

Supreme Court Affirms USPTO Claim Construction Test

June 20, 2016

On June 20, 2016, the Supreme Court issued its highly anticipated decision in *Cuozzo Speed Technologies v. Lee*. The Court unanimously held the United States Patent and Trademark Office (USPTO) can give claims in *inter partes* review (IPR) proceedings their "broadest reasonable construction," rejecting the argument that claims should be given their "plain and ordinary meaning." The Court further rejected Cuozzo's argument that IPRs are expected to be a close substitute for district court litigation such that the Patent Trial and Appeal Board's (PTAB) use of a different claim construction standard is inconsistent with Congress' intent. The Court stated IPRs are, in significant respects, "less like a judicial proceeding and more like a specialized agency proceeding." The Court found particularly relevant that patent owners in IPR, unlike in district court litigation, may file a motion to amend the claims. The Court determined that the PTAB's regulation requiring the claims in IPRs to be construed under this standard was a reasonable exercise of PTAB's rulemaking authority and noted the PTAB applies the same broadest reasonable construction standard in other long-standing post-issuance proceedings allowing for claim amendments. The Court acknowledged the two claim construction standards may yield different results in the two forums—however, this possibility, the Court held, "has long been present in our patent system...."

From a practical standpoint, in a majority of the cases, the USPTO and the district court claim interpretation standards may lead to the same construction of the claims. This is because the claim text and patent specification inform the claim construction under either standard. The PTAB is unlikely to find a construction inconsistent with the specification "reasonable." Nevertheless, as confirmed by the Supreme Court, these two standards may lead to different results in some situations. IPRs, thus, continue to provide petitioners the opportunity to challenge patent claims under a broader, and potentially more favorable, claim construction standard. The decision also, in all likelihood, forecloses any viable argument that the USPTO rules requiring the application of the broadest reasonable construction standard in other AIA post-issuance proceedings, such as Post-Grant and Covered Business Method patent reviews, are unreasonable.

The Court also held PTAB Institution Decisions were non-appealable, even if trial is instituted and a Final Written Decision issues, when the "patent holder merely challenges the Patent Office's 'determin[ation] that the information presented in the petition... shows that there is a reasonable likelihood' of success." The Court read the America Invents Act of 2011 literally, and confirmed that "[t]he determination by the Director



whether to institute . . . review under this section shall be final and nonappealable" under 35 U.S.C. §314(d). The Court found the Patent Owner may not appeal the PTAB's finding that a reasonable likelihood of success exists, even after a Final Written Decision by the PTAB.

The Court overcame the "'strong presumption' in favor of judicial review" based on "'clear and convincing' indications, drawn from 'specific language,' 'specific legislative history,' and 'inferences of intent drawn from the statutory scheme as a whole.'" The Supreme Court read literally § 314(d), which states that Institution Decisions from the PTAB are "final and nonappealable." The Court "doubt[ed] that Congress would have granted the Patent Office this authority . . . if it had thought that the agency's final decision could be unwound under some minor statutory technicality related to its preliminary decision to institute *inter partes* review."

Importantly, in light of the dissent by Justices Alito and Sotomayor, the majority opinion is carefully crafted to "not categorically preclude review of a final decision where a petition [is flawed] . . . such that there is a due process problem with the entire proceeding, . . . nor does [the opinion] enable the agency to act outside its statutory limits by, for example, canceling a patent claim for 'indefiniteness under §112' in *inter partes* review." The majority expressly stated "'shenanigans' may be properly review[ed] in the contexts of §319 and under the Administrative Procedure Act, which enables reviewing courts to 'set aside agency action' that is 'contrary to constitutional right,' 'in excess of statutory jurisdiction,' or 'arbitrary [and] capricious.'" As such, the opinion does not leave the PTAB unfettered power to act outside its statutory limitations when instituting IPR.

We now know institution decisions cannot be challenged based upon flaws in a showing of a reasonable likelihood of success with respect to at least one of the claims challenged under §314(a). However, the door may remain open for challenges when the PTAB's institution decision is in excess of its statutory jurisdiction. In all likelihood, this decision applies equally to the AIA's other patent review mechanisms such as post-grant review and covered business method review, which are also subject to a "no appeal" provision virtually identical to §314(d).

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