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## Strategic Implications of Recent Changes in PTAB Proceedings

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The U.S. Patent and Trademark Office (USPTO) recently made two procedural changes that significantly impact parties coordinating concurrent district court patent infringement litigation and *inter partes* proceedings before the Patent Trial and Appeal Board (PTAB). *First*, the USPTO harmonized the PTAB's claim construction standard with that of the courts.<sup>1</sup> *Second*, the USPTO instituted a Pilot Program allowing patent owners to use new claim amendment procedures during America Invents Act (AIA) proceedings,<sup>2</sup> such as *inter partes* reviews (IPRs).<sup>3</sup>

Petitioners and patent owners need to consider these changes when engaging counsel to devise coordinated litigation strategies in court and before the PTAB. For example, courts and the PTAB will have greater difficulty ignoring arguments and claim constructions from each other now that both tribunals use the same claim construction standard. Given that the PTAB will also likely resolve claim construction

issues, courts may be even more willing to stay a litigation pending IPR than in the past. Moreover, if motions to amend become more common and more successful in view of the new procedures, courts may be further encouraged to issue stays to avoid litigating patent claims that may change in scope. This article examines such considerations in detail.

### Background

#### The PTAB's New Claim Construction Standard

For more than a century, the USPTO used the "broadest reasonable interpretation" (BRI) standard to construe patent claims during prosecution (*i.e.*, when evaluating a patent application), during reexamination, and more recently in IPRs.<sup>4</sup> Although a claim term's BRI might seem to be broader than its "correct" meaning under the *Phillips* standard,<sup>5</sup> in practice, application of the two claim-construction standards had often yielded the same result.<sup>6</sup> Nonetheless, because the claim construction standards differed at the PTAB and in district courts, petitioners could (and often did) argue for broader claim constructions at the PTAB to ensnare more prior art, while at the same time arguing for narrower constructions in court to avoid infringement. As a result, several commentators supported the PTAB's proposed

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adoption of the *Phillips* standard in IPRs to promote greater uniformity and judicial efficiency.<sup>7</sup>

In October 2018, the USPTO changed to the *Phillips* standard in IPRs, explaining that “[b]ecause 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.”<sup>8</sup>

### Motions to Amend

To date, patent owners have rarely filed motions to amend in IPRs and have been frequently unsuccessful when they have filed. The USPTO reports that only one percent of all AIA proceedings have had motions to amend; out of more than 2,000 final decisions, the PTAB has decided only 205 motions to amend, of which the PTAB has granted only eight in full and 13 in part.<sup>9</sup>

In an effort to increase the number and success rate of motions to amend, on March 15, 2019, the PTAB initiated a pilot program that is scheduled to run for approximately one year before any further changes are implemented.<sup>10</sup> The pilot program applies to all IPRs instituted after the effective date, and provides the patent owner with the option to request “preliminary guidance” from the PTAB, which will be delivered after the petitioner files its opposition to the motion to amend. Patent owners

now also have the option of filing a revised motion to amend after considering the PTAB’s guidance (if requested) and the petitioner’s opposition.<sup>11</sup> The current procedural options are illustrated in Graph 1.<sup>12</sup>

### New Considerations for Litigants Following the PTAB Rule Changes

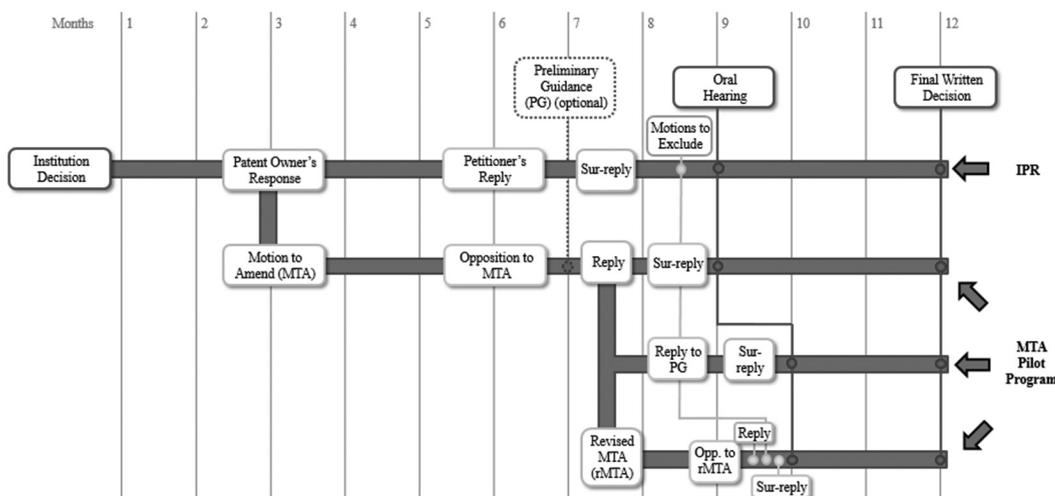
#### Different Claim Construction Positions Can No Longer Be Explained By Differing Legal Standards

The adoption of the *Phillips* standard in IPR proceedings has important implications for parties when they are involved in a parallel district court litigation, as is typical.<sup>13</sup> Previously, when the PTAB applied the BRI standard, a petitioner could point to the differing legal standards when advocating for different claim constructions before the PTAB and a court. Courts frequently discounted or even ignored constructions rendered in AIA proceedings, citing the difference in the applicable legal standard.<sup>14</sup>

**Now, a party must more carefully consider how it will coordinate its IPR position with its district court case.**

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Graph 1



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court case. The impact will differ depending on the progress of the IPR, relative to when the court construes the claims. When a defendant has strategic reasons for filing IPRs soon after being sued,<sup>15</sup> it will need to quickly coordinate its IPR and district court non-infringement strategy. This coordination is not limited to expressly made claim-construction arguments. A patent owner that contends a particular claim element reads on an accused product feature may see the petitioner assert in an IPR that the claim also reads on the same feature in the prior art for the same reasons. Conversely, a petitioner must take into account its non-infringement position when distinguishing the art over the claims.

### **PTAB Decides Whether to Institute Before District Court Construes Claims**

Because the PTAB will decide whether to institute an IPR petition about six months after the petition is filed, it is entirely possible—especially if the defendant files its IPR soon after being sued—that the PTAB will issue its institution decision with preliminary claim constructions before the court issues its claim construction order. Although the PTAB’s preliminary constructions are not binding on the PTAB or any other tribunal, a district court might find the PTAB’s preliminary construction under the same legal standard to be persuasive. Further, a patent owner that disavows claim scope to overcome the prior art will be bound by that disclaimer in court.<sup>16</sup>

In addition, a party’s credibility likely will be diminished if the party takes different claim construction positions before the PTAB and the court, because both tribunals now apply the same *Phillips* standard. If a petitioner relies on a broad construction to force the claims to cover the prior art, the patent owner will likely point to that broad construction in court to aid its infringement case. Conversely, a patent owner that expressly or implicitly relies on a narrow construction to try to avoid the prior art will likely have its position used against it in court by an accused infringer seeking a narrow construction to support non-infringement.

### **PTAB Issues Final Decision Before District Court Construes Claims**

The PTAB may be the first to construe and apply the claims in its final written decision if the court

stays the case before issuing its claim construction order, or if the litigation simply moves more slowly than the IPR. If the court has not already construed the claims, a party pleased with the PTAB’s claim constructions will likely argue that the PTAB precludes re-litigating those claim constructions again in district court.

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### **The PTAB’s construction will, of course, bind district courts (and the parties) if the Federal Circuit affirms the construction.**

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The PTAB’s construction will, of course, bind district courts (and the parties) if the Federal Circuit affirms the construction. It is unclear how the PTAB’s final decisions will affect district courts’ claim construction decisions when there is still the possibility of an appeal of the PTAB’s decision. However, after the time limit for an appeal has passed, a party may be bound by the doctrine of issue preclusion (also called “collateral estoppel”). The U.S. Supreme Court recently held that issue preclusion may be triggered by an administrative agency’s decision if there is no evident reason that Congress would not want the agency’s decisions to have a preclusive effect.<sup>17</sup> The Court explained: “[I]f federal law provides a single standard, parties cannot escape preclusion simply by litigating anew in [other] tribunals.”<sup>18</sup> Because the PTAB and the courts now apply the same *Phillips* standard for claim construction, it seems likely that parties seeking to hold the opposing party to the PTAB’s construction will argue that this same reasoning applies in the claim construction context.

### **District Court Construes Claims First**

At times, the district court might construe the claims before the PTAB decides whether to institute or—if the litigation is not stayed upon institution—after the institution decision but before the final written decision. The PTAB has stated that it is *not* bound merely by a court’s claim construction order in these situations, noting that issue preclusion is triggered only by a final judgment, although the PTAB may consider the court’s claim constructions persuasive.<sup>19</sup> Nevertheless, the USPTO’s new rules require the PTAB to “consider” the court’s

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construction, and the PTAB may be persuaded by the court's reasoning.<sup>20</sup> And as stated above, a party risks losing credibility if it takes inconsistent positions in the PTAB and in court. If the district court enters summary judgment based on the claim construction order, then the PTAB would need to consider the possible preclusive effect of such a judgment.

### Impact on Indefiniteness Arguments

The PTAB's rule changes may affect how the parties approach indefiniteness defenses in district court. Anticipation and obviousness in view of prior-art printed publications are the only valid grounds for instituting an IPR.<sup>21</sup> Indefiniteness is not available as a ground of unpatentability in IPRs (although it is available in post grant reviews (PGRs) and covered business methods (CBMs)).<sup>22</sup> In most cases, an IPR is the only available option: 854 IPRs were filed in fiscal year 2019 through April 30, 2019, but only 34 PGRs and 22 CBMs were filed in the same time period.<sup>23</sup>

As a result, a petitioner contending that a claim term is indefinite in district court must argue in its IPR that the claims can be construed to read on the prior art. The PTAB typically denies institution when it finds claim terms are indefinite on the basis that it cannot determine if the claims are taught by the art.<sup>24</sup> If institution is granted, the petitioner risks a PTAB final determination that the claims have definite scope, but are not taught by the prior art. And the Federal Circuit has recognized such a post-grant prosecution history can provide a "compelling" reason for finding the claims to be definite.<sup>25</sup> The *Sonix* court reversed a holding that the claim language "visually negligible" was indefinite, citing the fact that "[n]o one involved in either the first or the second reexamination had any apparent difficulty in determining the scope" of the supposedly indefinite language.<sup>26</sup>

Now that the PTAB applies the same claim construction standard that district courts apply, the PTAB's ability to understand claim terms may have greater influence on courts evaluating indefiniteness challenges. An alleged infringer that has a strong indefiniteness argument will need to consider carefully the potential impact an IPR proceeding may

have on its indefiniteness arguments in the district court.

### Increased Likelihood of Stays

The PTAB's adoption of the *Phillips* standard and the new motion to amend procedures provide an accused infringer with additional arguments to stay litigation pending IPR.

First, as already discussed, the PTAB's claim constructions will be more relevant to district court litigation because both tribunals apply the same *Phillips* standard. District court judges thus may be more likely to find that staying litigation until resolution of an IPR will simplify the issues before the court and reduce the risk of inconsistent claim constructions.<sup>27</sup>

Second, if the motion to amend pilot program makes amendments during IPRs more common and/or more likely to succeed, courts may be more willing to stay litigation pending IPR on the basis that litigating patent claims that may soon be amended makes little sense.<sup>28</sup> And as the Federal Circuit has observed, the possibility of amendment in an IPR weighs in favor of granting a stay "so as to avoid unnecessary claim construction of what could potentially be a moving target in terms of claim language."<sup>29</sup>

### The Likelihood of Claim Amendments

As discussed, the motion to amend pilot program gives patent owners two options aimed at increasing the likelihood of a successful claim amendment: (i) requesting preliminary guidance from the PTAB, and (ii) revising a motion to amend in view of the petitioner's opposition and the PTAB's preliminary guidance (if requested).

It is currently unclear how many more patent owners will attempt to amend their claims during an IPR, and if they do, whether they will enjoy a higher success rate. Even with an incremental improvement, amending claims would remain difficult. Although the PTAB's final decision should issue in a little over 18 months after the petition was filed, an appeal is likely if the petitioner is concerned about potential assertion of the amended claims in court. That appeal will add at least a year before the USPTO will issue an IPR certificate with any amended claims that have survived the appeal. All told, the time from IPR

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filing to an IPR certificate with amended claims will likely be three years or longer.

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**Patent owners will need to balance the potential benefits of amended claims against the “intervening rights” that accompany amendments and limit damages.**

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Patent owners will need to balance the potential benefits of amended claims against the “intervening rights” that accompany amendments and limit damages. A patent owner is not liable for any infringement of amended claims that occurred before the amended claims had issued, and in the court’s discretion, the patent owner might not be liable for infringing products made or used after the amended claims issue if the party made substantial preparations beforehand.<sup>30</sup>

A patent owner with a pending continuation in the same family may instead seek to improve claim scope sooner by amending its claims pending in the continuation or by filing a new continuation with new claims, perhaps using the “Track One” accelerated prosecution program. An applicant is not limited to narrowing amendments during prosecution of its continuation application and will not face a highly motivated petitioner in this *ex parte* prosecution. Once the examiner allows the claims, the claims will issue—there will be no opposing party to appeal the examiner’s allowance. As a result, a patent owner may be able to obtain new claims more quickly, with significantly less risk and expense.

Also, a patent owner always has the option of seeking *ex parte* reexamination or reissue. The patent owner will be limited to narrowing amendments, but will not face an opposing party with a right to appeal. The USPTO recently clarified that the PTAB might not stay the reissue or reexamination pending IPR, and may lift any stay after the final written decision in the IPR depending on certain factors.<sup>31</sup> As a result, the patent owner may obtain narrowed claims more easily and sooner (and at a lower cost) than by using the pilot program for claim amendments in an IPR.

Nevertheless, some patent owners may choose to file a motion to amend, perhaps to acquire battle-tested claims or to avoid the estoppel

effects of losing claims in an IPR. If the IPR estoppel applies to the amended claims as well as to the petitioned claims, the estoppel will be particularly valuable for the amended claims because it extends to more grounds of unpatentability.<sup>32</sup> A petitioner is not limited to anticipation and obviousness positions based on prior-art printed publications in attacking against amended claims,<sup>33</sup> and the estoppel might be correspondingly broad.

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**In summary, the pilot program is designed to increase the number and success rate of motions to amend.**

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In summary, the pilot program is designed to increase the number and success rate of motions to amend. Until proven otherwise, a petitioner should assume the pilot program will be implemented incrementally, and success is most likely to occur when the patent owner does not have a pending continuation but has written description support for narrowing amendments that will preserve its infringement case.

A patent owner should particularly consider a motion to amend in these circumstances. Patent owners must also take into account, however, that a highly motivated petitioner will mount a vigorous attack that can span other statutory grounds, including patent eligibility, indefiniteness, and written description.

### **Takeaways**

In view of the PTAB’s adoption of the *Phillips* standard and launch of the motion to amend pilot program, parties need to ensure that their counsel tightly coordinate their district court and IPR strategies. Different claim construction standards no longer separate the two venues, and the PTO has taken action to encourage more motions to amend. Parties must carefully consider the effect one proceeding may have on the other and in particular the possibility of issue preclusion as a result of the newly harmonized claim construction standard, the increased possibility of claim amendments, and the new arguments available to encourage a court to stay litigation pending IPR.

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## Notes

1. *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 51340 (October 11, 2018).
2. *Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures*, 84 Fed. Reg. 9497 (March 15, 2019).
3. Other AIA proceedings include post grant review (PGRs) and covered business method reviews (CBMs). Because the vast majority of AIA proceedings are IPRs, this paper will focus on IPRs, pointing out salient differences where appropriate.
4. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016) (confirming that appropriate claim construction standard for AIA proceedings “is a question that Congress left to the particular expertise of the Patent Office”); *PPC Broadband, Inc. v. Corning Optical Commc’ns RF LLC*, 815 F.3d 734, 742 (Fed. Cir. 2016).
5. The “*Phillips*” standard is set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). The courts, as well as the International Trade Court (ITC), use this standard.
6. *See, e.g.*, In re CSB-System International, Inc., 832 F.3d 1335, 1342–43 (Fed. Cir. 2016) (holding that the claim constructions for the terms “personal computer” and “LAN server” were the same under either the BRI or the *Phillips* standard); *but see* *PPC Broadband v. Corning Optical Commc’ns RF*, 815 F.3d 734, 742–43 (Fed. Cir. 2016) (stating that “while the Board’s construction is not the correct construction under *Phillips*, it is the broadest reasonable interpretation”).
7. *See, e.g.*, Letter from AIPLA to the Director of the USPTO (July 9, 2018), available at <https://www.uspto.gov/sites/default/files/documents/comment-aipla.pdf>; Letter from the PTAB Bar Association to the Director of the USPTO (July 9, 2018), available at <https://www.uspto.gov/sites/default/files/documents/comment-ptab-bar-association.pdf>; Letter from the BPLA to the Director of the USPTO (July 9, 2018), available at <https://www.uspto.gov/sites/default/files/documents/comment-boston-patent-law-association.pdf>.
8. 83 Fed. Reg. at 51342. The USPTO still evaluates claims under the BRI during original prosecution, reexaminations, and reissue proceedings.
9. *See* 83 Fed. Reg. at 54321 (patent owners filed motions to amend in fewer than 10 percent of cases before the PTAB, and the PTAB in turn only granted four percent of motions in whole and six percent in part); PTAB Motion to Amend Study, Installment 5: Update through September 30, 2018 (available at [https://www.uspto.gov/sites/default/files/documents/ptab\\_%20mta\\_study\\_%28installment\\_5\\_-\\_%20update\\_through\\_fy2018%29.pdf](https://www.uspto.gov/sites/default/files/documents/ptab_%20mta_study_%28installment_5_-_%20update_through_fy2018%29.pdf)).
10. 84 Fed. Reg. at 9497.
11. *Id.*
12. *Id.*
13. Pedram Sameni, *Patexia Chart 44: Eighty Percent of IPR Filings are for Defensive Purposes*, PATEXIA (Nov. 8, 2017), <https://www.patexia.com/feed/patexia-chart-44-80-percent-of-ipr-filings-are-for-defensive-purposes-20171107>.
14. *E.g.*, *TQ Beta LLC v. Dish Network Corp.*, No. 14-CV-848-LPS-CJB, 2016 WL 356024, at \*4 n.4 (D. Del. Jan. 28, 2016) (“[T]he legal standards applicable to claim construction in an IPR—‘the broadest reasonable interpretation’—are different than those that apply in district court litigation. Thus, while the positions the parties have taken in the IPR are not irrelevant—and the Court has considered them—they are not binding, on either the parties or the Court.”) (citation omitted).
15. A defendant must file its IPR petition no later than one year after being served with an infringement complaint. 35 U.S.C. § 315(b). A defendant might want to file early in that one-year period because a court is more likely to grant a defendant’s motion to stay if the IPR is instituted early in the case. Also, the PTAB is more likely to deny an IPR petition if the district court will decide validity before the IPR is completed. *See* *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (PTAB Sept. 12, 2018) (precedential).
16. *Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353, 1359–62 (Fed. Cir. 2017) (extending prosecution history disclaimer to the IPR context).
17. *B & B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1305–06 (2015). In *B & B Hardware*, the Court held that the Trademark Trials and Appeal Board (TTAB’s) “likelihood of confusion” finding had preclusive effect in court. *Id.* at 1310. It did not matter that trademark registration and trademark infringement cases are governed by separate statutes; what mattered was whether the TTAB applied the same standard in adjudicating “likelihood of confusion” as the courts did when deciding infringement. *Id.* at 1306–07.
18. *Id.* at 1307.
19. 83 Fed. Reg. at 51,355.
20. 37 C.F.R. § 42.100 (any prior claim construction by the courts or the ITC “that is timely made of record in the inter partes review proceeding will be considered.”); *Id.* §§ 42.200, 42.300 (same for PGR and CBM).
21. 35 U.S.C. § 311(b).
22. PGRs are available only for post-AIA patents within nine months of issuance. And as the name suggests, CBMs are available only for certain business-method patents.

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23. USPTO, *Trial Statistics* (April 2019), available at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_apr\\_2019.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_apr_2019.pdf).
  24. See, e.g., *Intel Corp. v. Alacritech, Inc.*, IPR2017-01405, Paper 8 at 7–8 (Nov. 21, 2017); *Medshape, Inc. v. Cayenne Medical, Inc.*, IPR2015-00848, Paper 9 at 11–12 (Sept. 14, 2015).
  25. *Sonix Tech. Co. v. Publications Int’l, Ltd.*, 844 F.3d 1370, 1380 (Fed. Cir. 2017) (in the ex parte reexamination context).
  26. *Id.*
  27. “[W]hether a stay will simplify the issues in question and trial of the case” is one of three factors that district courts typically analyze when considering a stay. *Murata Mach. USA v. Daifuku Co.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016) (listing the other two factors as “whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party” and “whether discovery is complete and whether a trial date has been set”).
  28. See, e.g., *Norred v. Medtronic, Inc.*, No. 13-2061-EFM/TJJ, 2014 WL 554685, at \*3 (D. Kan. Feb. 12, 2014) (granting a stay in light of IPR proceedings, in part because “if the asserted claims are amended, this case will proceed according to the amended claims, rather than the claims that were cancelled during the review”).
  29. *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1314 (Fed. Cir. 2014).
  30. 35 U.S.C. §§ 252, 318(c); *Aqua Prods. v. Matal*, 872 F.3d 1290, 1315 (Fed. Cir. 2017) (en banc) (stating that amended claims arising from IPR proceedings will “be subject to the intervening rights of anyone already practicing them,” which may “limit the scope of the patent owner’s damages, if any”).
  31. *Notice Regarding Options for Amendments by Patent Owner Through Reissue or Reexamination During a Pending AIA Trial Proceeding*, 84 Fed. Reg. 16,654 (April 22, 2019); Boardside Chat: *Parallel Proceedings Study and Notice Regarding Options for Reissue and Reexamination* (April 25, 2019), available at [https://www.uspto.gov/sites/default/files/documents/20190419-ptab-boardside-chat%20-%20reissue%20and%20reexam%20options%20-%20parallel%20proceedings-%204\\_25\\_19-ig\\_806950-final\\_0.pdf](https://www.uspto.gov/sites/default/files/documents/20190419-ptab-boardside-chat%20-%20reissue%20and%20reexam%20options%20-%20parallel%20proceedings-%204_25_19-ig_806950-final_0.pdf).
  32. Notably, the following discussion applies only to IPRs, and not to PGRs or CBMs because they allow attacking the issued claims under the other statutes, and in the case of CBMs, the estoppel for district courts is limited to the grounds actually raised. *Leahy-Smith America Invents Act* § 18 (September 16, 2011).
  33. *Amazon.com, Inc. v. Uniloc Luxembourg S.A.*, IPR2017-00948, Paper 34 (January 18, 2019) (precedential).

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