

The Intersection Of District Court And Inter Partes Review

Law360, New York (August 26, 2013, 12:16 PM ET) -- When the same patent claims are at issue in both a district court and an inter partes review, predicting how each forum's claim constructions might affect the other's is a key strategic question. Each forum applies a different claim construction standard and uses a different claim construction procedure. This could lead to different constructions of the same claim in a district court litigation and an inter partes review. Despite these differences and potential conflicts — or because of them — each forum is likely to consider the constructions of the other.

Different Claim Construction Procedures

The process for determining claim constructions in a district court is different from the process used in an inter partes review.

District court litigation provides many opportunities for the parties to participate in the claim construction process. A district court usually provides a claim construction briefing schedule for the parties. In their briefs, the parties propose claim constructions and argue why the court should adopt them. The briefing typically is followed by a hearing, known as a Markman hearing,^[1] that gives the parties the chance to discuss their proposed claim constructions with the court. The district court then issues a claim construction opinion during the course of the litigation.

In an inter partes review proceeding, the parties may provide less detailed claim construction arguments than in a district court. The petitioner challenging the patent claims at least must identify "[h]ow the challenged claim is to be construed."^[2] The petitioner may decide to satisfy this requirement by "merely provid[ing] a statement that the claim terms are presumed to take on their ordinary and customary meaning," as well as "point[ing] out any claim term that has a special meaning and the definition in the specification."^[3]

However, the petitioner often provides some analysis of claim construction, especially where it can expect the patentee to argue for narrower claim constructions. The patentee is not required to propose any claim constructions in an IPR proceeding, but often argues for narrow constructions in view of the identified prior art. For these reasons, the Patent Trial and Appeal Board that decides whether to institute an IPR may or may not rely on the parties for claim constructions.

Different Claim Construction Standards

District courts and the PTAB apply different claim construction standards. District courts use the "ordinary and customary meaning" claim construction standard provided by the Federal Circuit in

Phillips v. AWH Corp.[4] In inter partes review, the PTAB uses the “broadest reasonable construction” standard.[5] This difference results from the ability of a patentee to amend its claims in an inter partes review proceeding but not in a district court.[6]

A district court construes a patent claim in light of the claim language, specification, prosecution history and appropriate dictionary definitions.[7] A district court must presume that an asserted patent claim is valid.[8] Clear and convincing evidence is required to invalidate a patent claim in a district court.[9]

In an inter partes review proceeding, the PTAB must give a claim “its broadest reasonable construction in light of the specification of the patent in which it appears.”[10] The PTAB does not presume a patent is valid, and requires only a preponderance of the evidence to invalidate a claim.[11]

The IPR claim construction standard is unlikely to change soon. When the U.S. Patent & Trademark Office proposed rules for inter partes review, several commenters recommended that the PTAB should use the district court claim construction standard instead of the proposed “broadest reasonable construction” standard.[12]

The Patent Office responded that it must “apply the ‘broadest reasonable interpretation’ standard in its own proceedings,” even where a district court has already construed the same patent claims.[13] Legislation changing the IPR claim construction standard to the district court standard is being considered but has not yet been introduced.[14]

Potential for Different Claim Constructions

The different claim construction standards used in an IPR and in a district court may result in claim constructions of different breadth. The IPR claim construction standard generally results in a broader construction than the district court standard.

This tension between district court and IPR claim constructions requires strategic analysis and tradeoffs. Although a broad construction might increase the prior art that is available for invalidating a claim, a broad construction also could increase the chance that a product might infringe the claim. A petitioner may have to take a claim construction position in an IPR proceeding without knowing what the patentee’s infringement position in the related district court litigation will be.

The effects of these different claim construction procedures and standards are increasing in importance. More than 250 inter partes review petitions have been filed since IPR became available under the America Invents Act in September 2012.[15] For many patent claims at issue in an IPR, district court litigation about the same claims is pending at the same time.[16]

Effects of District Court Claim Constructions During IPR

In practice, district court claim constructions may be persuasive to the PTAB in an inter partes review. This may at first appear surprising, given that the Federal Circuit has held that in proceedings before the Patent Office, the Patent Office is not bound by a district court’s claim construction and the Patent Office applies a different standard.[17]

The PTAB nevertheless has suggested that district court claim constructions could be important in a related inter partes review. IPR is one several types of post-grant review created by the America Invents Act. The PTAB recently issued its final written decision in *SAP v. Versata*, the first final written decision in

any of the new types of post-grant review.[18] Even though it was for a covered business method patent review rather than an inter partes review, the decision suggests that the PTAB will carefully consider claim constructions and related arguments from parallel district court litigation.

In *SAP v. Versata*, patentee Versata argued that the PTAB should adopt claim constructions made by the district court in related litigation. The PTAB declined, emphasizing that there are “two claim construction standards” — one for a district court, and one for the Patent Office. [19] The PTAB held that “the broadest reasonable interpretation standard is the one correct standard for post grant reviews” at the Patent Office, such as covered business method patent reviews and inter partes reviews.[20]

Even so, rather than ignoring the district court’s constructions in the related *SAP v. Versata* litigation, the PTAB analyzed them in detail.[21] The PTAB even “adopt[ed] the district court’s construction” of one term.[22] For the remaining three terms, the PTAB noted where it “agree[d] with the position advanced by patent owner Versata in the district court litigation,” where its construction was “consistent with Versata’s proposed construction in the related district court proceeding,” and where its decision was supported by Versata’s representations “in the district court proceeding.”[23] The PTAB was not only interested in the claim constructions and analysis of the district court, but also the parties’ claim construction arguments in the district court.

Effects of IPR Claim Construction on District Court Constructions

District court judges also may find PTAB claim constructions and analysis persuasive. The administrative law judges of the PTAB have experience in evaluating prior art and construing patent claims.[24] This may lead district courts to give careful consideration to the PTAB’s claim construction analysis. District courts may also compare the arguments that the parties made before the PTAB with the arguments they are making to the court, to see whether the arguments are consistent and how they address the different claim construction standards of the PTAB and the district court.

If a district court litigation has been stayed pending IPR, the district court may find the PTAB’s claim construction especially persuasive when litigation resumes. Litigations stayed pending IPR often are in an early stage, before significant discovery has begun and before claim construction. The framing of the claim construction issues by the parties and the PTAB may influence the parties’ claim construction arguments when the district court litigation resumes.

Conclusion

Despite the different claim construction standards used in district courts and inter partes review, the first forum to construe the patent claims at issue likely will influence the next forum’s claim constructions. This may reduce inconsistency between district court and PTAB claim constructions. As district courts and the PTAB begin to issue more claim constructions in cases where litigation and IPRs are pending on the same claims, how claim construction decisions in one forum affect those of the other likely will become more predictable.

The next article in this series will discuss discovery procedures available in IPRs.

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[1] See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (1995).

[2] 37 C.F.R. § 42.104(b)(3).

[3] Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,679, at 48,700 (Aug. 14, 2012); see also PTO trial practice guide, 77 Fed. Reg. 48764 (“where a party believes that a specific term has meaning other than its plain meaning, the party should provide a statement identifying a proposed construction of the particular term and where the disclosure supports that meaning”).

[4] *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-18 (Fed. Cir. 2005) (en banc) (describing the claim construction standard in district court litigation).

[5] 37 C.F.R. § 42.100(b) (providing the claim construction standard for inter partes reviews).

[6] See 35 U.S.C. § 326(d).

[7] See *Phillips*, 415 F.3d at 1312-18.

[8] See 35 U.S.C. § 282(a).

[9] See *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2243 (2011) (“[35 U.S.C. §] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence.” (quoting *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984))).

[10] 37 C.F.R. § 42.100(b).

[11] 35 U.S.C. § 316(e).

[12] Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,679, at 48,698 (Aug. 14, 2012).

[13] *Id.* at 48,727 (citing *In re NTP, Inc.*, 654 F.3d 1268, 1274 (Fed. Cir. 2011)).

[14] See Discussion Draft, § 9(c) (May 23, 2013) (proposing that, in inter partes review, “each claim of a patent shall be construed as such claim has been or would be in a civil action to invalidate a patent under section 282, including construing each claim of the patent in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art, the prosecution history pertaining to the patent, and prior judicial determinations and stipulations relating to the patent), available at <http://judiciary.house.gov/news/2013/05232013%20-%20Patent%20Discussion%20Draft.pdf>.

[15] http://www.uspto.gov/ip/boards/bpai/stats/process/fy2013_may_b.jsp.

[16] Over half of the petitioners filing requests for IPR have been defendants in parallel district court litigation.

[17] *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1297 (Fed. Cir. 2007); *In re Translogic Tech* (CAFC).

[18] *SAP v. Versata*, CBM2012-00001, Paper 70 (June 11, 2013).

[19] *Id.* at 19.

[20] *Id.*

[21] *Id.* at 20-25.

[22] *Id.* at 19.

[23] *Id.* at 20-25.

[24] “[T]he primary responsibility for sifting out unpatentable material lies in the Patent Office.” *Graham v. Deere*, 383 U.S. 1, 18 (1966).