

IP Musings

With **Learned Paw** & **Percy the Lizard**



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USPTO Inter Partes Review (IPR) Claim Construction Standard (October 2018). The USPTO will change the standard of review for a number of proceedings, from the Broadest Reasonable Interpretation to the Person Having Ordinary Skill In The Art (PHOSITA). More specifically, under the USPTO's new rule, the Patent Trial and Appeal Board (PTAB) will apply the PHOSITA standard in accordance with *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc) in IPR, Post Grant Review (PGR), and Covered Business Method (CBM) proceedings. First proposed in May of 2018, the new rule will apply to cases filed on or after November 13, 2018. Currently, courts apply the *Phillips* standard.

Under the PHOSITA standard, claims will be interpreted more narrowly than under the Broadest-Reasonable Interpretation (BRI) standard. Thus, at least in theory, it may be more difficult to invalidate claims in IPR proceedings in which petitions are filed on or after November 13 than if the petitions were filed on earlier dates.

The original rationale for using the BRI standard for IPR proceedings was that IPR proceedings are a sort of extension to patent examination. That is, since patent applications are examined under the BRI standard, the IPR should also use the same standard.

In the past, different standards of review at the PTAB and courts have led the PTAB to ignore patent-validity decisions in courts. With both the courts and PTAB applying the same *Phillips* standard, the resolution of an issue pertaining to a set of claims in one forum (which may be either the PTAB or a court) may serve as an estoppel to a later adjudication of the same issue.

Remarks by Director Iancu at the Intellectual Property Owner's Association Annual Meeting (September 2018). USPTO Director Iancu discussed his proposal for applying the *Alice* test during patent examination. The two steps of the *Alice* test are: (1) determining whether a claim is directed to an abstract idea; and (2) if an abstract idea is present in the claim, determining whether any element or combination of elements in the claim is sufficient to ensure that the claim amounts to significantly more than the abstract idea. If no such element or combination of elements is found by applying *Alice* Step 2, the claim is deemed patent ineligible.

Under Director Iancu's proposal, for Step 1 of the *Alice* test, a claim would be deemed abstract if the claim recites subject matter that belongs to any of the following **[continued on the back]**



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categories of judicial exceptions: (1) mathematical concepts; (2) methods of organizing human interactions; and (3) mental processes. If the subject matter does not belong to any of the three categories, the claim would be patent eligible; otherwise, the claim would be deemed abstract.

If a claim were determined to be abstract, under *Alice* test Step 2, for the claim to be patent eligible, the claim must include an element or a combination of elements which ensure that the claim amounts to significantly more than the abstract idea. Under the proposal, the claim would satisfy the Step 2 requirement if the claim integrated the abstract subject matter into a practical application.

Director Iancu pointed out that, under the proposal, it does not matter if the “integration” is arguably “conventional,” as long as the integration is into a practical application. Director Iancu noted, “This helps to ensure that there is a meaningful dividing line between 101 and 102/103 analyses.”

Director Iancu’s remarks seem to foreshadow a reduced significance of *Alice* in patent examination. Under the proposal, *Alice*-based eligibility rejections are to be considered only for claims that recite subject matter within the three defined categories of judicial exceptions. Even then, an *Alice* rejection would only be issued if the claim does not integrate the recited exception subject matter into a practical application. This would potentially revert the USPTO to pre-*Alice* days in which patentable subject matter rejections were rarely issued.

A Date

