

PTAB Operation Under *Phillips*: Business as Usual with New Strategic Implications

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Summary

One of the most notable recent changes in post-grant proceedings was replacing the broadest reasonable interpretation (“BRI”) claim construction standard with the *Phillips* standard used to construe claims in federal court. Because the Board began applying the new claim construction standard only to petitions filed after November 13, 2018, the 2019 calendar year was the first full year the Board applied the new standard. Therefore, the time is ripe to evaluate the effects and strategic implications of the new claim construction standard. Specifically, none of the concerns many expressed about moving to the *Phillips* standard have materialized, while the primary objective of enhancing consistency and reducing gamesmanship seems to be well on its way to being realized. Therefore, patent owners and petitioners alike must adjust their strategies for addressing co-pending district court litigation and Patent Trial and Appeal Board (PTAB) proceedings.

Overview of the Standards

The BRI standard requires determining the “broadest reasonable meaning of [a claim’s] words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the applicant’s specification.”¹ In contrast, the *Phillips* standard requires giving claim terms their ordinary and customary meaning according to a person of ordinary skill in the art in question at the time of the invention.² Whether claim terms have significantly different meanings under BRI and *Phillips* is a murky and oft-debated topic. That said, the consensus view is that the meaning of a term under BRI can be broader or as broad as the meaning under *Phillips*, but not narrower.³

As part of moving to the *Phillips* standard, the rules governing the procedure of post-grant proceedings now state that “[a]ny 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 proceeding will be considered.”⁴ The Board’s Trial Practice Guide now instructs that “[p]arties should submit a prior claim construction determination by a federal court or the ITC in an AIA proceeding as soon as that determination becomes available,” and indicates that the Board will give such parallel constructions “appropriate weight.”⁵

Objectives Being Achieved, Concerns Not Materializing

The impetus behind the PTAB’s shift from BRI to *Phillips* was providing consistency for and reducing gamesmanship by the parties. Indeed, the USPTO’s publicly stated rationale in changing the claim construction standard was that “[m]inimizing differences between claim construction standards used in the various fora will lead to greater uniformity and predictability of the patent grant, improving the integrity of the patent system.”⁶

IPR institution decisions over the last year suggest that the claim construction standard switch is providing the intended benefit of unity between proceedings. For example, one Board panel adopted a series of district court constructions, noting that they were “reasonable.”⁷ Another Board panel addressed proposed constructions that the patent owner provided in the related district court litigation, despite those constructions not being necessary for its institution decision.⁸ That said, there is no guarantee that Board panels will arrive at the same construction as another forum (nor is there any guarantee that a district court will agree with the Board).⁹ Overall, the last year’s decisions illustrate the Board’s efforts to consider and align its claim construction decisions with those from other forums, giving significant weight to prior district court constructions. This has significantly reduced the gamesmanship of parties arguing different claim constructions depending on the forum—for example, a petitioner/defendant arguing for a broad interpretation at the PTAB to invalidate the claims, but a narrow construction in district court to avoid infringement.

When the switch to the *Phillips* standard was proposed, one concern was that the change would make it more difficult to challenge patents in IPR proceedings. It was speculated that invalidating patents would be more difficult because the potentially narrower meaning of terms under *Phillips* would mean fewer prior art references would be applicable under those narrower meanings. Thus far, there is no indication this is the case. For cases filed between November 13, 2017 and the November 13, 2018 implementation date, the Board instituted IPR proceedings in 59.9% of cases. For the approximately 1300 cases filed since the switch to *Phillips*, the institution rate is 59.8% (statistics via Docket Navigator). There have not yet been any final written decisions issued in cases filed under the *Phillips* standard, but the Board’s statutorily mandated 18 month

timetable means we can expect to see such decisions begin to arrive in May of this year (i.e., within 18 months of the first petitions filed after November 13, 2018).

Another concern about implementing the *Phillips* standard was that the amendment process in IPR might allow broad claims to issue that would not issue if reviewed under BRI. This concern, however, has not materialized to any significant extent, if at all. As before the switch, few parties move to amend claims during IPR proceedings. And even in those cases, the grant rate for amendments remains low. The Board ruled on just 87 motions to amend in 2019 out of over 1,300 post-grant proceedings considered. According to Docket Navigator, the Board granted only ten of those motions (and partially granted another four). Both the number of motions to amend and the number of motions granted represent single-year highs in the history of the PTAB, even as the USPTO made modifications to its processes to facilitate claim amendment in PTAB proceedings. The Board is notoriously particular about granting claim amendments, and in view of that high scrutiny the difference between BRI and *Phillips* has not appeared to move the needle appreciably on the number of claims allowed via amendment. And we are not aware of any indication that the few allowed claims are broader than might be expected under BRI—especially given that the Board may deny amendments if they “seek[] to enlarge the scope of the claims” relative to those allowed during prosecution under BRI.¹⁰

Important Strategic Considerations

From a strategy perspective, the most significant impact of the BRI to *Phillips* switch is an increased need to develop a claim construction strategy at an early stage of a patent dispute. Regardless of whether that dispute originates in a district court, the PTAB, or the ITC, the alignment in claim construction standards means that parties should identify and consistently apply construction positions that will provide the best overall chance for success across all forums. Any gamesmanship in trying to vary positions will likely be called out by the opposing party and be frowned upon by judges, which can undermine credibility in all proceedings.

From a patent owner’s perspective, it is now, more than ever, advisable to be proactive in considering whether a

defendant or competitor may initiate a PTAB challenge against an asserted patent and what claim construction positions would be compatible with such a challenge. Generally, a patent owner should avoid overly-narrow claim construction positions in an IPR, as that will make infringement contentions difficult. Conversely, a patent owner should avoid overly-broad claim construction positions in infringement arguments, as that will broaden the art so much that defending the patent at the PTAB becomes difficult. If it is feasible to take a middle path in which the claims seem likely to survive a PTAB challenge while maintaining an infringement argument, a patent owner remains in a good position for a multi-front legal dispute.

From a petitioner’s perspective, it is necessary to be wary of taking contradictory positions between forums. For example, it is now more difficult to take different positions on indefiniteness or means-plus-function status in different forums. However, given the quick resolution and lower cost at the PTAB, it may be advantageous to take broad construction positions, thereby providing the most efficient opportunity to invalidate the challenged claims—perhaps even avoiding the question of infringement altogether by invalidating the claims while district court litigation is stayed. That possibility, combined with the leverage provided by an IPR to settle a district court case (27% of proceedings settle before reaching a final decision), means that a district court may ultimately not resolve the dispute.

To date, the PTAB’s decision to use the *Phillips* standard has not had significant consequences on the day-to-day operation of the PTAB or the Board’s institution decisions. However, it has significantly influenced strategic considerations—and the timing thereof—particularly for parties that face parallel proceedings at the PTAB and elsewhere. Despite these new considerations, we expect the PTAB to continue as the primary battleground for patent validity due to its efficiencies in cost and timing.

From a strategy perspective, the most significant impact of the BRI to *Phillips* switch is an increased need to develop a claim construction strategy at an early stage of a patent dispute.

¹ *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997).

² *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313-1318 (Fed. Cir. 2005) (*en banc*).

³ See, e.g., *Facebook, Inc. v. Pragmatus AV, LLC*, Nos. 2013-1350, 2013-1351, 2014 WL 4454956, 4 (Fed. Cir. Sep. 11, 2014) (nonprecedential).

⁴ 37 C.F.R. §§ 42.100(b), 42.200(b), and 42.300(b).

⁵ See Patent Trial and Appeal Board Consolidated Trial Practice Guide, November 2019, at 47. Also, note that submission of prior claim construction determinations are “mandatory” under 37 C.F.R. § 42.51(b) if it is “relevant information that is inconsistent with a position advanced by the party during the proceeding.” *Id.*

⁶ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340, 51,342 (Oct. 11, 2018).

⁷ *Facebook, Inc. v. BlackBerry Ltd.*, IPR2019-00924, Paper 15 at 8 (P.T.A.B. Oct. 9, 2019); see also, *Amazon.com, Inc. v. Rensselaer Polytechnic Inst.*, IPR2019-01068, Paper 10 at 9-10 (P.T.A.B. Nov. 14, 2019) (adopting multiple district court constructions).

⁸ *Niantic, Inc. v. Barbaro Techs, LLC*, IPR2019-00672, Paper 8 at 8-10 (P.T.A.B. Sept. 5, 2019).

⁹ See, e.g., *Renasas Elecs. Corp. v. Broadcom Corp.*, IPR2019-01040, Paper 9 at 11-19 (agreeing with only some of the ITC’s claim constructions); *Semiconductor Components Indus, LLC v. Power Integrations, Inc.*, IPR2018-01813, Paper 10 at 13 (preliminarily agreeing with district court construction, but reserving the right to “reconsider” construction after full briefing); 83 Fed. Reg. at 51,355 (decisions from other forums will be given “appropriate weight”).

¹⁰ 37 C.F.R. §42.121(a)(2)(ii).