

For all validity challenges, PTO must use same claim construction standard as courts

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Patent claim construction is one of the most important determinations in any challenge to a patent claim's validity. Claim construction determines the boundary of the property right of the patent owner.

Once that boundary is determined, the fact finder determines what prior art is relevant to the validity challenge — which is inside the claim's boundary and which is not.

The Patent and Trademark Office recently changed its rules so that the claim construction standard used in assessing the validity of issued patent claims in inter partes review proceedings at the PTO is the same one that would be used in a court proceeding.¹

The rationale behind this change is that the construction of the meaning of the same words or phrases in an issued patent claim should be uniform.

The change was from the PTO's broadest reasonable interpretation — or BRI — standard to the ordinary meaning standard as understood by a person of skill in the art to which the patent is directed.²

The change was important because application of the BRI standard can lead to the invalidation of what would be a perfectly valid claim if challenged in court. This is because the broader BRI standard can include more relevant prior art than the ordinary meaning standard.

As the Supreme Court explained in *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131 (U.S. 2016): "Use of the broadest reasonable construction standard [rather than the ordinary meaning standard used by the courts] increases the possibility that the examiner will find the patent too broad (and deny it [the issued patent claim])."³

Some of the comments on the proposed rule change on IPRs urged that the same ordinary meaning standard should also be used in PTO reexaminations, a "cousin"⁴ of the IPR that has basically the same purpose of allowing the PTO to take a second look at issued patent claims.

The PTO did not specifically disagree with that but said that the reexamination standard would be reviewed at a later time.

In any such latter review, the PTO should decide that the ordinary meaning standard is to be used in reexaminations of issued patent

claims. As the U.S. Court of Appeals for the Federal Circuit said recently, "ex parte reexaminations and IPRs [are] different forms of the same thing — reexamination."⁵

THERE IS NO LEGAL REQUIREMENT TO USE THE BRI STANDARD IN REEXAMINATIONS

(i) Statutory requirements

A member of the public made a comment on the PTO's proposed ordinary meaning rule that use of the ordinary meaning standard in IPRs while continuing to use the BRI standard in reexaminations could result in inconsistency, confusion and complexity within the office.

The PTO did not specifically disagree with that, but it noted in passing that the law authorizing reexaminations provided that the PTO should use the same procedures that were used in the original examination.⁶

Since the original examination uses the BRI standard, so should the reexamination, according to the apparent reasoning in response to the comment.

Patent owners, competitors and investors all need to be able to rely on the proper scope of a patent claim to bring new products to market.

But the authorizing statute for reexaminations does not provide that all types of claims reviewed in the reexamination must be examined using the same claim construction standard that was used in the original examination. Indeed, the PTO itself uses different standards in reexaminations for different kinds of claims.

Furthermore, the PTO has recognized that the subsequent legislation establishing the IPR proceedings gives it discretion to determine how to handle parallel PTO second-look proceedings involving the same patent (such as a reexamination and an IPR).

It said that this discretion could allow the PTO to use the same claim construction standard in both proceedings, if the proceedings are consolidated.⁷ That is, since the IPR will now use

the ordinary meaning standard, this standard can also be used in a reexamination of the same claim in a consolidated proceeding.

So too, the PTO should recognize that an issued patent claim is a different kind of claim than a proposed claim that was never issued.

Similarly, the reexamination statute does not specify what claim construction standard is to be used. There is a statutory gap, or the statute is ambiguous. The reexamination statute provides that the PTO is to conduct the reexamination according to the “procedure” of Section 132 of the Patent Act, 35 U.S.C.A. § 132, and Section 133 of the act, 35 U.S.C.A. § 133 (the original examination procedure).⁸

But these sections only provide that the PTO’s director shall promulgate regulations. So too does the director have to promulgate regulations for reexamination proceedings.

But that doesn’t mean the regulations have to be the same for both types of proceedings. As shown above, the PTO has already recognized that the BRI standard is not to be used in two specific circumstances in reexaminations.

(ii) BRI case law

There is case law approving the use of the BRI standard in both reexamination and IPR proceedings. None of these cases, however, say the BRI standard is required — they say only that a PTO rule requiring use of the BRI standard was appropriate in the PTO proceeding at issue.

The cases are premised on the fact that the PTO made a mistake in issuing the original claim so “a bad patent slipped through.”⁹ In other words, the patent “should not have issued in the first place.”¹⁰

The rationale for using the BRI standard is that a patentee can obtain the proper claim scope for an unexpired patent claim by making amendments in the reexamination proceedings. Indeed, the cases all presume that the proper scope of protection for the invention can be obtained through amendment in the second-look proceeding.¹¹

But as shown below, the right to amend is irrelevant to what standard should be used. Amendment does not necessarily mean that a proper claim scope is obtained and that no prejudice will harm the patent owner.

This is a problem where the original patent claim is valid using the ordinary standard, but invalid using the BRI standard based on the latter including prior art within its broader scope which the former does not.

If the PTO then allows an amended claim in reexamination, the valid patent property between the boundary of the original patent claim and the boundary of the new claim after reexamination will be taken from the patent owner. That is because the amended claim patent boundary will always be narrower than the original claim (under either standard), and

the full scope of the original patent property granted by the government will be lost.

The courts originally distinguished between claims not yet patented and issued claims as to the standard to be used.

One court held that the BRI standard was appropriate for claims yet to be patented, because “at that time, they may be amended to obtain protection commensurate with the inventor(s) actual contribution to the art.” By contrast, for issued claims, that court explained: “There a court may construe an issued claim as covering only patentable subject matter so as to be valid over the prior art.”¹²

Later, the Federal Circuit was faced with the question of what standard should be used in reexamination. It found in *In re Yamamoto*, 740 F. 2d 1569 (Fed. Cir. 1984), that the PTO permissibly used the BRI standard.

The court said that in reexamination the patent owner may amend to obtain appropriate coverage for the invention with express claim language. In other words, the patent owner “had an opportunity during reexamination in the PTO to amend his claims to correspond with his contribution to the art.”¹³

Because of this right to amend, the court equated reexamination with original prosecution. In so doing, it stated in *In re Prater*, 415 F.2d 1393 (CCPA 1969), as to the former: “Applicants’ interests are not impaired since they are not foreclosed from obtaining appropriate coverage for their invention with express claim language.”¹⁴

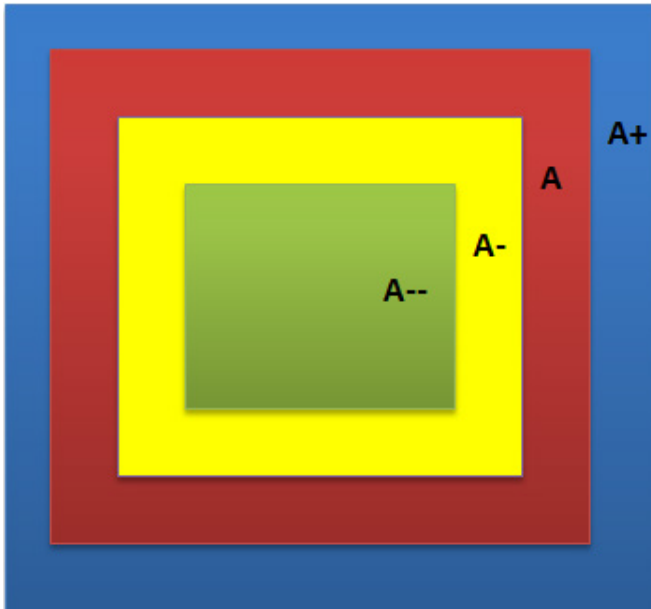
All of the subsequent cases approving the use of the BRI standard rely on the right to amend and that this means there is no prejudice to the patent owner. They seem to imply that the PTO should be able to say, “We made an error in granting a patent claim. Therefore, we should be able to correct that error.”

The limits of a patent must be known for the protection of the patentee.

And this is so regardless of whether the claim is valid under the legally mandated test of its ordinary meaning. Furthermore, they all assume that no rights will be lost.

But the right to amend does not ensure that valid patent property is not taken to the patent owners’ prejudice. No case recognizes this possibility.

Assume a patent with one claim has one term X that must be the subject of claim construction. Assume further that if the claim were litigated in court, it would be found to be valid and infringed when the claim construction of term X is A as a matter of law under the ordinary meaning standard, as shown by the area in red in the diagram on the next page.



Under this construction, assume further that the patent owner would be entitled to \$5 million per year as infringement damages and can exclude its main competitor from making an effective competing product.

But instead of a court proceeding, a reexamination proceeding is instituted. The PTO uses a claim construction of BRI A+, which is broader than the definition A would be using the ordinary meaning boundary.

Using A+, the PTO invalidates the patent claim because A+ encompasses prior art that A does not. This is represented by the broader boundary shown in blue. The patentee has lost its \$5 million per year for past damages as well as its right to exclude going forward and prospective damages — even though the patent property is valid when using the boundary A, as it should be under binding court precedent.

Assume further that the PTO allows an amendment so a new claim issues which reads A- (the boundary shown in yellow), which makes the patent allowable under the BRI standard. If contested in court, the court will either construe the ordinary meaning of the claim term X in the new claim as A- or a narrower A- - (shown in green).

With the claim construction in court of A-, the patentee has had its rightful property existing between the A and the A- boundaries taken (the area shown in red). With the court claim construction A- -, the patentee has had its property taken between A and A- - (the areas shown in red and yellow).

Regardless of any amendment, there is no way that the amended claim could embrace the valid A boundary. No broader claim can be allowed, and a narrower claim would not cover the entire A boundary.

Further, under either narrower construction of A- or A-- , assume further that the patent is no longer infringed.

This means that the patentee, even with the new valid (but narrower) patent claim, loses the \$5 million per year it was entitled to under the proper construction as a matter of law and the right to exclude going forward under the broader and valid A construction, which it was originally granted.

Conversely, assume that under the A- or A- - construction, the patent is still infringed. That nevertheless means that the patentee has lost damages from the date of the original valid patent claim to the date of the issuance of the new claim. Such an amended claim would not relate back in time to the original A claim.

A patentee is not entitled to damages pre-dating issuance of a new or amended claim unless such claim is “identical” to a claim of the original patent. Such new or amended claims are identical to their original counterparts if they are “without substantial change.”¹⁵

USE OF THE BRI STANDARD ON ISSUED PATENT CLAIMS IS AGAINST PUBLIC POLICY

A change in the claim construction standard used in reexaminations will not just lead to uniformity, predictability and judicial efficiency, as mentioned by the PTO in changing its IPR rules; public policy requires such a valid patent claim to be upheld.

Patent owners, competitors and investors all need to be able to rely on the proper scope of a patent claim to bring new products to market for the benefit of the public. The courts have long recognized the need for certainty in making such commitments.

They have stressed the need for notice to all (such as competitors and investors, as well as the patent owner) of the proper boundary of an issued patent.

The encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude [i.e., the proper scope of a patent claim determines the patent owner’s right to exclude others]. As the Supreme Court observed in *Kaiser Aetna v. United States*, 444 U.S. 164 (1979), the ‘right to exclude others’ is ‘one of the most essential sticks in the bundle of rights that are commonly characterized as property’. And as this court stated in *Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573 (Fed. Cir. 1983), without the right to exclude ‘the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously undermined.’ This right is implemented by the licensing and exploitation of patents.¹⁶

Use of the BRI standard on issued patent claims undermines the whole purpose of the patent system. For example, the Supreme Court in *Markman v. Westview Instruments Inc.*, 517 U.S. 370 (1996), stated that uniformity in claim construction is critical because:

The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public. ... It was just for the sake of such desirable uniformity that Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases.

Important business decisions are made on the basis of known patent protection. For example, a company may commit substantial funds to bring a product to market if the product is protected by a valid patent claim.

It will do so only if it knows that it will have an exclusive market for the patent-protected product for the life of the patent. Likewise, competitors must know the proper boundaries of a patent so that they can commit funds to bring out competitive products without fear of being charged with infringement.

Such industry policy considerations include lack of certainty, discouragement of innovation, adverse effects on licensing, adverse effects on competition by discouraging design and research and development efforts, encouraging gamesmanship in choice of forum, undermining public faith in the patent system, adversely affecting investment decisions in R&D and product development, and generally adversely affecting growth, employment, creativity and trade.

Notes

¹ 37 C.F.R. Part 42. The change also applied to PTO post-grant review and covered business method proceedings.

² The ordinary meaning standard was set forth in the en banc decision in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

³ *Cuozzo*, 136 S. Ct. at 2145.

⁴ *Id.* at 2144.

⁵ *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019).

⁶ PTO Supplementary Information on new rule, Oct. 11, 2018, "In direct contrast to AIA proceedings [such as IPRs], the office is required by statute to conduct reissue and reexamination proceedings according to the procedures established for initial examination. 35 U.S.C.A. §§ 251(c) and 305."

⁷ PTO Supplementary Information on new rule, Comment 4, "Under 35 U.S.C.A §§ 315(d) and 325(d), during the pendency of an AIA proceeding."

⁸ 35 U.S.C.A. § 305.

⁹ *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018). See also *Cuozzo*, 136 S. Ct. at 2144: "inter partes review helps protect the public's

'paramount interest in seeing that patent monopolies ... are kept within their legitimate scope.' *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945); see H.R. Rep., at 39-40 (Inter partes review is an 'efficient system for challenging patents that should not have issued')."

¹⁰ *Celgene*, *supra* at 1341.

¹¹ See *In re Prater*, 415 F.2d 1393 (CCPA 1969) and *In re Rambus*, *infra*, footnote 7. The Court of Custom & Patent Appeals was one of the predecessor courts of the Federal Circuit. Its opinions are precedents in the Federal Circuit. *South Corp. v. U.S.*, 690 Fed. 2d 1368 (1982).

¹² As stated in 1 Patent Office Litigation § 4:70 "...the sole basis for the 'broadest reasonable interpretation' rubric is the ability to amend claims", cited with approval in *In re Rambus*, 753 F. 3d 1253 (Fed. Cir. 2014). In *Rambus* the Court used the ordinary and customary standard for expired claims because of the inability to amend. There the Court stated that where "a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir.2005). See, e.g., *In re Rambus, Inc.*, 694 F.3d 42 (Fed.Cir.2012); see also ; 1 Patent Office Litigation § 4:70 (justifying the shift from the broadest reasonable interpretation to the standard used by district courts because claims may not be amended in an expired patent and the sole basis for the 'broadest reasonable interpretation' rubric is the ability to amend claims')." 753 F.3d at 1258.

¹³ *Rambus*, p. 1,572. *Yamamoto* was cited as evidence that reexaminations and IPRs are cousins in *Cuozzo* (pp. 2144-2145).

¹⁴ *Id.* at pp. 1571-1572.

¹⁵ 35 U.S.C.A. §§ 318(c) and 252.

¹⁶ *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (1985).

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