

Seyfarth PTAB Blog



A legal look at Patent Trial and Appeal Board decisions and trends

Power To The PTAB - SCOTUS Affirms USPTO Authority Over Two Key Issues

By Matthew A. Werber

On June 20, 2016, the Supreme Court decided [Cuozzo Speed Technologies LLC v. Lee](#) resolving two questions regarding the Patent Office's authority over IPR proceedings that have remained arguably open since the Leahy-Smith America Invents Act ("AIA") became law in 2012.

The Dispute

Cuozzo Speed Technologies, LLC ("Cuozzo") appealed a decision by the Patent Office in an inter-parte review ("IPR") proceeding cancelling three of Cuozzo's patent claims directed to car speedometer technology. IPR proceedings all follow the same basic format. First, a party seeking to challenge the validity of patent files a petition with the Patent Office asking the agency to institute review. The petition goes to the PTAB who institutes an IPR proceeding if there is a "reasonable likelihood" the petitioner will prevail. The PTAB's decision on institution (a/k/a "institution decision") also indicates the scope of the proceeding, including identifying the particular claims under review and the statutory grounds for invalidity (e.g. 35 U.S.C. § 102 lack of novelty invalidity and/or 35 U.S.C. § 103 obviousness).

On appeal, Cuozzo made two arguments, each raising questions concerning the Patent Office's authority in IPR proceedings. First, Cuozzo argued the PTAB erred by instituting an IPR proceeding broader in scope than what the IPR petitioner specifically asked for. Cuozzo's first argument, in effect, challenged the Patent Office having final say in which claims it chooses to review and on what grounds. Second Cuozzo challenged the Patent Office's rule making authority, arguing the Patent Office did not have authority to apply the "broadest reasonable interpretation" claim construction standard. Instead, Cuozzo argued, the Patent Office should be required to apply the "ordinary meaning" standard used by federal courts. A divided Federal Circuit panel rejected both arguments and Cuozzo ultimately appealed to the Supreme Court.

Authority Over IPR Institution Decisions

First, the Supreme Court considered if the AIA statute, 35 U.S.C. §314(d), affords parties any leeway to appeal IPR institution decisions, including alleged errors in determining the scope of a proceeding. Section §314(d) appears fairly straight forward and reads:

No Appeal. The determination by the Director [of the Patent Office] whether to institute an inter partes review under this section shall be final and non-appealable.

For its part, *Cuozzo's* argument focused less on whether the IPR proceeding should have been instituted in the first place but instead on the PTAB having made the proceeding broader in scope than what the IPR petitioner specifically asked for. In particular, the PTAB chose to review claims 10, 14 and 17 on obviousness grounds, while the petition specifically identified only dependent claim 17 -- a claim that depended on and comprised each of the limitations of claims 10 and 14.

The Supreme Court found these particularities to be of no moment, however, instead relying on the "final and non-appealable" language of Section 314(d) and congressional intent behind the AIA, the Court stated:

We doubt 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.

In short, parties appealing an IPR final decision will be confined to issues presented in the PTAB's final decision cancelling, confirming or amending the patent claims, and will be barred from appealing alleged missteps by the PTAB in instituting the proceeding in the first place.

Authority Over Claim Construction Standard

Next, the Supreme Court considered *Cuozzo's* argument that the Patent Office lacked legal authority to issue a rule requiring application of the broadest reasonable interpretation ("BRI") claim construction standard rather than the "ordinary meaning" standard used by federal courts. This issue hinged on interpreting 35 U.S.C. §316(a)(4) providing the Patent Office authority to issue "regulations . . . establishing and governing inter partes review." *Cuozzo* argued Section 316(a)(4) was limited to procedural rules only and the Patent Office should defer to using standards applied by the courts on substantive matters such as claim construction. The Supreme Court disagreed the statute was so limited. The statute, according to the majority, does not refer to "proceedings," but instead "refers more broadly to regulations 'establishing and governing inter partes review.'" The majority also distinguished IPR proceedings from district court litigation, adding that the basic purpose of an IPR allows the agency "to reexamine an earlier agency decision." In conclusion, the Court agreed the BRI rule represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office.

Takeaway

In affirming the Patent Office having the final say on institution decisions, the Supreme Court arguably opened the door for the PTAB to sua sponte add claims or grounds for invalidity beyond what was initially asked for. The Court, however, also cautioned that its holding does not categorically bar all possible challenges to institution decisions that may be raised. For example, appellate review may be appropriate if an institution decision extends to invalidity grounds not permitted by the AIA statute, or in situations where a petition fails to give sufficient notice presenting a constitutional due process problem.

Regarding to the claim construction standard, the BRI standard is widely considered to provide advantage to the IPR petitioner, exposing the patent claims to a potentially broader array of prior art comparisons. Thus, a rejection of the BRI standard could have put the brakes on the considerably high success rate IPR petitioners have enjoyed since IPRs first became available in 2012. By affirming, however, *Cuozzo* amounts to essentially more of the same for practitioners who have regularly dealt with the Patent Office in prosecution, IPRs or ex parte reexaminations (historically) where BRI has been applied.

[Matthew A. Werber](#) is an author of the Seyfarth PTAB Blog and an IP trial attorney in the firm's Chicago office. For more information, please contact a member of the [Patent Practice Group](#), your Seyfarth Shaw LLP attorney, or Matthew A. Werber at mwerber@seyfarth.com.

www.seyfarth.com

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