

USPTO Changes Claim Construction Standard in Post-Grant Proceedings

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The USPTO has published a final rule, changing the claim construction standard applied during post-grant proceedings (*inter partes* reviews, post-grant reviews, and covered business methods reviews) before the Office's Patent Trial and Appeal Board ("PTAB"). The Office is replacing the broadest reasonable interpretation ("BRI") claim construction standard with the standard used in federal district courts, which is often referred to as the *Phillips* standard. The USPTO has stated that the final rule will *not* be retroactively applied to currently pending proceedings—*i.e.*, it will only apply to IPR, PGR, or CBM petitions filed on or after the effective date of the rule change: November 13, 2018.

Before the rule change: BRI v. Phillips claim construction standards

Before the rule change, the USPTO applied the BRI standard in both *ex parte* examination and in *inter partes* proceedings, while district courts applied the claim construction standard set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2015) (en banc). Under the BRI standard, "claims should always be read in light of the specification and teachings in the underlying patent."¹ Moreover, the BRI also requires that one consider the prosecution history of the patent when construing claim terms² and consider extrinsic evidence (e.g., dictionaries or expert testimony) secondary to intrinsic evidence (e.g., the patent's specification, claims, and prosecution history).³

Under the *Phillips* standard, claim terms are given their "ordinary and customary meaning" – that is, "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips*, 415 F.3d at 1312–1313. To determine what a claim term means to a person of ordinary skill in the art, the *Phillips* standard looks to "the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art."⁴ Thus, while the two claim construction standards share similarities and overlap, there are subtle differences between the two. For example, before the rule change, courts were typically more willing than the PTAB to consider statements made by an applicant during prosecution regarding how a claim term should be construed.

Rationale behind the change in rules.

The Office's stated goal for the rule change "is to implement a balanced approach, providing greater predictability and certainty in the patent system."⁵ With two different claim construction standards, "it is possible to have two different forums [*i.e.*, district court and the PTAB] construing the same term in the same patent in a dispute involving the same parties but using different standards."⁶ According to the Office, "[m]inimizing differences between claim construction standards used in various fora will lead to greater uniformity and predictability of the patent grant, improving the integrity of the patent system."⁷ The Office

further stated that “using the same standard in the various fora will help increase judicial efficiency overall.”⁸

The Office requested comments from the public on the proposed rule change in May of 2018. According to the Office, out of 374 comments received, the majority were supportive of replacing the BRI claim construction standard at the PTAB with the *Phillips* standard.⁹ The Office thus concluded that the BRI standard, while still appropriate in the context of the initial *ex parte* examination, is no longer appropriate for AIA proceedings.

Potential impacts of the final rule

Petitioners must apply the Phillips standard after November 13.

The most immediate impact is for Petitioners filing IPR, PGR, or CBM petitions on or after November 13, 2018. For example, Rule 104 requires that IPR petitions explain “[h]ow the challenged claim is to be construed.”¹⁰ Petitioners will therefore be required to construe claim terms in the petition using the *Phillips* standard rather than the BRI. Patent Owners will likewise be held to the *Phillips* standard in responsive briefs. Patent Owners may also point to the new rule change and argue that claim construction in currently-pending cases should be consistent with the *Phillips* standard.

Patent Owner statements during prosecution may carry more weight.

Before the rule change, courts were typically more willing than the PTAB to consider statements made by an applicant during prosecution regarding how a claim term should be construed. However, with the PTAB operating under the *Phillips* standard, the Board may give more weight to statements made by applicants than it would have given under the BRI.

PTAB required to consider prior claim construction.

Before the rule change, the PTAB had an “obligation to acknowledge [a district court’s prior construction] or to assess whether it is consistent with the broadest reasonable construction of the term.”¹¹ Under the final rule, “any prior claim construction determination in a civil action or proceeding before the ITC regarding a term of the claim in an IPR, PGR, or CBM proceeding will be considered if that determination is timely filed in the record of the IPR, PGR, or CBM proceeding.”¹² The rule change now requires that the PTAB consider a prior court’s construction, whereas before the rule change, it only needed to “acknowledge” the prior construction.

Potential for collateral estoppel

Collateral estoppel (or issue preclusion) arises when the same parties to an earlier proceeding are involved in later litigation involving the same issue.¹³ Because district courts and the PTAB previously used different claim construction standards, claim construction issues in one venue arguably were not “the same” in the other venue under the lens of collateral estoppel.¹⁴ Indeed, the Federal Circuit had made it clear that the Office is not bound by a district court claim construction because of the two different claim construction standards in each forum.¹⁵

Now, however, with both venues applying the same *Phillips* claim construction standard, a

claim construction holding involving a party in one venue may potentially estop that party from re-arguing the same claim construction issue in the other venue – e.g., the PTAB may decide that the party had a “full and fair opportunity” to litigate the claim construction issue in the district court proceeding.¹⁶ It remains to be seen how the PTAB will handle situations when the district court case is pending appeal and vice versa.

The real impacts of this rule change remain to be seen as it is implemented in AIA proceedings going forward. Parties seeking to take advantage of the BRI in AIA proceedings need to file petitions no later than November 12, 2018.

¹*In re Suitco Surface, Inc.*, 603 F.3d 1255, 1260 (Fed. Cir. 2010).

²See *Tempo Lighting Inc. v. Tivoli LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014); see also *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015), overruled on other grounds by *Aqua Products Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc).

³*M Innovative Props. Co. v. Tredegar Corp.*, 725 F.3d 1315, 1326-28, (Fed. Cir. 2013) (“when the specification is clear about the scope and content of a claim term, there is no need to turn to extrinsic evidence for claim interpretation.”).

⁴*Phillips*, 415 F.3d at 1314.

⁵“Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board,” 83 FED. REG. 51340, at 51342–51343 (Oct. 11, 2018).

⁶*PPC Broadband, Inc. v. Corning Optical Comm. RF*, 815 F.3d 747, 756 (Fed. Cir. 2016).
783 FED. REG. 51340, at 51342.

⁸*Id.*

⁹*Id.*, at 51345.

¹⁰37 C.F.R. § 42.104(b)(3); see also, 37 C.F.R. § 42.104(b)(3) (post grant review petition); 37 C.F.R. § 42.304(b)(3) (covered business method petition).

¹¹*Power Integrations v. Lee*, 797 F.3d 1318, 1326 (Fed. Cir. 2015).

¹²83 FED. REG. 51340, at 51341.

¹³See e.g., *In re Trans Texas Holding Corp.*, 498 F.3d 1290, 1296 (Fed. Cir. 2007).

¹⁴*SkyHawke Tech., LLC v. Deca Int’l. Corp.*, 828 F.3d 1373, 1376 (Fed. Cir. 2016).

¹⁵See e.g., *Power Integrations*, 797 F.3d at 1326; see also, *Trans Texas*, 498 F.3d at 1296–1298.

¹⁶*Trans Texas*, 498 F.3d at 1297.

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