

Status Quo at the PTAB for Now: Supreme Court Makes No Change to IPR; Judicial Review and Claim Construction Standard Remain the Same



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THE SUPREME COURT'S DECISION WILL NOT LIKELY CHANGE MUCH IN THE NEAR TERM — ESPECIALLY IN LIGHT OF THE FACT THAT IT MADE NO EXPRESS CHANGES TO PTO PROCEDURE FOR AND REGULATIONS GOVERNING IPR.

Last week, the U.S. Supreme Court declined to make any changes to inter partes review (IPR) procedure in its opinion in *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ____ (2016). Relying primarily on statutory language and concepts of agency rulemaking authority, the Court found no reason to alter the Federal Circuit's interpretation of the "no appeal" provision of the patent act covering IPRs or the patent office rule that the agency shall construe a claim according to its "broadest reasonable construction" during IPR. In doing so, the Court did not foreclose the possibility of other challenges to actions by the

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Patent Trial and Appeal Board (PTAB), whether constitutional or based on the manner in which the PTAB exercised its authority. For now, however, it is largely business as usual at the PTAB.

Background

The case arose out of an IPR instituted on certain claims of a patent owned by Cuozzo (Cuozzo Patent). The original petitioner sought IPR on all 20 claims of the Cuozzo Patent. One of the grounds for review set forth in the petition was that dependent claim 17 was obvious under § 103. The PTAB instituted review of claim 17 on the § 103 ground articulated in the petition, but also decided to include claims 10 and 14 in its review on the same obviousness ground as claim 17. As noted by the PTAB, claim 17 depended from claims 14 and 10, and a challenge to claim 17 implicitly raised the same challenge to claims 14 and 10. Thus, the PTAB decided to institute IPR on claims 10, 14 and 17, despite the fact that the petitioner only specifically challenged claim 17 on the obviousness ground that ultimately was the basis of instituting the IPR.

During the course of IPR, the PTAB issued a final decision, in which it construed the claim terms at issue with the “broadest reasonable” construction. Cuozzo also sought to amend the claims, which the PTAB rejected, finding that the proposed amendments failed to satisfy 35 U.S.C. § 112 and would have impermissibly broadened the scope of the claim language.

Cuozzo appealed the PTAB’s decision to institute review of claims 10 and 14 on the grounds that the petitioner failed to identify those claims with particularity as required by 35 U.S.C. § 312(a)(3). Cuozzo also appealed the PTAB’s use of the “broadest reasonable interpretation” standard to construe claims in IPR, arguing that the congressional intent of establishing IPR as a surrogate for litigation suggests that the claim construction standard employed during IPR should be consistent with the standard used in district court cases.

The Federal Circuit affirmed the decision to institute review of claims 10 and 14 of the Cuozzo Patent, noting that the “no appeal” provision of 35 U.S.C. § 314(d) explicitly states that the decision whether to institute an IPR “shall be final and nonappealable.” The Federal Circuit reasoned that § 314(d) precludes not only interlocutory appeal of the Patent and Trademark Office’s (PTO’s) decision to institute an IPR, but also appeal of the PTO’s decision to institute an IPR after a final decision from the PTAB. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1273 (Fed. Cir. 2015).

The Federal Circuit also held that the PTO reasonably required the PTAB in an IPR to construe claims according to their “broadest reasonable construction.” While noting that there is no express requirement in the patent statute about which specific claim construction standard should be used, the Federal Circuit reviewed the judicially approved history of using this standard in other PTO proceedings involving unexpired patents and concluded that the PTO’s approach was a valid exercise of agency rulemaking authority.

The Supreme Court granted certiorari on both issues.

“No Appeal” Means “No Appeal” — Absent Shenanigans, That Is

Justice Breyer, writing for the majority, affirmed the Federal Circuit’s determination and held that § 314(d)’s “no appeal” provision precluded appellate review of a decision to institute an IPR. The majority held that the plain language of § 314(d) clearly set forth Congress’ intent to preclude such judicial review of a decision to institute. Any other interpretation of § 314(d), the majority reasoned, “would undercut one important congressional objective, namely, giving the Patent Office significant power to revisit and revise earlier patent grants.” *Cuozzo*, 579 U.S. at ____ (slip op., at 8).

In making its holding, the majority “emphasize[d] that our interpretation applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.” *Id.* (slip op., at 11). Applying this interpretation, the majority held that *Cuozzo*’s challenge of the PTAB’s determination was closely tied to its determination that the information presented in the petition warranted review under § 314(a).

The majority, however, did not interpret § 314(d)’s “no appeal” provision to completely foreclose all judicial review of decisions to institute an IPR. In particular, the majority noted that judicial review of PTO decisions to institute an IPR would be warranted where the PTO’s decisions “implicate constitutional questions, [] depend on other less closely related statutes, or [] present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’” *Id.* (slip op., at 11). Such questions could be reviewed under the Administrative Procedure Act (APA), which allows courts to “set aside agency action that is contrary to constitutional right, in excess of statutory jurisdiction, or arbitrary and capricious.” *Id.* (slip op., at 12).

Justice Alito, along with Justice Sotomayor, dissented from the majority's holding, arguing that the "strong presumption favoring judicial review of administrative action" precluded the majority's broad reading of § 314(d)'s "no appeal" provision. *Id.* (slip op., at 3, Alito, J., dissenting). Noting that Congress could have employed "far more unambiguous and comprehensive" language precluding judicial review in § 314(d), Justice Alito concluded that § 314(d) should be read to only preclude interlocutory appeal of the PTO's determination to institute an IPR. *Id.* (slip op., at 5, Alito, J., dissenting). While this interpretation would allow for judicial review of the PTO's determination to institute an IPR after a final determination, Justice Alito confirmed that "normal limits on judicial review still apply" — noting that "errors that do not cause a patent owner prejudice" or errors that are "superseded by later developments" may not warrant relief and thus do not warrant disposal of the PTO's determination. *Id.* (slip op., at 9-10, Alito, J., dissenting).

The majority rejected the arguments in Justice Alito's dissent, finding the plain language of § 314(d) to be consistent with preserving "the agency's primacy over its core statutory function in accord with Congress' intent." *Id.* (slip op., at 10). The majority noted that the APA still provided an avenue to seek judicial review of the PTO's determination.

Despite the differences in interpretation between the majority and the dissent, both opinions recognize that judicial review is appropriate where the PTO engages in "shenanigans" — such as exceeding its statutory authority by canceling a patent claim for indefiniteness under § 112 in IPR. *Id.* (slip op., at 11; slip op., at 12-13, Alito, J., dissenting). Under the majority opinion, however, it is questionable whether anything short of "shenanigans" by the PTAB in a decision to institute could be subject to judicial review, nor is it entirely clear what might be considered appealable shenanigans.

"Broadest Reasonable" Is Reasonable

While noting that the patent statute does not unambiguously direct the PTO to use one claim construction standard or another, the majority also noted that the statute does expressly authorize the PTO to issue rules governing IPR. *Id.* (slip op., at 13). The "broadest reasonable construction" regulation is one such rule. *Id.*

Cuozzo and many amici argued that IPR, either as a matter of congressional intent or as a practical matter, is a surrogate for court proceedings, including opportunities for discovery and the ultimate presentation of factual evidence and expert opinion. As such, Cuozzo argued that that claim construction standards in both district court proceedings and the PTO should be — and were intended to be — consistent. *Id.* (slip op., at 13-15).

The Court rejected this argument, finding that the language, context and history of the patent statute indicate an intent to create a proceeding for review of an earlier agency decision that is separate and distinct from district court litigation. As such, and in light of the fact that the statute was silent on the issue of the appropriate claim construction standard, the Court turned to whether the “broadest reasonable construction” regulation was a reasonable exercise of the PTO’s rulemaking authority. *Id.* (slip op., at 16-17).

Here, Cuozzo argued it was not a reasonable exercise of rulemaking authority. Cuozzo first claimed that, unlike patent examination and other PTO procedures that employed the “broadest reasonable interpretation” standard in the past, there is no absolute right to amend challenged patent claims, a fact potentially supported by the low number of motions to amend that the PTAB has granted during IPRs to date. Second, Cuozzo argued that the use of different standards of construction by the PTAB and by district courts could produce inconsistent results. *Id.* (slip op., at 18-19).

Again, the Court rejected these arguments. The Court noted that the patent holder in IPR may, in fact, make a motion to amend. That few such motions have been allowed so far was of no consequence to the question of whether the IPR claim construction standard is reasonable, and the question of whether the PTO properly exercised its authority in denying such motions was not before the Court. That there may be inconsistency between the PTAB and district courts in terms of claim construction was similarly of no concern:

We recognize that that is so. This possibility, however, has long been present in our patent system, which provides different tracks – one in the Patent Office and one in the courts – for review and adjudication of patent claims.

Id. (slip op., at 19).

Again, the Court left the door open for appeal of several issues raised by Cuozzo and many amici, namely the low rate of allowed amendments during IPR and whether any particular decision not to allow an amendment is “arbitrary” or “capricious.” *Id.* (slip op., at 19). And at no point was there any discussion of the manner in which the PTAB actually construed the claim terms at issue — or how and whether that construction may have differed from a construction that a district court would have made using a standard of “plain and ordinary meaning.”

What Next?

The Supreme Court's decision will not likely change much in the near term — especially in light of the fact that it made no express changes to PTO procedure for and regulations governing IPR. That said, the opinion itself is limited to concepts of statutory construction and administrative rulemaking authority. And, while the policy arguments raised by Cuozzo and various amici did not ultimately prove persuasive based on the specific issues on appeal, the opinion expressly carved out bases for several possible future challenges based on the manner in which the PTAB proceeds during IPR.

In the meantime, there are still several takeaways from the opinion to consider going forward for any party engaged in IPR, for example:

- Under a different set of facts, would a patent holder have been able to present an argument based on alleged “shenanigans” or “arbitrary and capricious” decisions?
- What is “reasonable” under the broadest reasonable construction standard, and how is that different from the construction a district court might assign to the same claim term?
- Is the PTAB likely to increase its allowance rate for amendments?