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the *inter partes* review will be considered. A party may request a district court-type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

83 Fed. Reg. at 21226. Substantively identical amendments are proposed for 37 C.F.R. §§ 42.200(b) and 42.300(b) relating to Post-Grant Review and Covered Business Method Patent Review, respectively.

II. Policy Issues Raised by the Proposed New Rules.

The new rules represent a policy shift by the PTO. By proposing these new rules, the PTO has stated that it seeks to “[m]inimiz[e] differences between claim construction standards used in the various fora,” e.g., between PTO proceedings and federal court claim construction orders. Conflicting orders between the federal courts and the PTAB do occasionally occur – district courts have held patents valid where the PTAB invalidated the same patent on the same grounds. *Steve Brachmann and Gene Quinn, 58 Patents Upheld in District Court Invalidated by PTAB on Same Grounds, IPWatchdog* (last visited May 9, 2018).

Two years ago, the PTO took the opposite position and explained to the Supreme Court in *Cuozzo* that “Congress expected the PTO to apply its long-established practice” construing claims under the BRI standard (which reads on a broader universe of prior art than does the *Phillips* standard) at proceedings such as IPRs. Br. for the Resp’t at 16, *Cuozzo Speed Technologies v. Lee*, 136 S.Ct. 2131 (2016) (No. 15-446); see also 83 Fed.

Reg. at 21223. The PTO further argued that “Congress gave inter partes review several other structural attributes – including a lower burden of proving unpatentability – that can be expected to produce similar disparities” between the PTO and federal courts. Br. for the Resp’t at 16. The Supreme Court agreed, finding that “[t]he Patent Office has used this [BRI] standard for more than 100 years[, and] has applied that standard in proceedings, which, as [the IPR], resemble district court litigation.” *Cuozzo Speed Technologies, LLC v. Lee*, 136 S.Ct. 2131, 2145 (2016). Now, the PTO proposes to reverse course since those representations to the Supreme Court.

Additionally, the PTO proposes that the PTAB construe “claims proposed in a motion to amend” during an IPR according to the *Phillips* standard instead of the BRI as with claims examined during prosecution. 83 Fed. Reg. at 21222; see also 35 U.S.C. §316(d). If the proposed rule is adopted, patentees may be better equipped to amend claims before the PTAB because *Phillips* constructions may read on a narrower universe of prior art. Validity-saving amendments may pass the PTAB’s scrutiny while still allowing infringement positions to remain intact in the district court.

III. Commenting on the Proposed Rule.

The public may file comments on these proposed changes through July 9, 2018. Although the proposed rules are styled as “changes involv[ing] agency procedure and interpretation” that are exempt from notice-and-comment rulemaking, the PTO has requested comments for “the benefit of the public’s views on the . . . proposed changes.” 83 Fed. Reg. at 21224. This is only the second rulemaking undertaken by the PTO since the creation of the PTAB as part of the 2011 America Invents Act and the first PTAB-related rulemaking since 2014.

Even if the PTO ultimately adopts the proposed rules, comments can highlight anticipated issues with the implementation of the rule and set the agenda for future rulemaking. One potential issue is the effect of narrower claim constructions causing liberal allowance for claim amendments at the IPR stage. Unlike district courts, where claims are construed in light of both the accused products and asserted prior art, APJs will only be able to construe terms in light of cited prior art, not accused products. Comments from stakeholders may also contribute to the debate over strategic considerations on when to file IPR petitions by addressing at what stage of IPR proceedings should the PTAB conduct claim construction, for example, whether the patentee waives claim construction arguments if it opts to waive its preliminary response.

Lastly, strategically drafted comments may also form the basis of later litigation challenges to the PTO’s rulemaking. While litigation over PTO rulemaking is less common than with other agencies, litigation caused the PTO to rescind controversial rules limiting the number of claims per application and the number of continuations per application family. U.S. Patent & Trademark Office, USPTO Rescinds Controversial Patent Regulations Package Proposed by Previous Administration, Press Release, 09-21 (Oct. 8, 2009) (accessed via the Internet Archive index).