

Inside Fed. Circ. Ruling In 1st Inter Partes Review Appeal

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The U.S. Court of Appeals for the Federal Circuit issued its first-ever ruling in an appeal from an inter partes review in *In re Cuozzo Speed Technologies LLC*, No. 2014-1301 (Feb. 4, 2015). The ruling was highly anticipated because it addresses two key issues with respect to post-grant proceedings, namely (1) whether the decision by the Patent Trial and Appeal Board to institute an IPR is reviewable after the PTAB issues its final written decision, and (2) whether the PTAB's use of the broadest reasonable interpretation (BRI) standard for claim construction is proper.

The court sided with the U.S. Patent and Trademark Office and against the patent owner on both issues, finding that the decision to institute is not appealable at any time, and that BRI is a proper standard for claim construction in post-grant proceedings. In sum, the decision confirms two advantageous aspects of IPR for patent challengers.



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Procedural History and Background

In re Cuozzo arose from a petition to institute IPR filed by Garmin International Inc. and Garmin USA Inc. on Sept. 16, 2012, challenging the patentability of Cuozzo's U.S. Patent No. 6,778,074 ("the '074 patent"). The PTAB granted the petition, finding that Garmin had established a reasonable likelihood that dependent claim 17 of the '074 patent was unpatentable under 35 U.S.C. § 103 on two different grounds. In addition, even though not requested by Garmin, the PTAB applied these same two grounds of unpatentability to claims 10 and 14 by an "exercise [of] discretion."

In its final written decision, the PTAB construed the claims according to the BRI standard and found that the claims were unpatentable as obvious in view of the prior art. Cuozzo then appealed to the Federal Circuit and the director of the U.S. Patent and Trademark Office intervened in support of the final decision (Garmin withdrew from the appeal pursuant to a settlement agreement).

The Court Confirmed That PTAB Decisions to Institute are Not Appealable

In challenging the PTO's institution of the IPR, Cuozzo argued that the PTO improperly instituted IPR on claims 10 and 14 because it relied on prior art that Garmin did not identify in its petition as grounds for

IPR as to those two claims (though the prior art in question was identified with respect to claim 17).[1] Cuozzo asserted that under, 35 U.S.C. § 314(a), the PTO may only institute IPR based on grounds identified in the petition.[2]

In response, the PTO pointed to § 314(d), which is titled “No appeal,” and provides that “[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”[3] Notwithstanding this seemingly unambiguous language, Cuozzo argued that § 314(d) does not necessarily preclude review of the decision to institute IPR, but instead merely postpones review of the institution until after issuance of the PTAB’s final decision.[4]

The court noted that it previously addressed § 314(d) in *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014), finding that it “certainly bars” interlocutory review of the PTO’s denial of a petition for IPR. In *St. Jude*, the court further stated that § 314 “may well preclude all review by any route,” but did not decide the issue.[5] In *In re Cuozzo*, with the issue squarely before it, the court concluded that “§ 314(d) prohibits review of the decision to institute IPR even after a final decision.”[6] In doing so, the court found that “on its face,” § 314(d) is “written to exclude all review of the decision whether to institute review,” as it provides that the decision is both “nonappealable” and “final.”[7] According to the court, this language “cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability.”[8]

The court also found its interpretation of § 314(d) to be consistent with prior rulings regarding re-examination, where, “even absent a provision comparable to § 314(d), [the court] held that a flawed decision to institute reexamination under 35 U.S.C. § 303 was not a basis for setting aside a final decision.”[9] The court noted that, in *In re Hiniker*, it found that any error in instituting re-examination was “washed clean during the reexamination proceeding.”[10] As in *In re Hiniker*, the court found that “[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted.”[11] The court found that the same is even clearer in the context of IPR because “§ 314(d) explicitly provides that there is no appeal available of a decision to institute.”[12]

Next, Cuozzo argued that Congress would not have intended to allow the institution of an IPR in direct contravention of the statute, for example, on grounds of prior public use. (35 U.S.C. § 311 permits petitions only on the basis of “prior art consisting of patents or printed publications.”).[13] Without definitively deciding the issue, the court observed that mandamus may be available to challenge a decision to institute IPR after a final decision if the “PTO has clearly and indisputably exceeded its authority.”[14] The court found that mandamus was not available to Cuozzo because, among other things, Cuozzo could not show a “clear and indisputable right” to a writ of mandamus as “[i]t is not clear that IPR is strictly limited to the grounds asserted in the petition,” as Cuozzo asserted.[15] The court declined to decide whether mandamus to review institution of IPR after a final decision is available in other circumstances.[16]

The Court Confirmed That BRI is the Proper Standard for Claim Construction in IPR

Cuozzo unsuccessfully challenged the PTO’s application of the broadest reasonable interpretation standard in claim construction. As the court acknowledged, the America Invents Act is silent as to whether the BRI standard is appropriate in IPRs.[17] However, the statute grants the PTO rulemaking authority to set the standards for “the showing of sufficient grounds to institute ... review,” and establishing and governing inter partes review.”[18] Pursuant to this authority, the PTO adopted the BRI standard for IPRs.[19] Nevertheless, Cuozzo argued that the PTO lacked authority to adopt the BRI standard, and that the BRI standard is inappropriate in IPR proceedings.[20]

The court first noted that the BRI standard has been applied by the PTO for more than 100 years in various types of PTO proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and re-examinations.[21] The court found no indication that the AIA was designed to change this well-established standard.[22]

Cuozzo's primary argument against the BRI standard (and Judge Newman, in her dissent, agreed), was that the use of the BRI standard in other proceedings is irrelevant because the ability to amend claims in an IPR is much more limited.[23] The Court quickly dispatched this argument, finding that even though the opportunity to amend in an IPR may be limited, it is nonetheless available.[24] The court found that Congress was aware of the differences in terms of amendment yet did not provide for a different for claim construction under the AIA and, therefore, implicitly adopted the BRI standard.[25] Further, even if the court were to conclude otherwise, the court noted that § 316 provides the PTO with sufficient rulemaking authority to impose the BRI standard.[26]

Judge Newman's Dissent

In her dissent, Judge Pauline Newman argues that the majority's decision will cause more patents to be invalidated in an IPR and that the majority (and the PTO's) position is contrary to the legislative intent behind the adoption of IPRs. Judge Newman disagreed with the majority on three major grounds: (1) the broadest reasonable interpretation of claims is an inappropriate standard for IPRs; (2) the IPR bar on interlocutory appeals is not a blanket prohibition of judicial review of the PTO's actions; and (3) the PTAB reliance on art not cited in the petition is contrary to the strict requirements for IPR petitions.

Citing the legislative history, Judge Newman argues that IPRs were designed to act as surrogates for district courts to determine validity of patents. The purpose of IPR is to "convert" inter partes re-examination "from an examinational proceeding to an adjudicative proceeding." Given this legislative purpose of adjudication, Judge Newman would hold that the same procedural and substantive law of district courts should also apply to IPRs. Otherwise, IPRs are not district court surrogates.[27]

First, Judge Newman disagrees that IPRs should determine validity based on the broadest reasonable interpretation of the claims. She agrees that the BRI is the proper analysis for other PTO proceedings but improper for use in IPRs. Instead the same claim construction standard used in district courts (i.e., where claims are given their correct construction as understood by a person of ordinary skill in the field of the invention) should also be used in IPRs.[28]

According to Judge Newman, the BRI standard is appropriate where the applicant can freely amend the claims to define the scope of the claims.[29] The Yamamoto court stressed this difference in the ability to amend claims. "When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed. This opportunity is not available in an infringement action in district court." [30] Because the ability to amend claims in IPRs "is almost entirely illusory" (only two motions to amend have been granted so far), an IPR is more akin to a district court case where amendments are not allowed. Accordingly, Judge Newman argues, the BRI standard is not the proper standard for IPRs.

Second, Judge Newman did agree that § 314(d) is a complete bar to an appeal of the PTO's decision to institute an IPR. Instead, she argued, it is a rather routine bar against interlocutory appeals. The majority opinion precludes judicial review of an agency's action contrary to U.S. Supreme Court precedence.[31] Finally, Judge Newman takes the majority to task for effectively rescuing a defective petition. The

statute and regulations make it clear that a petition must identify the grounds and evidence as to each challenged claim. The petitioner has little to no ability to raise new grounds or evidence following the initial petition. In *Cuozzo*, however, the PTAB based its invalidity determination on art not raised by the petitioner contrary to the requirements of IPRs.[32]

While Judge Newman makes some persuasive arguments, current Federal Circuit and PTO law may make IPRs a more favorable forum to challenged issued patents than district courts.

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[1] Ruling at 5.

[2] *Id.*

[3] *Id.* at 5-6.

[4] *Id.* at 6.

[5] *Id.*

[6] *Id.*

[7] *Id.*

[8] *Id.*

[9] *Id.* at 7 citing *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998).

[10] *Id.* at 8.

[11] *Id.*

[12] *Id.*

[13] *Id.*

[14] *Id.*

[15] *Id.* at 10.

[16] Id.

[17] Id. at 11.

[18] Id.

[19] Id.

[20] Id.

[21] Id. at 12-13

[22] Id. at 13.

[23] Id. at 14.

[24] Id. at 16.

[25] Id.

[26] Id. at 16-18.

[27] Dissent at 1-2.

[28] Id. at 6-7.

[29] Id. at 8-9 citing *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984).

[30] *Yamamoto*, 740 F.2d at 1572.

[31] Dissent at 12 citing *Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 670 (1986) (“[J]udicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.”)

[32] Id. at 12-13.