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Supreme Court Affirms “Broadest Reasonable Construction” Standard in IPR, but Leaves Questions on Scope of Judicial Review

On June 20, 2016, the US Supreme Court released its much-anticipated decision in *Cuozzo Speed Technologies, LLC v. Lee*, the first Supreme Court case to pass upon the post-grant patent review procedures created by the Leahy-Smith America Invents Act (“AIA”). Ruling against the patent owner, the Court approved of a rule by which the US Patent & Trademark Office (“Office”) interprets patent claims as broadly as the patent will allow, making it easier for a challenger in *inter partes* review (“IPR”) to prove that the claims are unpatentable. At the same time, the Court upheld the statute barring judicial review of decisions to institute IPR, but left the scope of this bar uncertain.

The AIA, enacted in 2011, significantly changed United States patent law. One major addition to patent law practice was a brand new post-grant review proceeding called IPR—an adjudicatory procedure that became effective in September 2012 in which any petitioner may challenge the claims of an issued patent as anticipated by or obvious over patents or printed publications. IPR proceeds in two stages. First, a party wishing to challenge the patent files a petition in the Office, to which the patent owner may (but need not) respond.¹ The Office then determines whether to institute an IPR.² This initial institution decision is “final and nonappealable.”³ If instituted, the IPR proceeds to the merits phase, after which the Office will render a final decision.⁴ The AIA grants the Office broad authority to make rules governing the conduct of IPR.⁵ Pursuant to that authority, the Office has decreed that a patent claim “shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”⁶ This claim interpretation standard has long been used by the Office during original prosecution of patent applications, as well as in predecessor post-grant proceedings.

Cuozzo involved the first IPR to be instituted, and the first to reach a final decision. The underlying petition was filed by Garmin International, Inc. (“Garmin,” who later settled), challenging numerous claims of US Patent No. 6,778,074. In relevant part, Garmin challenged claim 10 and claim 14 (which depends from claim 10) using

¹ 35 U.S.C. §§ 312, 313.

² *Id.* § 314.

³ *Id.* § 314(d).

⁴ *E.g., id.* § 318.

⁵ *See id.* § 316(a).

⁶ 37 C.F.R. § 42.100(b).

certain prior art, and claim 17 (which depends from claim 14) using additional art. The Office found that the art asserted against claims 10 and 14 was deficient, but that the additional art asserted only against claim 17 cured these deficiencies. Accordingly, the Office instituted IPR of claims 10, 14, and 17 on grounds which, in the petition, were only applied to claim 17.⁷ Following IPR trial, the Office issued its final written decision invalidating these claims,⁸ and the patent owner (Cuozzo Speed Technologies LLC, or “Cuozzo”) appealed on, *inter alia*, two key bases: (1) that the Office was not permitted to analyze validity using a “broadest reasonable” claim construction, and (2) that the Office was not permitted to consider a ground not specifically presented by Garmin’s petition. A divided court of appeals affirmed, holding that the Office had the authority to use the “broadest reasonable” claim construction and that the Office’s decision to institute IPR on claims 10 and 14 was not reviewable.⁹

The Supreme Court granted certiorari to resolve two questions: (1) whether the “broadest reasonable” claim construction standard was appropriate, and (2) whether the Office’s decision to institute IPR on claims 10 and 14 was reviewable.¹⁰

Broadest Reasonable Construction

The Supreme Court held that the Office could legally apply the “broadest reasonable” claim construction standard to IPR proceedings, because Congress had granted broad rulemaking authority to the Office, and this was a reasonable exercise of that authority.¹¹

Cuozzo’s principal arguments were policy-and context-related.

Cuozzo first argued that Congress designed IPR to be a substitute for district court litigation and more adjudicatory in nature than its predecessor, *inter partes* reexamination; accordingly, IPR should be subject to the same substantive claim construction standard as district court litigation. The Court disagreed, pointing to significant differences between IPR and district court litigation, such as the absence of a standing requirement for IPR, the different standards of proof and the Office’s right to maintain the IPR after a petitioner drops out—all highlighting Congress’s purpose to improve patent quality for the public interest.¹²

Cuozzo’s second argument emphasized that a patent owner’s ability to amend the patent claims (and thereby give them a desired, precise construction) is more limited in IPRs than during initial examinations; accordingly the claim construction standard (*i.e.*, broadest reasonable construction) of initial examination is inappropriate. But, the Court was not persuaded that the IPR amendment procedure is inadequate.¹³

⁷ See Decision to Initiate Trial for *Inter Partes* Review, IPR2012-00001, Paper 15, at 16–18, 21–22 (P.T.A.B. Jan. 9, 2013).

⁸ See Final Written Decision, IPR2012-00001, Paper 59 (P.T.A.B. Nov. 13, 2013).

⁹ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015).

¹⁰ *Cuozzo*, slip op. at 6–7.

¹¹ *E.g.*, *id.* at 13.

¹² See *id.* at 14–16. The Court similarly rejected Cuozzo’s argument that inconsistent outcomes might be possible, holding that this risk was part of Congress’s design and consistent with other contexts in which the Office applies a broad claim construction standard. See *id.* at 19–20.

¹³ See *id.* at 18–19.

In any event, the Court's holding on this point was clear and its conclusion unanimous. The "broadest reasonable" claim construction standard in IPR is here to stay.

Judicial Review of Institution Decisions

The Supreme Court held that the particular issue raised by *Cuozzo* vis-à-vis the institution decision was not reviewable; however, the Court's reasoning raises as many questions as it answers, and the scope of judicial review remains uncertain.

As an initial matter, there can be no doubt at this time that the statute precludes a direct appeal from the Office's initial decision to institute (or not to institute) IPR. That is, a patent owner cannot appeal the institution decision in order to prevent a wrongly instituted IPR from going forward; any appeal must be taken from the final decision. There can also be no doubt that the court of appeals may review the ultimate merits of the final decision (e.g., whether the claims are anticipated or obvious). In between, however, the issues are murky: If the Office institutes IPR based on an incorrect interpretation or application of a statutory prerequisite, may the court of appeals correct this error on appeal from the final decision? In other words, on appeal from a final decision, may the court of appeals determine that the IPR should never have been instituted in the first place?

The basic threshold standard for instituting IPR is set forth in section 314 of the Patent Act: whether "the information presented in the petition filed under section 311 and any response filed under section 313 show[s] that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."¹⁴ The same section of the statute provides, "[t]he determination ... whether to institute an inter partes review *under this section* shall be final and nonappealable."¹⁵ Therefore, on appeal from a final decision holding claims unpatentable, a court cannot reverse that decision on the ground that the original petition did not demonstrate a reasonable likelihood that the petitioner would ultimately prevail. On this point, the Court was clear.¹⁶

But, the Court went further. In *Cuozzo*, the Office instituted IPR on three claims based on a combination of prior art that the petition had only applied to one claim. Therefore, *Cuozzo* argued, the petition did not set forth the grounds for its challenge "with particularity," as required by section 312(a)(3)—*not* section 314.¹⁷ The Court, however, determined that the relevant provision of section 312 was "closely related" to the threshold standard in section 314, and that *Cuozzo*'s challenge amounted to "little more than a challenge to the Patent Office's conclusion, under §314(a), that the 'information presented in the petition' warranted review."¹⁸ Therefore, the Court held, the issue was not subject to judicial review.¹⁹

¹⁴ 35 U.S.C. § 314(a).

¹⁵ *Id.* § 314(d) (emphasis added).

¹⁶ See *Cuozzo*, slip op. at 12.

¹⁷ See *id.* at 7.

¹⁸ *Id.* at 12

¹⁹ *Id.*

Unfortunately for practitioners seeking a bright-line rule, the Court recognized that there may be some circumstances in which a court may review a decision to institute IPR, but set forth those circumstances vaguely:

[W]e emphasize 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. ... This means that we need not, and do not, decide the precise effect of §314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond "this section."²⁰

While one might be able to conjure up (perhaps far-fetched) examples of Office institution decisions based on constitutionally impermissible equal-protection grounds, it is harder even to imagine specific examples of the Court's second and third carve-outs. What does the Court mean by "statutes closely related to the Patent Office's decision to initiate inter partes review," and how "closely related" must they be? And what Patent Statute-based arguments would have a scope and impact "well beyond" §314 if *Cuozzo's* argument does not? This portion of the Court's holding, therefore, could be anything from a catch-all for unexpected future arguments to a real limitation on the Office based on the phrase "this section" in §314.

Increased Flexibility in IPR Proceedings?

At minimum, under *Cuozzo*, it now seems clear that a patent owner cannot appeal an adverse final decision based on the petition's failure to adequately identify challenges or otherwise demonstrate a reasonable likelihood that the claims are unpatentable. In effect, this means that the Board can cure defects in the petition and cancel claims using reasoning (and perhaps prior art) outside its four corners, provided the patent owner is given notice and an opportunity to respond.²¹ On appeal, the patent owner will be limited to challenging the merits of the Board's final decision.

To date, the Board generally has limited itself to arguments actually raised in the petition itself. But a recent Federal Circuit decision—*SAS Institute, Inc. v. ComplementSoft, LLC*²²—suggests this is unnecessary and, in some circumstances at least, requires the Board to offer the flexibility that *Cuozzo* authorizes.

In *SAS Institute*, the Office had instituted IPR on a number of patent claims, based in part on claim constructions it adopted in its institution decision.²³ In its final decision, the Office held all except one of those claims unpatentable.²⁴ With respect to that one claim, the Office *sua sponte* adopted a construction different from the one

²⁰ *Id.* at 11.

²¹ See also *Genzyme Therapeutic Products Ltd. v. Biomarin Pharmaceutical Inc.*, No. 2015-1720, slip. op. (Fed. Cir. June 14, 2016) (affirming Office's final written decision invalidating claims where decision cited references that were not specifically included in the combination of prior art on which Office instituted review and where patent owner had notice and opportunity to respond).

²² No. 2015-1346, slip op. (Fed. Cir. June 10, 2016).

²³ See *id.* at 7.

²⁴ *Id.* at 7–8.

in its institution decision.²⁵ The petitioner appealed, arguing that (1) the first claim construction was the right one, and (2) the Office should not have changed its construction of the claim without offering the parties an opportunity to respond. On appeal, the court of appeals agreed with the Office’s ultimate claim construction but disapproved of its “chang[ing] theories in midstream” by adopting a new claim construction without the parties’ input.²⁶ According to the court, this violated the requirement in the Administrative Procedure Act that “[p]ersons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted.”²⁷ Accordingly, the court vacated the Office’s final decision and remanded for the parties to present argument on the new claim construction.²⁸

SAS Institute does not directly address the (perhaps more likely) scenario in which the patent owner might argue a new claim construction in its response to the petition, and the Office might adopt it. But it is instructive; if the Office must allow the petitioner to argue that the claims are unpatentable under its new claim construction, then surely it must also allow the petitioner to do the same for the patent owner’s proposed claim construction, even though the petition did not present grounds under that construction. By precluding judicial review of a final decision based on defects in the petition, *Cuozzo* implicitly authorizes this approach.

Conclusion

Between September 16, 2012 (when IPR first became available) and June 20, 2016 (when *Cuozzo* came down), 4,626 IPR petitions were filed, 2,377 IPR trials were instituted and 931 IPRs reached final decisions²⁹—all without Supreme Court guidance. *Cuozzo* is the Court’s first foray into this popular procedure, and the Court’s decision generally preserves the status quo. In addition to approving the “broadest reasonable” claim construction standard and limiting judicial review of institution decisions, the Court seemed untroubled by IPR procedure as a whole, notwithstanding well-publicized and briefed outcry over petitioners’ high success rates in IPRs and the Office’s extremely low grant rate on motions to amend.³⁰ We expect that the law will develop further, but for now, the Supreme Court—like the Federal Circuit—seems content to allow the Office to carry out its objective of improving patent quality, with minimal interference from the courts.

²⁵ *Id.*

²⁶ *See id.* at 10–12, 15–18.

²⁷ *Id.* at 16.

²⁸ *Id.* at 19–20.

²⁹ Source: docketalarm.com.

³⁰ *E.g.*, *Cuozzo*, slip op. at 19 (“*Cuozzo* adds that, as of June 30, 2015, only 5 out of 86 motions to amend have been granted. . . . But these numbers may reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all.”).

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