

Big changes come to post-grant trials: Claim construction standards and SAS

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Two recent events will drive big changes in ongoing and future post-grant trials, including in inter partes review, post-grant review and covered business method review proceedings.

The Patent Trial and Appeal Board recently indicated plans to make a significant change in the claim construction standard it employs, switching from the established “broadest reasonable interpretation” standard to the well-known “plain and ordinary meaning” standard.

In addition, a recent U.S. Supreme Court case, *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), significantly alters the institution phase of IPRs under the America Invents Act, ending the PTAB’s practice of permitting the partial institution of a challenge to a patent.

With these changes, petitioners and patent owners alike may need to re-evaluate not only their post-grant strategy but also any co-pending or planned district court litigation and International Trade Commission investigations.

A NARROWER TAKE ON CLAIM CONSTRUCTION

For over a century, the PTAB has employed the “broadest reasonable interpretation” standard for construing patent claims.

Under the BRI standard, the PTAB interprets the claims as broadly as possible, subject only to the constraint that the interpretation is reasonable in light of the specification.

This standard has been used despite the possibility that the PTAB and a district court or an administrative law judge examining the same patent could come to inconsistent conclusions regarding the patent’s validity, given the plain-and-ordinary-meaning standard employed in district court and at the ITC.

In fact, the Supreme Court, in *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131 (2016), acknowledged that any inconsistency created through the application of different standards by the PTAB and district courts was inherent to the regulatory scheme designed by Congress.

Despite this established history of divergent claim construction standards and Supreme Court decisions rationalizing the policy distinction, the PTAB announced May 8 that, for post-grant trials, it intends to abandon the established BRI standard in favor of the plain-and-ordinary-meaning standard used in district court litigation and in ITC investigations.

Under the new standard, the PTAB would give claims their ordinary and customary meaning, or the meaning the term would have to a person of ordinary skill in the art at the time of invention, as articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

This change mutes what have historically been important advantages for post-grant petitioners at the PTAB.

Petitioners and patent owners alike may need to re-evaluate not only their post-grant strategy but also any co-pending or planned district court litigation and International Trade Commission investigations.

First, application of the BRI standard permitted the petitioner to challenge the validity of claims based on a claim construction that made it easier to show invalidity than the claim construction standard used in district court and at the ITC.

Specifically, the broader standard at the PTAB made the field of applicable, potentially invalidating prior art much wider. In contrast, application of the *Phillips* standard at the PTAB will leave petitioners with a narrower field of prior art from which to challenge the patent owner’s claims.

Next, the divergent standards at the PTAB and district court permitted the petitioner to avoid committing to a claim construction applicable to an infringement trial.

Once the plain-and-ordinary-meaning standard is implemented at the PTAB, it will require petitioners to fully assess their claim construction positions prior to filing, potentially delaying the filing



of a petition until litigation has advanced and increasing the overall cost of resolving a dispute.

Finally, the divergent standards at the PTAB and district court or ITC previously allowed the petitioner to use the patent owner's assertion of broad claim scope against it, even if the petitioner contested that claim scope in court.

The PTAB's planned claim construction change could go into effect any day now, and might apply to pending as well as future post-grant trials.

IPR INSTITUTION DECISIONS: ALL OR NOTHING

This change at the PTAB comes on the heels of the Supreme Court's *SAS* decision.

Since the implementation of the AIA, the PTAB has been reviewing petitions to determine if the petitioner has a reasonable likelihood of success in invalidating a claim based on the grounds asserted in the challenger's petition.

In practice, the board often has chosen to institute an IPR for some claims based on some asserted grounds of invalidity, while declining to institute other challenged claims on only some of the grounds asserted.

In *SAS*, the Supreme Court assessed whether the PTAB is permitted by statute to do just this: Institute an IPR on only some of the claims challenged in the petition.

The court found that the PTAB cannot partially institute, mandating that it institute a trial on all challenged claims or none.

The Supreme Court's holding is applicable to all ongoing as well as future post-grant trials.

It is important to note that the court in *SAS* interpreted a section of the AIA that relates to "all claims." However, the section does not expressly mention "all grounds."

Despite the language of the statute interpreted in *SAS*, the PTAB is broadly interpreting the decision to require that, if a trial is instituted, it be instituted on all claims and all grounds presented in the petition.

In *Western Digital Corp. v. SPEX Techs. Inc.*, No. IPR2018-82, 2018 WL 1989599 (P.T.A.B. Apr. 25, 2018), the first institution decision after *SAS*, the PTAB found that out of 11 challenged claims, the petitioner demonstrated a likelihood of success on only two. Nonetheless, the PTAB instituted review on all 11 challenged claims.

In another post-*SAS* institution decision, *Caterpillar Inc. v. Wirtgen America Inc.*, No. IPR2017-2188, decision issued (P.T.A.B. May 23, 2018), the board instituted review on 20

challenged claims, despite only finding the petitioner had a reasonable likelihood of success in invalidating one claim on one ground.

Therefore, if the petitioner shows that it is reasonably likely to prevail on a single claim on a single ground, the PTAB will institute a trial on all claims on all grounds in the petition — unless it exercises discretion not to have a trial at all.

Thus far, it appears the PTAB is leaning toward institution, even in pending IPRs.

In at least two instances the PTAB has revisited and modified institution decisions issued prior to *SAS*. In these instances, the PTAB has modified its decisions to include challenged claims that were previously denied institution where it found that the petitioner was not reasonably likely to succeed in invalidating the claims.¹

Once the plain-and-ordinary-meaning standard is implemented at the PTAB, it will require petitioners to fully assess their claim construction positions prior to filing.

The PTAB's implementation of *SAS* in this matter is inconsistent with the regulations regarding when an IPR may be instituted. Namely, 37 C.F.R. § 42.108(c), mandates that there shall be no institution "for a ground of unpatentability unless the board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable."

At least one patent owner has challenged the PTAB's post-*SAS* institution of an IPR for claims and grounds where the PTAB does not find a reasonable likelihood of success in demonstrating unpatentability.

In *Alcatel-Lucent USA Inc. et al. v. Oyster Optics LLC*, No. IPR2018-00070, request for rehearing filed, (P.T.A.B. May 24, 2018), that patent owner argued that institution without a ground-by-ground analysis is contrary to the PTAB's own rules.

Presumably, the patent owner's objective is not to get a more detailed explanation of why the PTAB considers all claims unpatentable — though such information could be useful to the patent owner in the upcoming trial.

Rather, it is likely that the patent owner is hoping for the PTAB to apply the all-or-nothing rule of *SAS* by opting for no institution if any of the grounds in a petition is inadequate to justify institution.

Any decision on the patent owner's motion by the PTAB could give invaluable insight as to how it will implement the Supreme Court's ruling in *SAS* once it updates its rules.

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For now, there is uncertainty as to how the PTAB will apply *SAS* once the dust settles. However, the U.S. Court of Appeals for the Federal Circuit seems comfortable with the PTAB's initial attempt to implement *SAS* by instituting all claims on all grounds if the petitioner shows it is reasonably likely to prevail on any claim on any ground.²

That approach clearly creates new challenges for patent owners.

For example, they now must investigate and respond to more arguments, without more pages allowed for briefing.

This change in institution procedures is a mixed bag for petitioners.

On the one hand, it creates the opportunity to have a trial on prior art that raises different or possibly even contradictory considerations, such that the petitioner has multiple opportunities to prevail and can adapt to counterarguments made by the patent owner by emphasizing one ground over another during trial.

The benefits may spill over to court proceedings, with an increased chance of stay. For example, in at least one recent district court case, a judge granted a stay of the litigation as to claims previously not instituted at the PTAB but now subject to an IPR post-*SAS*.³

The use of the plain-and-ordinary-meaning standard at both the PTAB and district court in conjunction with an all-or-nothing approach on institution appears to tip the scales in favor of granting stays at the district court, where simplification of the issues is hard to rebut if the PTAB has instituted review of all claims.

Moreover, because all claims and grounds will be instituted, any final decision regarding the validity of those claims on asserted grounds will be appealable.

On the other hand, having a trial on claims for which the PTAB would have, under its prior practice, found no reasonable likelihood of prevailing is potentially a liability, as estoppel against future challenges will now attach to those claims too.

In addition, the PTAB's institution decisions have historically provided petitioners and patent owners insight into the PTAB's analysis of the strengths and weaknesses of the petitioner's challenges.

The new all-or-nothing approach for institution decisions is likely to prevent parties from being able to glean any insight from the PTAB's institution decision about many issues that will be important in the ensuing trial.

GOING FORWARD

Those anticipating making post-grant challenges need to prepare a case aligned to current PTAB practices, with an eye toward future changes.

That may mean devoting more time to selecting and justifying the appropriate claim construction.

Careful petitioners should also explore other options, including building a case of invalidity that can succeed without an affirmative commitment on the precise reach of the claims, such as by showing that the embodiments of the invention described in the patent were unpatentable.

As another option, petitioners may offer multiple grounds relying on different claim interpretations. Indeed, a petition might be structured with grounds that present claim interpretations of varying scope, forcing the patent owner to advocate for a claim interpretation.

Forcing the patent owner's hand with regard to claim construction could have benefits in the post-grant trial, related litigation or both.

For those with ongoing post-grant trials, now is the time for a fresh look at the case.

Those impacted by *SAS* have likely been notified by the PTAB, and should be actively evaluating how to adapt to claims and grounds that were not previously in the trial.

The possibility of conducting that trial under a different claim construction standard — possibly one for which there is scant evidence in the record — poses great risks for petitioners, and perhaps incredible opportunities for patent owners.

For petitioners blindsided by the change in rules, extreme measures may be warranted in some cases, such as asking the PTAB to vacate its institution decision.

However, note that at least one member of the PTAB has indicated that this could be a way to dispose of a post-grant trial in its entirety.

In at least one modified institution decision, the dissent suggested that the appropriate action regarding claims that were not instituted pre-*SAS* would have been to vacate the original institution decision and choose to deny institution of all claims, rather than instituting review of claims and grounds for which the PTAB previously denied institution.⁴

In this time of many changes, it is important to be in close contact with an experienced post-grant practitioner who can help you determine the best strategy moving forward and put that strategy into action for your case.

NOTES

¹ *ESET LLC v. Finjan Inc.*, No. IPR2017-1738, 2018 WL 2328884 (P.T.A.B. May 21, 2018); *Dish Network Corp. v. Customedia Techs. Inc.*, No. CBM2017-19, 2018 WL 2084934 (P.T.A.B. May 2, 2018); *Dish Network Corp. v. Customedia Techs. Inc.*, No. CBM2017-19, 2018 WL 2296609 (P.T.A.B. May 16, 2018).

² See *PGS Geophysical AS v. Iancu*, 891 F.3d 1354 (Fed. Cir. 2018).

³ *Huawei Techs. Co. v. Samsung Elecs. Co.*, No. 16-cv-2787, 2018 WL 2971159 (N.D. Cal. June 13, 2018).

⁴ *ESET LLC v. Finjan Inc.*, No. IPR2017-1738, 2018 WL 2328884 (P.T.A.B. May 21, 2018).

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