

INSIGHTS

Singing the Same Claim Construction Tune: USPTO Adopts Federal Court Claim Construction Standard for AIA Proceedings

October 18, 2018

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On October 11, 2018, the United States Patent and Trademark Office (USPTO) published notice of a final rule change adopting the claim construction standard applied by federal courts for use by the Patent Trial and Board (PTAB) in AIA proceedings. Under the new rule, the PTAB will no longer interpret claims under the Broadest Reasonable Interpretation (BRI) Standard but instead will construe claims more narrowly according to the Phillips Standard adopted by the Federal Circuit in *Phillips v. AWH Corp.*, and its progeny. While introducing some near-term uncertainty, ultimately the rule change likely will result in more consistent proceedings between the federal courts and the USPTO—and relief to patent owners.

Details

The USPTO will revise 37 CFR § 42 to provide that claims in *inter partes* review (IPR), post-grant review (PGR), and covered business method (CBM) proceedings “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) . . .” [\[1\]](#) The final rule replaces the BRI Standard with the same claim construction standard used in federal courts and International Trade Commission (ITC) proceedings. Operating under the Phillips Standard, the PTAB will consider the claim language itself, the specification, and prosecution history about the patent, as well as relevant extrinsic evidence. However, patent examiners will continue to apply the BRI Standard during original patent prosecution and reexamination proceedings.

The final rule change takes effect on November 13, 2018, and will apply to proceedings with petitions filed on November 13th or thereafter. The PTAB will use the new Phillips Standard to construe patent claims and proposed substitute claims in AIA proceedings in which trial has not yet been instituted before the effective date. The BRI Standard will continue to govern petitions filed before November 13, 2018.

The USPTO will now also consider any claim construction determination from a prior civil action, or a proceeding before the ITC, that is timely filed in the record of an IPR, PGR, or CBM proceeding. The rule only requires that the PTAB consider a district court’s prior construction if it is “timely made of record,” and the administrative law judges of the PTAB are not required to adopt the claim construction of a federal court. Regarding the timeliness of a submission, the USPTO provided in its commentary that “parties should submit the prior claim construction determination by a federal court or the ITC in an AIA proceeding as soon as that determination becomes available. Preferably, a prior claim construction determination should be submitted

with the petition, preliminary response, or response, with explanations.” Existing rules that govern supplemental information submission during proceedings before the PTAB will dictate the timing and procedures for submitting claim federal court claim construction decisions.

What to Expect

In some cases, the rule change will help patent owners avoid claim invalidation by the PTAB. However, the USPTO describes the *Phillips* and BRI Standards as similar, and explains that “there have been very few decisions in which courts have attributed a variance in claim interpretation to the differences between the two Standards.” But, the change does appear to limit the possibility of a patent challenger obtaining a narrow claim construction from the district court for infringement analysis, and a significantly broader claim construction before the PTAB for the use of claim invalidation. Because the PTAB will consider claim construction decisions in prior district court proceedings, both patent owners and challengers should expect to make more consistent arguments with regard to claim construction in the different fora.

Logistically, the final rule change likely will allow patent owners and challengers to leverage legal work performed developing claim construction arguments for district court proceedings in PTAB proceedings. Given that an estimated 86.8% of patents in AIA proceedings have also been the subject of litigation in federal courts, the new rule should benefit the parties funding simultaneous proceedings in one or more district court and the PTAB.^[2]

Because the final rule change becomes effective on November 13, 2018, and does not apply retroactively, some patent challengers who have not already filed an IPR, CBM, or PGR petition may find it to their advantage to do so before the effective date of the new rule. Federal court challenges to the rule change appear to be likely, especially for patents invalidated under the BRI Standard between the passage of the AIA and the effective date of the new rule. Also, many questions remain, for example, whether high institution rates at the PTAB for challenger petitions will decrease under the narrower Phillips Standard. The developing interplay and comity granted between the PTAB and district courts will also be of interest to parties, particularly concerning granted stays in district courts pending the outcome of an AIA proceeding and the effectiveness of collateral estoppel.

If you would like more information on the final rule change, or if you would like to discuss how the change may affect you or your business, please feel free to contact the attorneys at Bracewell.

^[1] The full text of the rule change can be found at <https://www.federalregister.gov/documents/2018/10/11/2018-22006/changes-to-the-claim-construction-standard-for-interpreting-claims-in-trial-proceedings-before-the>.

^[2] Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 *Berkeley Tech. L.J.* 45 (2016) (available at <https://ssrn.com/abstract=2731002>).