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Final Rules: PTAB Adopts Phillips Standard for AIA Trials

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Earlier today, the United States Patent & Trademark Office published its final rule package changing the claim construction standard used in AIA trials, replacing the broadest reasonable interpretation ("BRI") claim construction standard with the narrower Phillips standard, traditionally used in district court litigation and in investigations before the International Trade Commission ("ITC")1. The new claim construction standard will apply to all AIA trials filed on or after November 13, 2018, the effective date of the final rule.

The Phillips standard for claim construction gives patent claims their ordinary and customary meaning as understood by one of ordinary skill in the art. The Phillips standard is generally considered to be a narrower claim construction standard than the BRI standard. But how so? Both the BRI and Phillips standards look to the claims, specification, prosecution history and extrinsic evidence as necessary to define the appropriate claim scope. But the focus under the BRI is on the "broadest" reasonable interpretation, whereas the Phillips standard permits more narrow constructions in certain circumstances. For example, where a claim term remains ambiguous after fully considering the evidence of record, the PTAB will be permitted under the Phillips standard to adopt a more narrow interpretation if doing so preserves the claims validity—an option unavailable under the BRI standard. As a result, the shift to the Phillips standard will be seen as a victory for patent owners since claims may be construed more narrowly and less likely to read on the prior art. That said, most commentators agree that the differences between the Phillips and BRI standards will not play a significant role in most AIA trials.

The adoption of a uniform claim construction standard in AIA trials, ITC and district courts will likely have a secondary benefit for patent owners. Under the old BRI standard, petitioners were free to hedge their bets and adopt alternative positions, construing the claims broadly in AIA trials to improve their invalidity arguments and more narrowly before district courts and the ITC to defend against infringement claims. Since the Phillips standard will be used in all three fora, petitioners now will need to exercise extreme caution in selecting their claim construction positions. Construing claims too broadly, although beneficial from a prior art and invalidity standpoint, may result in an unfavorable finding on infringement in court. Conversely, seeking a narrow construction in an AIA trial, although potentially beneficial from a non-infringement position, may result in an unfavorable final written decision on validity. In practice, the resulting reduced strategic flexibility for petitioners likely will prove an even greater benefit for patent owners than the application of the narrower Phillips standard itself.

The new rules also require the PTAB to "consider" claim construction orders issued by district courts and the ITC if timely made of record in the corresponding IPR, PGR or CBM proceeding. This rule raises significant strategic and cost considerations regarding the timing of petitions to account for the anticipated issuance of district court and ITC claim construction orders. If a petitioner delays filing of a petition to the end of the one year from service deadline created by 35 U.S.C. § 315(b), claim construction orders by a district court or the ITC in a related proceeding may

issue while the IPR/PGR/CBM remains pending. On the other hand, the filing of a petition soon after service of a complaint alleging patent infringement may result in the claim interpretation issue being resolved before the PTAB. Furthermore, an early preliminary injunction order may resolve one or more claim construction issues and could be relevant in a parallel or later-filed PTAB proceeding. In these ways, the new PTAB claim construction standard works to improve consistency between district court, ITC and PTAB proceedings. As there may be strategic and cost-related reasons to have this issue resolved before a both technically and legally trained PTAB panel rather than a district court or the ITC, petitioners should carefully consider the timing of their petitions to increase the likelihood that the forum of their choice is first to adjudicate any important claim construction issues.

The USPTO has now aligned the claim construction standard for AIA trials with the standard used by district courts and the ITC. The result should be more consistent and fair patent validity determinations based on the same claim scope used in infringement assessments. The new rules represent an ongoing policy shift by the USPTO under the leadership of Director Iancu for increased consistency, uniformity and predictability. But with the uniform claim construction standard, petitioners will need to tread cautiously in drafting their claim construction positions, carefully considering non-infringement positions in any related district court or ITC proceedings. In addition, timing considerations involving parallel trial court or ITC proceedings will need to be carefully evaluated to maximize the chances that the most favorable forum will first adjudicate any important claim construction issues.

Practice Tips:

- If you are considering filing an IPR, PGR or CBM petition, strongly consider doing so before November 13, 2018 to take advantage of the BRI standard and maximize your chances of success in invalidating the challenged claims.
- Carefully align your invalidity claim construction position to take into account any non-infringement positions.
- Consider the timing of filing any petition if there is a related district court or ITC proceeding. An early filing will maximize chances that a technically and legally trained panel of APJ's will be the first to address important claim construction issues. A later PTAB filing may open the door to an earlier district court or ITC claim construction order that may influence the PTAB panel's final decision.
- Petitioner/defendants should consider moving to stay any related district court or ITC case to reduce cost in the event the challenged patent is deemed invalid. Stays may be granted more liberally since the uniform claim construction standard may result in the simplification of legal issues, resulting in increased judicial efficiency.

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Footnotes

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[1] *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); *Philips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

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