



# PTAB Shake Up

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*With a raft of updates, the PTAB this year tackled controversial issues that have dogged the board for years.*

PTAB litigation has been fraught with peril for patent owners because saving patents has been an uphill battle. Patent owners face an 80% chance of losing claims after institution in an *inter partes* review (IPR), covered business method patent proceeding (CBM), or a post-grant review (PGR).<sup>1</sup> And it is difficult to flip a loss into a win at the Federal Circuit, making success below even more important.<sup>2</sup> However, some recent changes now make it easier for patent owners to succeed.

First, the USPTO changed the claim construction standard it will use for all cases filed on or after 13 November 2018. As of that date, the PTAB will no longer use its patent busting broadest reasonable interpretation (BRI) standard. Now, the PTAB will use the same standard used by district courts, the narrower *Phillips* standard. Most importantly, with the *Phillips* standard comes the claim-construction canon of construing claims to preserve their validity. This is a true game changer for patent owners.

Secondly, the PTAB will now provide patent owners with a sur-reply so that they have the final word on patentability.<sup>3</sup>

Thirdly, the PTAB issued two new standard operating procedures (SOPs), which should lead to better and more consistent results. One addresses how judges are assigned to panels,<sup>4</sup> ensuring that the most suitable judges are assigned to each case, and the other establishes new procedures that facilitate designating decisions as precedential by using a Precedential Opinion Panel (POP).<sup>5</sup>

Lastly, the USPTO recently issued proposed rules changing claim amendment practice at the PTAB.<sup>6</sup> If issued without revision, patent owners will in effect receive an advisory opinion during trial that they can address before the PTAB renders its final written decision.

These changes have dramatically changed PTAB practice and strategies, offering patent owners more chance of success. Over two parts, this article discusses strategies for successfully navigating these updates.

## Positive for patentees

On 11 October 2018, the USPTO published a final rule changing the standard for construing patents in IPRs, CBMs, and PGRs from the BRI standard to the narrower *Phillips* standard used by Article III courts and the International Trade Commission (ITC).<sup>7</sup> Although both standards consider the claim language, the specification, the prosecution history, and extrinsic evidence, perhaps the most important difference the *Phillips* standard has over BRI is the canon of construing claims to preserve their validity.<sup>8</sup>

The BRI standard gives a claim its broadest reasonable interpretation in light of the specification of the patent in which it appears.<sup>9</sup> That is, words of the claim must be given their ordinary and customary meaning as understood by one of ordinary skill in the art, unless such meaning is inconsistent with the specification.<sup>10</sup> In practice, this usually leads to a very broad interpretation.

The BRI standard may permit the use of extrinsic evidence (eg, dictionaries and expert testimony).<sup>11</sup> However, such extrinsic evidence should be considered in a limited manner and in view of the primary intrinsic evidence (eg, the claim language itself, the specification, the prosecution history) to ensure that the interpretation is the broadest reasonable interpretation, not just the broadest interpretation.<sup>12</sup>

## The Phillips claim construction

In *Phillips v AWH Corp*<sup>13</sup> the Federal Circuit, sitting *en banc*, held that claims should be given their ordinary and customary meaning. A claim term must be given “the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention,” and the preferred way to construe a claim was to study the “intrinsic evidence.” This “intrinsic evidence” includes the

claim language at issue, other claims in the patent, the specification, and the prosecution history. Of the intrinsic evidence, the Federal Circuit stated that the patent's specification is "the single best guide" for determining the meaning of a claim. Like the BRI standard, the *Phillips* standard primarily focuses on intrinsic evidence to interpret a claim. However, the *Phillips* court acknowledged "the maxim that claims should be construed to preserve their validity..."

## The new USPTO rule

The new rule was implemented to promote consistency among the various tribunals that are construing patent claim terms. According to the rule, the PTAB will construe claims "using the same claim construction standard that would be used to construe the claim in a civil action under 35 USC § 282(b)." <sup>14</sup> This means that claims will be construed according to their ordinary and customary meaning as would be understood by one of ordinary skill in the art, and the PTAB will consider the claim language itself, the specification, the prosecution history, and extrinsic evidence. Additionally, the PTAB will consider any prior claim construction determination by a district court or the ITC.

Most importantly, the rule requires the PTAB to construe claims to preserve their validity as described in *Phillips*. The USPTO downplayed the importance of this claim-construction canon, stating that "[a]s the Federal Circuit recognised in *Phillips*, this doctrine is 'of limited utility'" and that the Federal Circuit "has not applied the doctrine broadly, and has certainly not endorsed a regime in which validity analysis is a regular component of claim construction."

Nevertheless, the USPTO recognised that this canon applies to cases "in which 'the court concludes, after applying all the available tools of claim construction, that the claim is still ambiguous.'" In most AIA trials the authors have litigated, validity hinged on claim construction, where each side proffers a construction and the PTAB selects one or provides its own. Now, with the claim construction canon of preserving validity, after considering all the evidence, the PTAB should give some credit to preserving validity, which could tip the scale for patent owners.

## Patent owners get the last word

Until the Trial Practice Guide update, petitioners usually had the last word. But that has now changed. Prior to the updates, a petitioner filed a petition. Then, assuming the case was instituted, the patent owner would get a single brief, a patent owner response, and the petitioner would get a reply. Although sur-replies were commonly granted by the PTAB if they were justified, now each case will normally get a sur-reply authorised in the scheduling order. <sup>15</sup> But, sur-replies "should only respond to arguments made in reply briefs, comment on reply declaration testimony, or point to cross-examination testimony." Also, the "sur-reply may not be accompanied by new evidence other than deposition transcripts of the cross-examination of any reply witness." Even though new evidence is precluded, an additional persuasive brief is a wonderful tool for patent owners.

This sur-reply replaces the former practice of filing "observations" - short, concise statements about the expert's deposition transcript minus any substantive arguments - when the petitioner includes an expert declaration with its reply. <sup>16</sup> This often left patent owners at a disadvantage because they were unable to adequately argue against the expert testimony contained in the reply.

## New SOPs

Recently, the USPTO issued two SOPs that should help make PTAB rulings better and more consistent. <sup>17</sup>

First, in SOP 1, the USPTO is to "use best efforts... such that cases are paneled with judges having appropriate jurisdictional designations, technology disciplines, workload preferences, and docket compositions." This ensures that judges will be assigned to cases where they have experience in the relevant technology.

These technology disciplines are essentially separated into biotechnology/pharma, business methods, chemical, electrical, mechanical, and design. Also, related cases (those involving the same patent or the same patent owner) will be assigned to the fewest number of judges as possible, resulting in the same judges overseeing related technology and patents.

SOP 2 creates the Precedential Opinion Panel (POP), which designates opinions as precedential, informative, or de-designate precedential opinions. Unless designated "precedential," a panel's rulings are "routine," and are binding only on the parties to that proceeding. A "precedential" opinion is binding on the entire PTAB. An "informative" decision provides guidance on recurring issues or on the PTAB's rules and practices. Prior practice required a majority of all PTAB judges to agree to designate an opinion as precedential. <sup>18</sup> This led to a lack of precedential opinions, and a lack of consistency between panels. Now, the three-member POP will be able to designate precedential opinions more readily. The director selects the POP panel members, but the default is the director, the commissioner for patents, and the chief judge.

The POP will also review panel decisions. Prior to SOP 2, a party dissatisfied with a ruling could only request rehearing from the same panel or request rehearing with an expanded panel. Rehearing requests are rarely granted.

Also, requests for expanded panels rarely succeed and, in fact, are disfavoured.<sup>19</sup> Now, SOP 2 allows the POP to review panel decisions at its discretion, and any party can request review.

The ability to request rehearing by three different judges is a big win for the parties. Because the Federal Circuit is affirming PTAB decisions approximately 77% of the time,<sup>20</sup> winning below is that much more important.

## Summary

With the new claim construction standard, the new sur-reply, and the new SOPs, patent owners should see better and more consistent results coming from the PTAB. In the second part in this two-part series, the authors will discuss the proposed amendment process as well as strategies for succeeding at the PTAB.

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## Footnotes

1. Trial Statistics IPR, PGR, CBM Patent Trial and Appeal Board September 2018 at 11, available at <https://bit.ly/2BmP4X9>.
2. US Court of Appeals for the Federal Circuit appeals filed, terminated, and pending during the 12-month period ended 30 Sept 2017 (available at <https://bit.ly/2OQjpAY>). (Only a 12% reversal rate for all appeals from the PTO).
3. Trial Practice Guide Update (August 2018) at 14-15 (available at <https://bit.ly/2Aaxd3J>).
4. Patent Trial and Appeal Board standard operating procedure 1 (revision 15), assignment of judges to panels (20 Sept 2018) (available at <https://bit.ly/2BmPP2r>) ("SOP 1").
5. Patent Trial and Appeal Board standard operating procedure 2 (revision 10), precedential opinion panel to decide issues of exceptional importance involving policy or procedure (20 Sept 2018) (available at <https://bit.ly/2QdTAiO>) ("SOP 2").
6. See request for comments on motion to amend practice and procedures in trial proceedings under the America Invents Act before the Patent Trial and Appeal Board, 83 Fed Reg 54,319, 54,325 (29 Oct 2018).
7. Changes to the claim construction standard for interpreting claims in trial proceedings before the Patent Trial and Appeal Board, 83 Fed Reg 51,340 (11 Oct 2018) (to be codified at 37 CFR pts. 42.100, 42.200, and 42.300).
8. See transcript of oral argument at page 29, *Cuozzo Speed Technologies, LLC v Lee*, 793 F. 3d 1268 (2016) (No. 15-446).
9. See, eg, *In re NTP, Inc*, 654 F.3d 1279, 1287 (Fed Cir 2011); *In re NuVasive, Inc*, 693 F. App'x 893, 897 (Fed Cir 2017).
10. *In re Morris*, 127 F.3d 1048, 1054 (Fed Cir 1997).
11. *In re NTP*, 654 F.3d at 1287.
12. See *PPC Broadband, Inc v Corning Optical Communications RF, LLC*, 815 F. 3d 747, 755 (Fed Cir 2016).
13. 415 F.3d 1303 (Fed Cir 2005).
14. See Changes to the claim construction standard for interpreting claims in trial proceedings before the PTAB, 83 Fed Reg at 51,358.
15. See Trial Practice Guide Update at 14.
16. See office patent trial practice guide, 77 Fed Reg 157, 48,767-68 (14 Aug 2012) (Revised by updated trial practice guide).
17. Andrei Iancu, director, USPTO, Remarks Delivered at the American Intellectual Property Law Association annual meeting (25 Oct 2018).
18. PTAB's designation for opinions (1 Jan 2016) (available at <https://bit.ly/2qV2Vhv>).
19. *Gen Plastic Indus Co, Ltd v Kaisha*, IPR2016-01357, 2017 WL 3917706, at \*2 (6 Sept 2017) ("an expanded panel may be appropriate when the proceeding or AIA review involves an issue of exceptional importance") (emphasis added, internal quotations and citations omitted).
20. Year-to-date, there have been 138 Federal Circuit decisions from IPR/CBM proceedings of which 98 were affirmed