CUOZZO FURTHERS THE USPTO'S AUTHORITY IN MANAGING ITS AGENCY PROCEEDINGS

Date: 21 June 2016

IP Litigation Alert

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In the much-anticipated United States Supreme Court decision this week, *Cuozzo Speed Tech., LLC v. Lee*[1], the Supreme Court upheld two important aspects of practice before the Patent Trial and Appeal Board ("PTAB"). Specifically, the Supreme Court confirmed that: (i) the PTAB's decision "whether to institute an inter partes review . . . [is] final and non-appealable"[2]; and (ii) that the present claim construction standard (*i.e.*, "broadest reasonable construction in light of the specification of the patent in which it appears"[3]) is the correct standard during *inter partes* review ("IPR").[4]

In 2013, Congress passed the American Invents Act[5] and created the IPR process for challenging the validity of a patent before the PTAB. Many similarities exist between the AIA's IPR process and previously-existing *inter partes* reexamination, which the IPR process replaced. Each proceeding provides third parties with the ability to challenge the validity of a patent in an adversarial setting, each authorizes judicial review of the PTAB's final written decision in the proceeding,[6] and statutes governing each state that the Patent Office's or PTAB's decision whether to institute a challenge is "final and non-appealable."[7] However, the newly created IPR proceeding grants the third-party challenger broader participation rights in the challenge.[8] Broader participation rights are accompanied by a new standard for institution.[9]

In *Cuozzo*, the patent owner sought judicial review of the PTAB's decision to institute a review of Claims 10 and 14 of U.S. Patent No. 6,778,074. Garmin's underlying IPR petition challenged dependent Claim 17 of the '074 patent as obvious in view of the cited prior art. Claim 17 depended from Claim 14, which depended from Claim 10. The PTAB agreed to examine Claim 17, and further reasoned that, because of the dependency of Claim 17, Garmin had "implicitly challenged claims 10 and 14 . . . and consequently [the PTAB] decided to review all three claims together."[10]

The Supreme Court held that the decision to institute the review was final and non-appealable.[11] A contrary holding would have undercut an important congressional objective, namely, giving the Patent Office significant power to revisit and revise earlier patent grants.[12] In reviewing the congressional record and the statutory provision relevant to the Patent Office's power, the Supreme Court reasoned that the "No Appeal" provision's language must "at the least, forbid an appeal that attacks a determination . . . of whether to institute review by raising this kind of legal question and little more."[13] The Supreme Court noted that Cuozzo did not implicate a constitutional challenge or present other questions of interpretation that would have reached beyond the strict application of § 314(d)[14] and found that the mere challenge of a determination under 35 U.S.C. § 314(a) is not appealable as a result of the clear and convincing language[15] in the statute and legislative history.[16] The Supreme Court does little to clarify the often-asked question of how a writ of mandamus fits into the IPR process,

merely noting the lack of treatment the Supreme Court offered on this issue in a footnote of Justice Alito's concurrence.[17]

Cuozzo also challenged the authority of the Patent Office to set the standard for claim interpretation in an IPR.[18] Applying statutory interpretation rooted in agency law, the Supreme Court noted that when a statute is clear, the agency the statute directs must follow the statute; however, where a statute leaves a gap or is ambiguous, the agency has leeway to enact rules that are reasonable in light of the purpose of the statute.[19] The Supreme Court reasoned that the statute contained a gap as to the standard to be used for claim construction in an IPR.[20] The Supreme Court further reasoned that the Patent Office was explicitly granted the ability to issue rules governing IPR proceedings[21], and that the use of the broadest reasonable construction is a rule that the Patent Office promulgated to govern IPR proceedings.[22] Furthermore, there is no indication in the statutory language, in the legislative history, or in the purpose of the statute to suggest that Congress considered what standard the PTAB should apply in such proceedings.[23]

The Supreme Court noted that there was strong historical support for the broadest reasonable interpretation standard[24] and noted that retaining such a standard would help protect public interests by encouraging narrowly drafted claims and assisting the members of the public in drawing useful information from the disclosed invention.[25] The Supreme Court summarized by saying the Patent Office's regulations are reasonable in light of their purposes, and that Congress, not the courts, is in the position to make changes to the Patent Office's internally set guidelines, noting that Congress had left such guidelines to the expertise of the Patent Office.[26]

The decision of the Supreme Court confirms the clear conveyance of authority by Congress to the Patent Office to set and manage its own internal proceedings with respect to the validity of the patents issued by the Patent Office. Anything beyond *Chevron* deference would have disrupted decades of deference given to the Patent Office in managing the process of reviewing the validity of patent rights it has granted.

Going forward, the *Cuozzo* decision further strengthens the importance of a strong rehearing practice. It further encourages IPRs to be filed as soon as practicable, to potentially allow for a second attempt if the initial filing is not instituted by the PTAB. As a practical matter, the Supreme Court's decision avoids the logistical problems that would have been caused by a change in claim construction standard, potentially undoing thousands of PTAB rulings since the first IPR petitions were filed in 2012. The Supreme Court also appears to have made it clear that the appeal regime and the claim construction standard will remain *status quo* unless Congress implements change.

Notes:

[1] Slip op. No. 15-446 (June 20, 2016).

[2] 35 U.S.C. § 314(d).

[3] 37 C.F.R. § 42.100(b).

[4] *Cuozzo* at 2.

[5] 35 U.S.C. § 100 et seq.

[6] 35 U.S.C. § 319.

[7] *Compare* 35 U.S.C. § 314(d), *with* §§ 312(a), (c) (2006 ed.)(repealed).

[8] *Cuozzo* at 4.

[9] *Compare* 35 U.C.S. § 312(a) (2006 ed.)(repealed)(Substantial new question of patentability), *with* § 314(a) (2012 ed.) (reasonable likelihood that the challenger would prevail.).

[10] *Cuozzo* at 5–6.

[11] *Id.* at 12.

[12] *Id.* at 8.

[13] *Id.* at 8.

[14] *Id.* at 11. The Supreme Court also noted that an action beyond the scope of the statutory limits, such as the institution of an *inter partes* review on indefiniteness (§112) grounds may lead to a different outcome in a similar situation. *Id.*

[15] *Id.* at 10.

[16] *Id.* at 12.

[17] Alito's Concurrence, n.5-6.

[18] *Cuozzo* at 12. Cuozzo argued that the Patent Office should adhere to the federal district court standard and give claims their ordinary meaning as understood by a person of skill in the art.

[19] *Id.* at 13 (citing *Chevron USA Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842–43 (1984)).

[20] *Id.* at 13.

[21] 35 USC §316(a)(4).

[22] *Cuozzo* at 13.

[23] *Id.* at 16.

[24] *Id.* at 15, 17.

[25] *Id.* at 17.

[26] *Id.* at 20.

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