Claim Construction Standards and SAS in Post-Grant Trials: Trends, Developments and What Lies Ahead

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Claim Construction Standards and SAS in Post-Grant Trials: Trends, Developments and What Lies Ahead

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Claim Construction Standards

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White & Case helps clients navigate the antitrust issues presented by the assertion of patent rights and represents both plaintiffs and defendants in such matters. We know the issues at the intersection of antitrust and intellectual property law, and our teams are staffed to include both antitrust and IP lawyers who collaborate across disciplines. These trial-ready interdisciplinary teams collaborate seamlessly, handling disputes and resolving challenges for our clients. We excel at taking the complex and making it simpler and understandable for judge and jury.

Both patent cases and antitrust cases including patent assertion typically involve highly complex issues ? both legal and technology issues. White & Case has an unprecedented track record of trial victories in complex antitrust cases. Our philosophy is that defendants too often settle these cases by agreeing to pay exorbitant settlements. While our past successes and trial-oriented preparations often allow us to achieve favorable settlements for our clients, we begin preparing for trial from day one and do not hesitate to take cases to the mat when necessary.

Buchanan is a national law firm with a strong reputation for providing progressive, industry-leading legal, business, regulatory and government relations advice to our regional, national and international clients. Our 450 attorneys and government relations professionals across 17 offices proudly represent some of the highest profile and innovative companies in the nation, including 50 of the Fortune 100. While we service a wide range of clients, Buchanan has especially deep experience in the energy, finance, healthcare and life sciences industries. We bring to our clients an intimate knowledge of the players, market forces and political and regulatory landscape and use our full-service offerings to protect, defend and advance our clients' businesses.

Claim Construction Standards and SAS in Post-Grant Trials: Trends, Developments and What Lies Ahead

Brief Speaker Bios:

Brendan is an associate in the Intellectual Property Group at White & Case and has more than 10 years of experience working in the field of patent law. His practice focuses on a variety of intellectual property issues, including worldwide patent portfolio development, patent prosecution, due diligence, and litigation support. Brendan has extensive experience providing freedom-to-operate, invalidity and patentability opinions, and he also assists the patent litigation group in contested proceedings, such as inter partes review and post grant review proceedings. Brendan regularly works with clients and inventors from large corporations, start-up companies and universities to develop ideal intellectual property protection strategies of technologies such as enzyme replacement therapies, modified polypeptides, fusion proteins, small molecules, nucleic acid therapeutics (including CRISPR and RNAi), antibody development, methods of treatment, diagnostic methods, drug formulations, and dosage regimens."

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Brendan Gavin
Associate

Andrew's intellectual property practice focuses on contentious matters with an emphasis on patent office litigation. He has extensive experience in inter partes review proceedings involving a wide variety of technologies, where his representations have been on behalf of both petitioners and patent owners. In addition to patent office litigation, Andrew has extensive experience in District Court litigation and investigations at the International Trade Commission (ITC), including hearing experience at the ITC. He also assists clients with patent counseling matters, including patent prosecution and due diligence in support of business deals.

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Claim Construction Standards and SAS in Post-Grant Trials: Trends, Developments and What Lies Ahead

The Patent Trial and Appeal Board (PTAB) is drastically shifting to a new landscape with post-grant trial changes. Aiming to have an accurate and consistent patent validity, the United States Patent and Trademark Office (USPTO) changed from employing broadest reasonable interpretation (BRI) standard to Phillips claim construction approach, which applies to inter partes review (IPR), post-grant review (PGR), and covered business method review (CBM) proceedings. Moreover, the U.S. Supreme Court, through its SAS Institute Inc. v. Iancu ruling, has ended the PTAB's practice of allowing a patent challenge's partial institution under the America Invents Act.

With these notable developments, both patent owners and petitioners must review their pre-existing strategies to ensure compliance with the new standards.

Join a panel of key thought leaders and litigators assembled by The Knowledge Group as they bring the audience to a road beyond the basics of claim construction standards in post-grant trials. Speakers will provide the audience with an in-depth discussion of the changes' implications in the future and will offer practical tips in bringing out the best in these cases in a rapidly evolving legal climate.

This LIVE Webcast will discuss the following:

- PTAB's Post-Grant Trial: Recent Trends
- The SAS Institute Inc. v. Iancu Ruling
- Phillips Claim Construction Standards
- Notable Cases and Key Rulings
- Other Emerging Trends
- Red Flags
- Practical Tips and Strategies
- What Lies Ahead

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PTAB and *Phillips* Claim Construction

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37 C.F.R. §§ 42.100, 42.200, 42.300

- In an inter partes/post-grant/covered business method review proceeding:
  - "a claim of a patent, or a claim proposed in a motion to amend. . . shall be construed using the same claim construction standard that would be used to construe the claim in a civil action 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"
- Effective as of November 13, 2018

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37 C.F.R. §§ 42.100, 42.200, 42.300

- Pre-Rule Change CC Standard for IPRs/PGRs/CBMs:
  - Broadest Reasonable Interpretation (BRI)
- Post-Rule Change CC Standard for IPRs/PGRs/CBMs:
  - "claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. 282(b)"
    - *Phillips*

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Broadest Reasonable Interpretation (BRI) Standard

- BRI standard requires consideration of:
  - "broadest reasonable meaning of the words [in a claim] 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."
    - *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997)

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Phillips Standard

- *Phillips* standard:
  - "the ordinary and customary meaning of a claim term 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 v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (*en banc*).
  - In addition to intrinsic evidence, claim construction may rely on:
    - extrinsic evidence, which "consists of all evidence external to the patent and prosecution history, including expert and inventor testimony, dictionaries, and learned treatises.
      - *Phillips*, at 1317.

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How do BRI and Phillips Standards Differ?

- The BRI construction of a claim term "may be the same as or broader than the construction of a term under the *Phillips* standard. But it cannot be narrower."
  - *Facebook, Inc. v. Pragmatus AV, LLC*, 2014 WL 4454956, 4 (Fed. Cir. 2014)
- "Because the BRI standard potentially reads on a broader universe of prior art than does the *Phillips* standard, a patent claim could potentially be found unpatentable in an AIA proceeding on account of claim scope that the patent owner would not be able to assert in an infringement proceeding."
  - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,342 (Oct. 11, 2018).

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How do BRI and *Phillips* Standards Differ?

Evidence Type	BRI	*Phillips*
Ordinary Meaning	Yes	Yes *Phillips*, at 1314.
Specification	Yes *In re NTP, Inc.*, 654 F.3d 1279 (Fed. Cir. 2011)	Yes *Phillips*, at 1314.
Prosecution History	Sometimes, for granted patents before Board for second review *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) (overruled on other grounds *by Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc))	Yes *Phillips*, at 1314.
Extrinsic Evidence	Yes, but cannot be inconsistent with intrinsic evidence *Tempo Lighting, Inc. v. Tivoli, LLC*, 742 F.3d 973 (Fed. Cir. 2014)	Yes, but "less significant" than intrinsic evidence *Phillips*, at 1314.

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37 C.F.R. §§ 42.100, 42.200, 42.300

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- Effective as of November 13, 2018

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Pre- and Post Rule Change Comparisons

	BRI (Pre 11/13/18)	BRI (Post 11/13/18)	*Phillips* (Pre 11/13/18)	*Phillips* (Post 11/13/18)
Patent Application Examination	x	x		
Reissues/ Reexaminations	x (except for expired patents)	x (except for expired patents)	x (only for expired patents)	x (only for expired patents)
IPRs/PGRs/CBMs	x (except for expired patents)		x (only for expired patents)	x
District Court			x	x
ITC			x	x

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Why the Shift in Claim Construction Standards?

- Between 80-90% of patents at issue in IPR/PGR/CBM proceedings have also been subject of litigation in federal courts.
- "Minimizing differences between claim construction standards . . . will lead to greater uniformity and predictability of the patent grant, improving the integrity of the patent system."
  - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,342 (Oct. 11, 2018)

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Pre- and Post Rule Change Comparisons

- "The Office applies the broadest reasonable interpretation standard in [reexamination and IPR] proceedings, and major difficulties would arise where the Office is handling multiple proceedings with different applicable claim construction standards."
  - Office Patent Trial Practice Guide, 77 Fed. Reg. 48,764 (Aug. 14, 2012)
- "The Office agrees that aligning the claim construction standard used in PTAB proceedings with that used by the federal courts and the ITC promotes consistency in claim construction rulings and patentability determinations"
  - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,347 (Oct. 11, 2018)

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Impact of Rule Change

- Will more patents survive IPRs/PGRs/CBMs with Board applying *Phillips*?
- Estoppel/Preclusion Issues?
- Motion to Amend Practice Changes

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Will more patents survive IPRs/PGRs/CBMs with Board applying Phillips?

- "Because the BRI standard potentially reads on a broader universe of prior art than does the *Phillips* standard, a patent claim could potentially be found unpatentable in an AIA proceeding on account of claim scope that the patent owner would not be able to assert in an infringement proceeding."
  - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,342 (Oct. 11, 2018).

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Will more patents survive IPRs/PGRs/CBMs with Board applying Phillips?

- *In re CSB-System International, Inc.*, 832 F. 3d 1335, 1337-1338 (Fed. Cir. 2016).
  - "We agree with CSB that the Board should have applied the *Phillips* standard of claim construction rather than the broadest reasonable interpretation standard. . . however. . . the Board's claim construction was correct even under the *Phillips* standard."
- *PPC Broadband, Inc. v. Corning Optical Communications RF LLC*, 815 F.3d 734 (Fed. Cir. 2016)
  - "This case hinges on the claim construction standard applied—a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative."

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Estoppel/Preclusion Issues?

- Issue Preclusion (collateral estoppel) may be found if:
  1. the issue is identical to one decided in the first action;
  2. the issue was actually litigated in the first action;
  3. resolution of the issue was essential to a final judgment in the first action; and
  4. the party against whom estoppel is invoked had a full and fair opportunity to litigate the issue in the first action
- Issue Preclusion does not require identical parties.

Innovad, Inc. v. Microsoft Corp., 260 F.3d 1326, 1334 (Fed. Cir. 2001)

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Estoppel/Preclusion Issues?

- "Both this Court's cases and the Restatement make clear that issue preclusion is not limited to those situations in which the same issue is before two *courts*. Rather, where a single issue is before a court and an administrative agency, preclusion also often applies."
  - B&B Hardware, Inc. v. Hargis Indus., 135 S. Ct. 1293, 1303 (2015).
- Application of *Phillips* claim construction standards in IPRs/PGRs/CBMs may increase likelihood that issue preclusion arises with federal courts
  - *See, SkyHawke Techs., LLC v. DECA Int'l Corp*., 828 F.3d 1373, 1376 (Fed. Cir. 2016).

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Estoppel/Preclusion Issues?

- Judicial Estoppel:
  - Equitable doctrine
  - Prevents party from asserting a position to achieve successful outcome in one proceeding and later asserting a "clearly inconsistent" position in an attempt to achieve an advantage in a second proceeding
    - *New Hampshire v. Maine*, 532 U.S. 742, 750-751 (2001)
- May be invoked more frequently in district courts now that *Phillips* standard applies for both IPRs/PGRs/CBMs and courts

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Estoppel/Preclusion Issues?

- 37 C.F.R. §§ 42.100, 42.200, 42.300
  - "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 [IPR/PGR/CBM] proceeding will be considered."

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Impact of Rule Change

- Will more patents survive IPRs/PGRs/CBMs with Board applying *Phillips*?
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- Motion to Amend Practice

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Motion to Amend Practice

- 37 C.F.R. §§ 42.100, 42.200, 42.300
  - "a claim of a patent, or a claim proposed in *a motion to amend*. . . shall be construed using the same claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. 282(b). . ."
- Inconsistency in patent examination procedures?

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Motion to Amend Practice

	BRI (Pre 11/13/18)	BRI (Post 11/13/18)	*Phillips* (Pre 11/13/18)	*Phillips* (Post 11/13/18)
Patent Application Examination	x	x		
Reissues/ Reexaminations	x (except for expired patents)	x (except for expired patents)	x (only for expired patents)	x (only for expired patents)
IPRs/PGRs/CBMs	x (except for expired patents)		x (only for expired patents)	x
District Court			x	x
ITC			x	x

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Motion to Amend Practice

- Examiners apply the BRI standard "in order to achieve a complete exploration of the applicant's invention and its relation to the prior art."
  - *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989)
- BRI used in examination process to "fashion claims that are precise, clear, correct and unambiguous."
  - *In re Zletz*, at 322.

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Motion to Amend Practice

- "Since patent owners have the opportunity to amend their claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve ambiguities and overbreadth through [the broadest reasonable interpretation] approach, producing clear and defensible patents at the lowest cost point in the system."
  - Office Patent Trial Practice Guide, 77 Fed. Reg. 48,764 (Aug. 14, 2012)

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Motion to Amend Practice

- "The patent owner proposes an amendment that it believes is sufficiently narrower than the challenged claim to overcome the grounds of unpatentability upon which the IPR was instituted."
  - *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1306 (emphasis in the original).
- "By requiring a narrower claim, a district court applying the same objective claim construction standards under the *Phillips* framework should not construe a substitute claim beyond the scope allowed by the Office."
  - Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,342 (Oct. 11, 2018)

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Topics

- *SAS* Impact on Post-Grant Trials:
  - The *SAS* Decision
  - Statistical Impact of *SAS*
  - PTAB Discretionary Denial of Institution
  - PTAB assessment of challenged indefinite claims post-*SAS*
  - Estoppel considerations

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- **The *SAS* Decision:**
  - **Question Presented:** Under 35 U.S.C. § 318(a), when the Board institutes IPR is it required to issue a final written decision addressing all of the challenged claims or may it limit the final written decision to only some of the claims?
  - **Holding:** "When the Patent Office institutes an *inter partes* review, it must decide the patentability of all of the claims the petitioner has challenged."
  - **PTAB Guidance:** "As required by the decision, the PTAB will institute as to all claims or none. At this time, if the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition."

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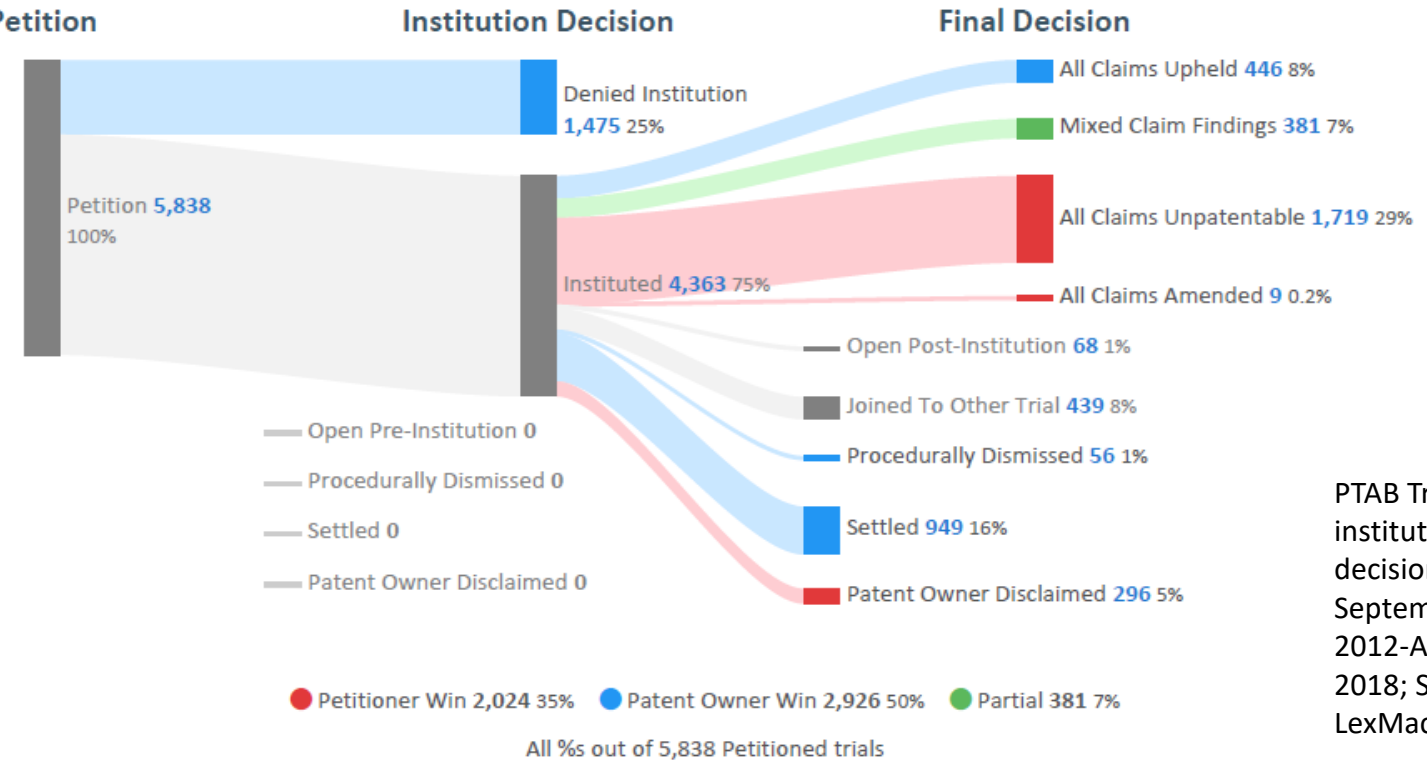
- **Pre-*SAS* Petition Statistics:**



PTAB Trials with institution decisions between September 16, 2012-April 24, 2018; Source: LexMachina

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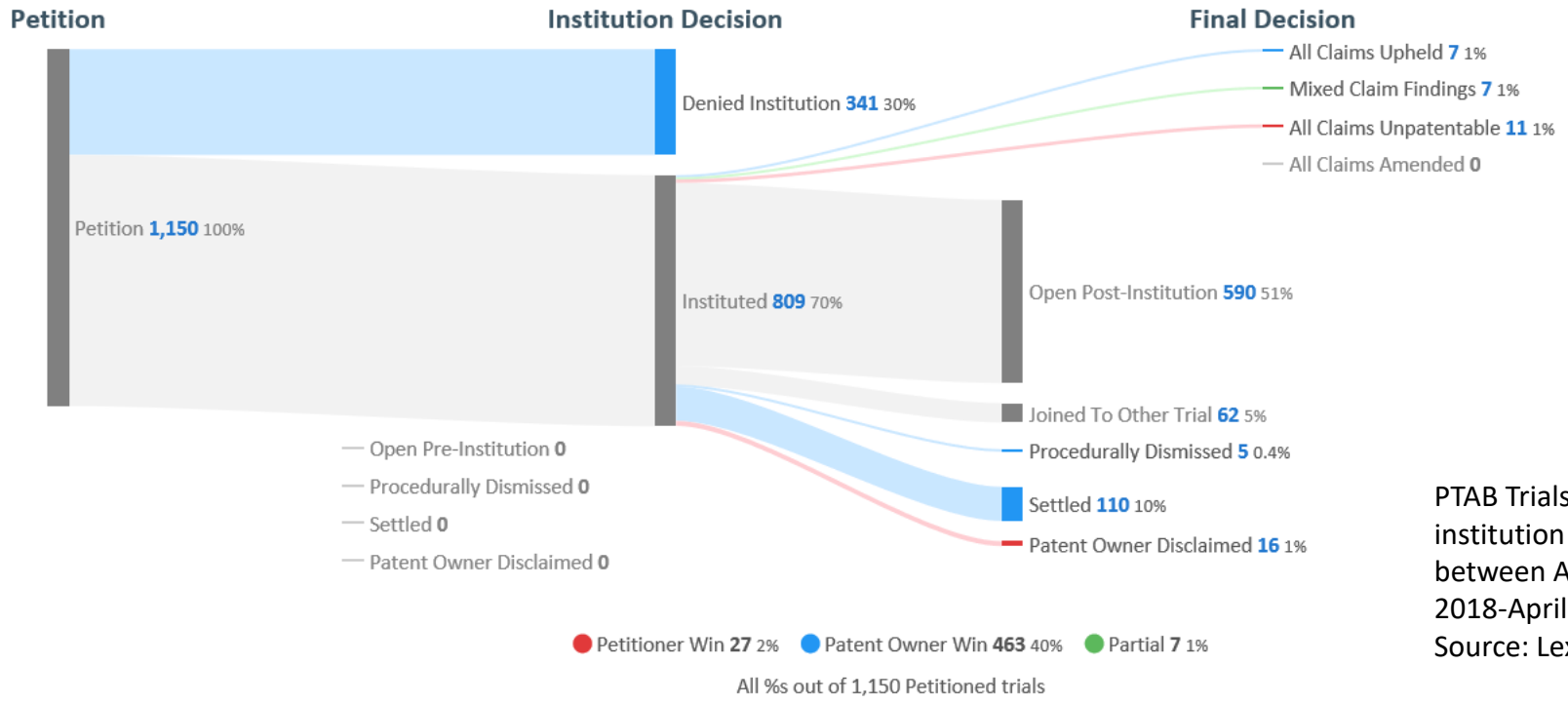
- **Post-*SAS* Petition Statistics:**



PTAB Trials with institution decisions between April 25, 2018-April 23, 2019; Source: LexMachina

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- **PTAB Trial Statistics Prior to Final Decision:**

	Pre-*SAS*	Post-*SAS*
Denied Institution	25%	30%
Instituted	75%	70%
Open Post-Institution	1%	51%
Joined to Other Trial	8%	5%
Procedurally Dismissed	1%	.4%
Settled	16%	10%
Patent Owner Disclaimed	5%	1%

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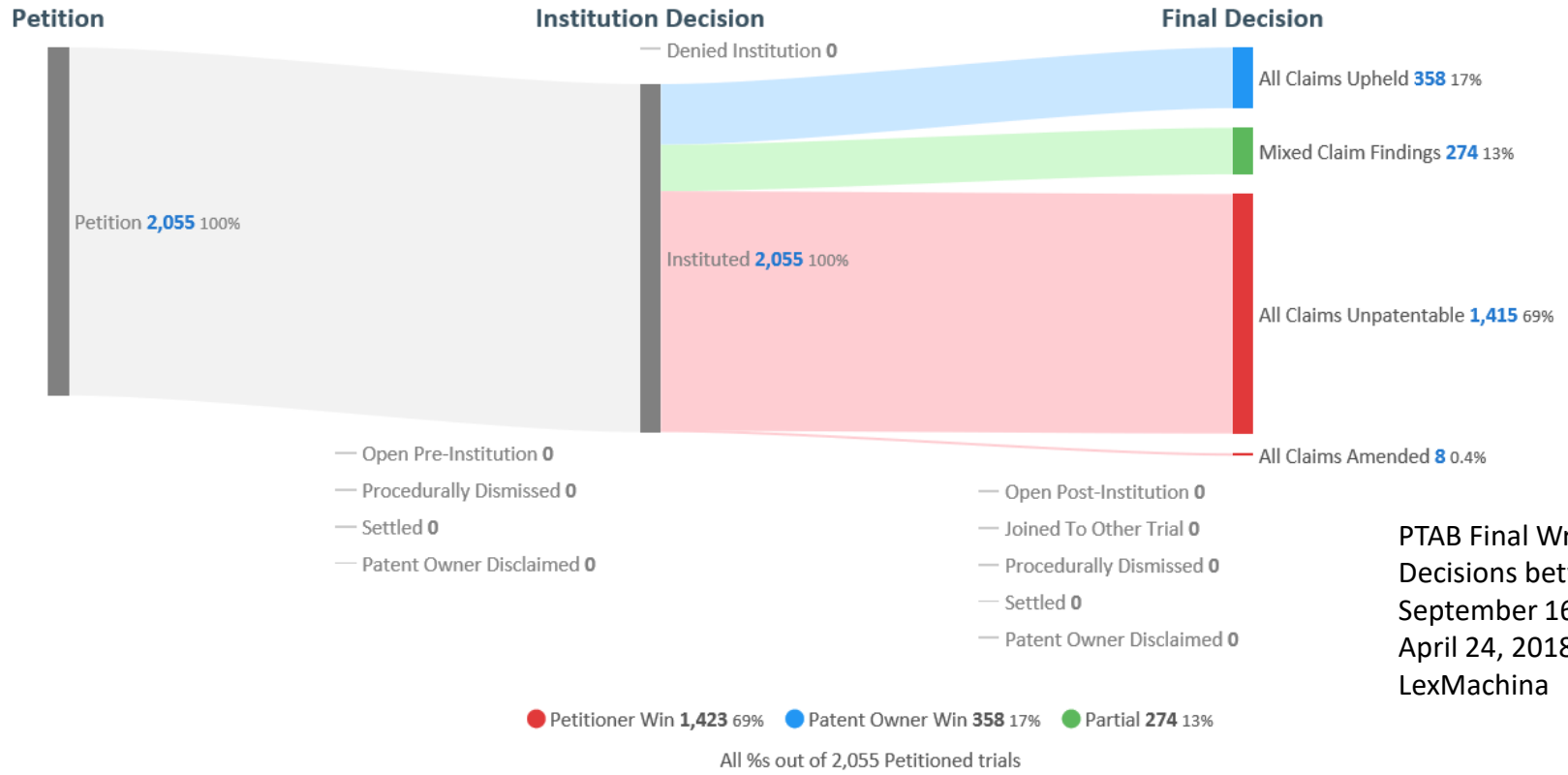
- **Pre-*SAS* Final Written Decision Statistics:**



PTAB Final Written Decisions between September 16, 2012-April 24, 2018; Source: LexMachina

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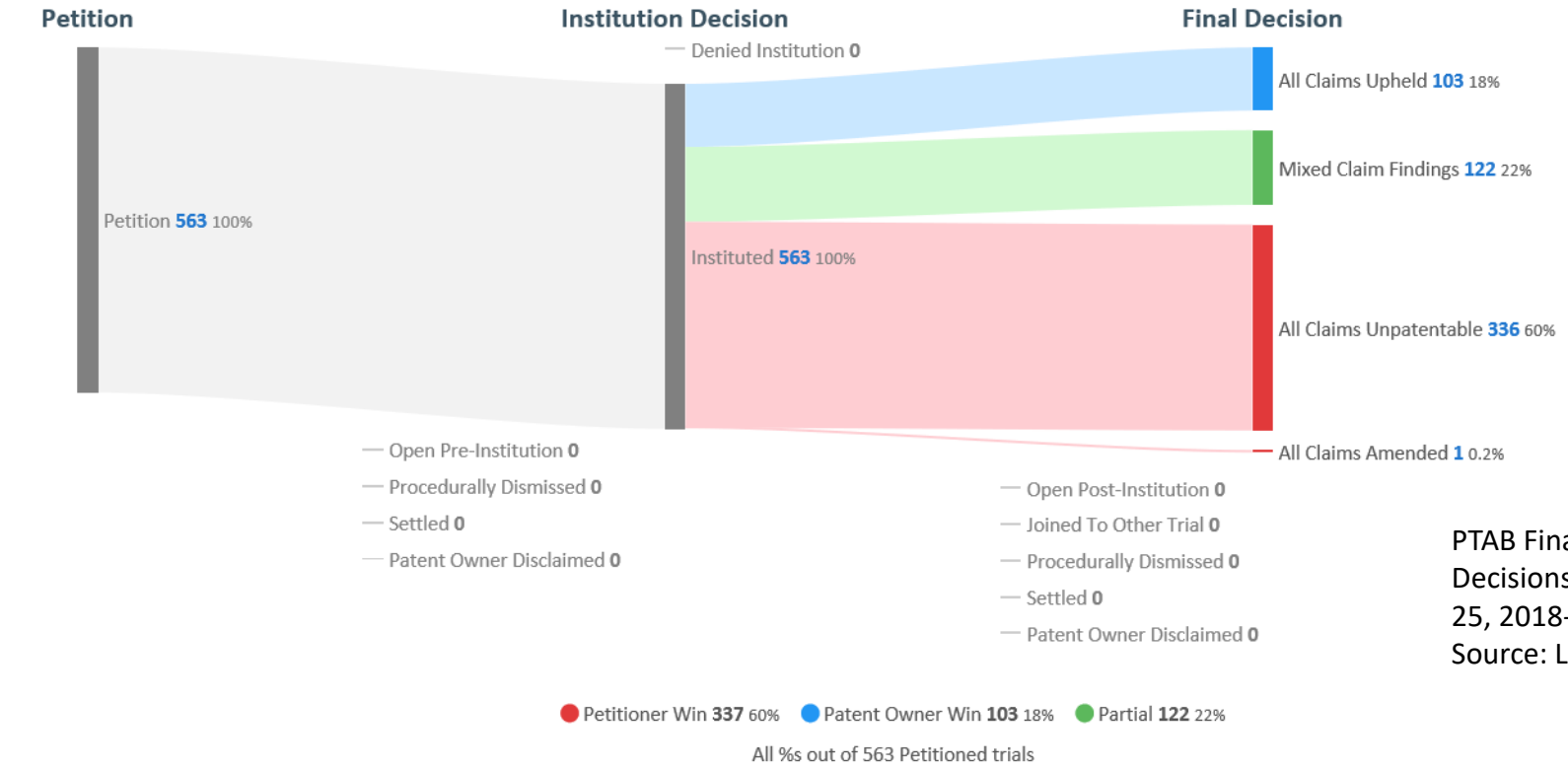
- **Post-*SAS* Final Written Decision Statistics:**



PTAB Final Written Decisions between April 25, 2018-April 23, 2019; Source: LexMachina

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- **PTAB Final Written Decision Statistics:**

	Pre-*SAS*	Post-*SAS*
All Claims Upheld	17%	18%
Mixed Claim Findings	13%	22%
All Claims Unpatentable	69%	60%
All Claims Amended	0.4%	0.2%

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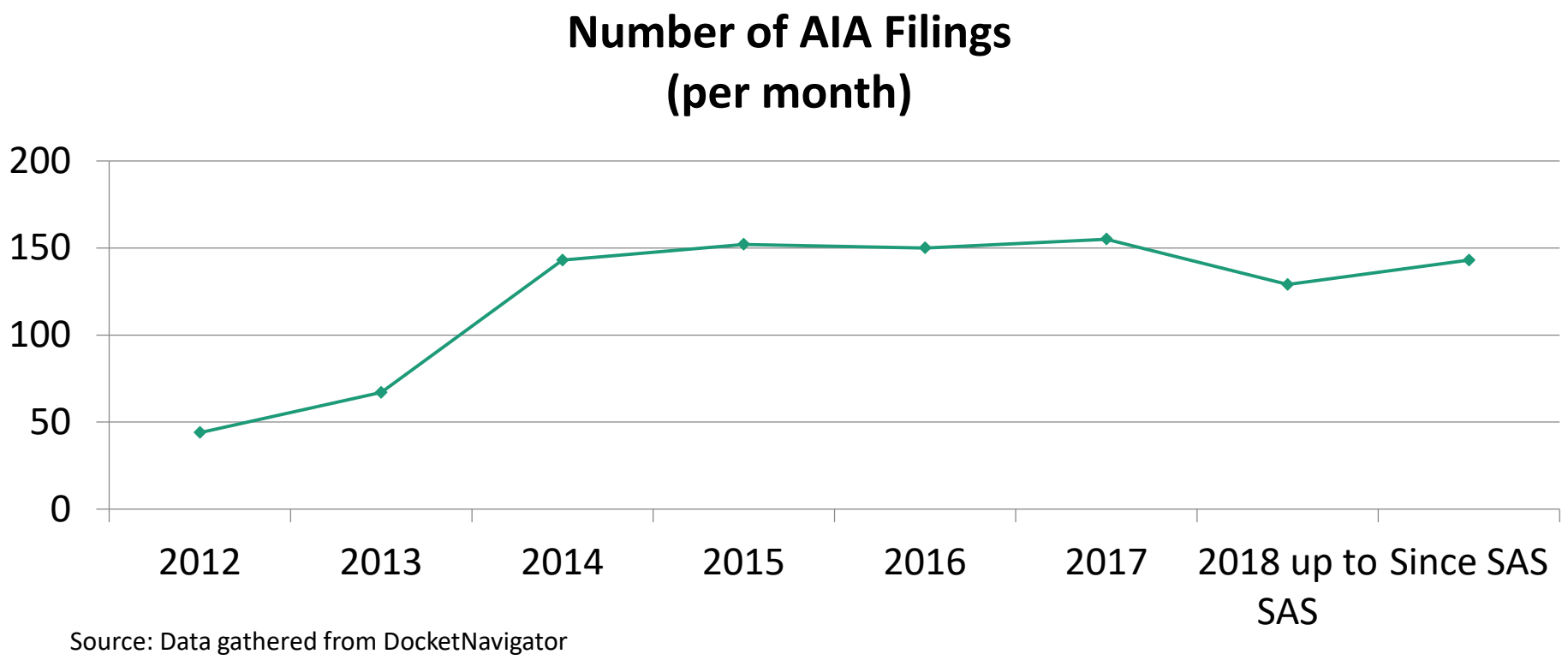
- **Overall AIA Filings on a Per Month Basis:**



Source: Data gathered from DocketNavigator

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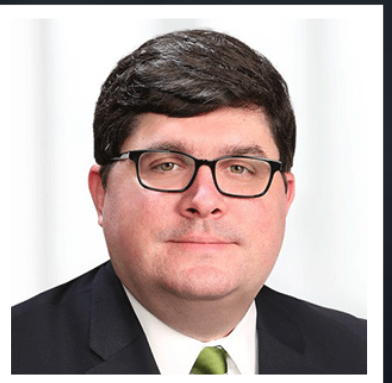
- **PTAB Discretionary Denial of Institution:**

"The General Plastic factors, alone or in combination, are not dispositive, but part of a balanced assessment of all relevant circumstances in the case, including the merits. Id. at 15 ("There is no per se rule precluding the filing of follow-on petitions."). **The General Plastic factors are also not exclusive and are not intended to represent all situations where it may be appropriate to deny a petition. Id. at 16. There may be other reasons besides the "follow-on" petition context where the "effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings,"** 35 U.S.C. § 316(b), favors denying a petition even though some claims meet the threshold standards for institution under 35 U.S.C. §§ 314(a), 324(a). This includes, for example, events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC. Plastic factors." 2018 Revised Trial Practice Guide.



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- **Informative Decisions:**

***Chevron Oronite Co. LLC v. Infineum USA L.P.*, Case IPR2018-00923 (PTAB Nov. 7, 2018) (Paper 9)**

- This decision denies institution under § 314(a) where the petitioner demonstrates a reasonable likelihood of prevailing only as to two claims out of 20 claims challenged.

***Deeper, UAB v. Vexilar, Inc.*, Case IPR2018-01310 (PTAB Jan. 24, 2019) (Paper 7)**

- This decision denies institution under § 314(a) where the petitioner demonstrates a reasonable likelihood of prevailing only as to two claims out of 23 claims challenged and only as to one of four asserted grounds of patentability.

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- **PTAB assessment of challenged indefinite claims post-*SAS*:**
  - **Before *SAS*:** PTAB could deny institution on indefinite claims and proceed as to other claims
  - **Post *SAS*:** Provided Petitioner meets its burden as to at least one claim, trial may be instituted on all claims (including those that are indefinite)
  - If PTAB cannot construe a claim because of its indefiniteness, it is possible the claim will be held not unpatentable over the prior art in a Final Written Decision

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- **Example PTAB Cases:**
  - **IPR2017-01018, Paper 52:** PTAB issued a FWD determining that the claims were not unpatentable because their meaning could not be determined:
  - The claims at issue were means-plus-function claims
  - "Because Petitioner has not identified structure corresponding to the functions recited in claims 7–10, we cannot ascertain the differences between the claimed invention and the asserted prior art, as required by *Graham v. John Deere*, because we cannot determine whether the prior art includes the corresponding structure or its equivalents. Accordingly, we determine that Petitioner has not met its burden of demonstrating the unpatentability of claims 7–10 by a preponderance of the evidence."

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- **Example PTAB Cases:**
  - **IPR2017-01483, Paper 49:** PTAB issued a FWD determining that the claims were not unpatentable because their meaning could not be determined:
  - The claims at issue were means-plus-function claims
  - "[W]e find the '166 patent fails to disclose or describe corresponding structure that is linked to and performs the functions of the claimed 'MME information adding module….' This leaves us unable to construe the meaning of this limitation…. It also leaves us unable to determine whether the [cited art] teaches the same or equivalent structures for performing the recited functions of the 'MME information adding module.'"

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- **Example PTAB Cases:**
  - **IPR2016-01828, Paper 69:** Patent Owner sought rehearing to consider previously non-instituted claims in light of *SAS.* Rehearing was granted and PTAB found that the claims were not unpatentable because their meaning could not be determined.
  - The claims at issue were means-plus-function claims
  - "Because the scope and meaning of these limitations cannot be determined, we cannot ascertain the differences between the claimed invention and the prior art for purposes of an obviousness analysis. Because we cannot ascertain the differences between the claimed invention and the prior art, Petitioner has not met its burden of showing, by a preponderance of the evidence that claims 16 and 28 are unpatentable."

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- **Estoppel Considerations:**
  - 35 USC §315(e)):

    (1) "may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner ***raised or reasonably could have raised during that inter partes review***."

    (2) "may not assert either in a civil action … or in a proceeding before the International Trade Commission … that the claim is invalid on any ground that ***the petitioner raised or reasonably could have raised during that inter partes review***."

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- **Federal Circuit *Shaw* Decision (2016):**
  - "The IPR does not begin until it is instituted."
  - 315(e) created estoppel only as to "any ground raised during" the IPR. "Shaw did not raise—nor could it have reasonably raised—the (prior art) Payne-based ground during the IPR."

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Key Points

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