

The Supreme Court Weighs in On IPR Proceedings

By Rick Neifeld, Neifeld IP Law, PC

I. Introduction

In *Cuozzo Speed Technologies, LLC v. Lee*, issued June 20, 2016, the U.S. Supreme Court unanimously affirmed the decision of the Federal Circuit that the PTO was authorized to adopt a rule specifying use of a Broadest Reasonable Interpretation (BRI) claim construction standard. Moreover, a majority of the Court affirmed the decision of the Federal Circuit that the statute barred Cuozzo's challenge to the PTO's decision to institute the IPR. Justice Breyer delivered the opinion of the Court.

II. The PTO is Authorized to Use BRI in IPR Proceedings

Regarding BRI, the Court concluded that the PTO's BRI rule was valid, based upon an analysis applying *Chevron* deference. The Court explained *Chevron* as granting "the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute," when the statute left a gap. The Court noted that the failure of the statute to specify a claim construction standard was such a gap, that the PTO's promulgation of the BRI rule was entitled to *Chevron* deference, and that the rule was reasonable in light of the text and purpose of the statute.

The Court rejected Cuozzo's argument that the text of the statute indicated that the PTO lacked substantive rulemaking authority for IPRs. The Court explained that the statutory section relied on by Cuozzo (and the dissent at the Federal Circuit) was not the relevant statutory section. Cuozzo had relied upon 35 USC 2(b)(2)(A), which authorizes the PTO to promulgate regulations limited to governing the "conduct of proceedings." The Court however noted that 35 USC 316(a)(4) is the section granting the PTO rulemaking authority for IPRs, and that 316(a)(4) authorizes the PTO to promulgate regulations "governing inter partes review." The Court concluded that the PTO's grant of authority for promulgating IPR regulations was therefore not limited to rules governing "conduct of proceedings."

The Court also rejected Cuozzo's argument that Congress intended IPRs to be surrogates for district court patent infringement litigation. After comparing IPRs to both district court and reexamination proceedings, the Court found that one purpose of IPRs was to protect the public interest in limiting patents to their legitimate scope. The Court concluded that the purpose of IPRs was "not quite the same as the purpose of district court litigation." The Court therefore rejected Cuozzo's corollary argument that application of BRI in IPRs was contrary to the statutory purpose of IPRs.

The Court then concluded that the PTO's BRI regulation was reasonable because it protected the public and because the PTO's past practice in other types of proceedings consistently applied BRI. Cuozzo's arguments that the limited right to amend and the inconsistency between PTO and court claim construction standards were given short shrift. As to the statistical preponderance of denied motions to amend, the Court conjectured that "these numbers may reflect the fact that no amendment could save the inventions at issue." As to the inconsistency argument, the Court concluded that, in view of the different burdens of proof in the PTO and the courts, "the possibility of inconsistent results is inherent to Congress' regulatory design."

In summary, the Court's decision regarding BRI provides legal certainty that the PTO can and will continue to apply the BRI claim construction standard.

III. 35 USC 314(d) Bars Appeal of Institution Decisions on Ground "closely tied to the application and interpretation" of Statutory Sections Related to the PTO's Decision to Institute

Unlike the Court's decision regarding BRI, its decision regarding appealability of institution decisions is narrow, fact specific, and leaves many issues outstanding. The IPR petition against Cuozzo's patent expressly challenged claim 17 as obvious on the basis of a combination of three references, but it did not expressly challenge claims 10 and 14 on that basis. However, claim 17 depended from claim 14, and claim 14 depended from claim 10. The PTO instituted the IPR trial of Cuozzo's claims 10, 14, and 17 as obvious based upon that basis. The PTO reasoned that, because claim 17 depended from claim 14, and claim 14 depended from claim 10, Cuozzo had met the applicable burden of showing unpatentability of claims 10 and 14 when meeting that burden for claim 17. (IPR2012-0001, paper 15, page 18). On appeal, the Federal Circuit broadly held that 35 USC 314(d) "prohibits review of the decision to institute IPR even after a final decision." *In re Cuozzo Speed Technologies, LLC*, (Fed. Cir. 2013). On that backdrop, the Court concluded that 314(d), given the specific facts of the case, barred Cuozzo from attacking, on appeal, the PTO's determination to institute the IPR on claims 10 and 14.

Regarding reviewability, the Court rejected Cuozzo's argument that 35 USC 312, which says that IPR petitions must be pleaded "with particularity," required the petition to have mentioned that claims 10 and 14 were obvious on the same prior art basis as claim 17. The Court noted that Cuozzo's argument was little more than a challenge to PTO's conclusion that the "information presented in the petition" warranted review. The Court concluded that 314(d) "must, at the least, forbid an appeal that attacks ... review by raising this kind of legal question."

The Court was careful to limit the breadth of its non-reviewability holding. The Court emphasized that it was only interpreting 314(d) to bar appeal of institution decisions where the grounds for attacking the decision to institute were "closely tied to the application and interpretation" of statutory sections related to the Patent Office's decision to institute IPR. And the Court clarified that it was not deciding the effect of 314(d) on appeals: (1) that "depend[ed] on other less closely related" statutory sections; (2) "that present[ed] other questions of interpretation"; or (3) that "implicate[d] constitutional questions."

In summary, the Court held narrowly that 314(d) bars appeals that attack whether the information presented in the petition warranted review of the claims. The Court's narrow holding regarding 314(d) leaves, as unsettled, the appealability of issues depending upon statutory sections arguably less closely related to 314(d), than 312.

IV. Practical Impact

The PTO's application of BRI is one of the factors that makes it more likely that a claim will be found unpatentable by the PTO than by a district court. The Court's BRI decision preserves the PTO's use of BRI, which favors bringing patentability challenges in the PTO instead of in district courts.

The PTO's institution decisions often implicate the 315(b) time bar and the 315(c) joinder provisions. Under 315(b), a party has one year from when it is sued for patent infringement to file IPR petitions against the patent. Under 315(c), a party may request their petition be joined to

another petition's proceeding. The PTO has minimized the impact of the 315(b) time bar, thereby broadly construing its authority to institute IPRs. The PTO has repeatedly concluded that a dismissal without prejudice pursuant to Federal Rule of Civil Procedure 41(a) voided a 315(b) time bar. The PTO has repeatedly concluded that a petition filed after a 315(b) bar date, but filed with a motion for joinder to an earlier filed petition, voided the 315(b) bar. And the PTO has repeatedly concluded that a petition may be joined to an earlier filed petition even if both petitions are filed by the same party and even if the later filed petition includes issues not present in the earlier filed petition. The Federal Circuit, relying upon its earlier conclusion that 314(d) broadly barred appeal of institution decisions, held that 314(d) also prohibited review of the PTO's application of 315(b). *Achates v. Apple* (Fed. Cir. 2015). The Court's narrow nonappealability holding now suggests that 315(b) and 315(c) decisions relating to institution decisions might be reviewable. Therefore, the Court's 314(d) analysis favors appellants challenging the PTO's application of 315(b) and 315(c).