

Attys React To High Court's PTAB Claim Construction Ruling

Law360, New York (June 20, 2016, 7:04 PM ET) -- The U.S. Supreme Court Monday decided in *Cuozzo Speed Technologies LLC v. Lee* that the Patent Trial and Appeal Board can continue to use a claim construction standard to review patents in America Invents Act reviews that is different from the one used in district court. Here, attorneys tell Law360 why the decision is significant.

Demetrios Anaipakos, Ahmad Zavitsanos Anaipakos Alavi & Mensing PC

"The Supreme Court is not to blame for the confusion caused by inconsistency in the standards used to construe patents — Congress is. The America Invents Act created the inconsistency to gut patents; the fact that well over 80 percent of IPR proceedings have cancelled some or all of the reviewed claims underscores the point. The PTAB does not use the same claim construction standard as federal courts, instead using a standard — broadest reasonable interpretation — designed and administered to invalidate patents that are not only presumed valid, but that can be found valid by an Article 3 court. Inconsistency is the new normal."

Daniel Callaway, Farella Braun + Martel LLP

"The court unanimously rejected the argument that an inter partes review is simply a mini court proceeding and that the PTAB should adhere to the claim construction standard applied by courts in infringement suits. Instead, the court recognized that IPR is a 'second look' at the PTO's grant of a patent, and it deferred to the agency's choice of the broadest reasonable construction standard for that administrative review. The result is that IPR will continue to be an effective option for accused infringers — and others — to demonstrate that a patent's claims are invalid and should never have issued."

Ozzie A. Farres, Hunton & Williams LLP

"The Supreme Court's decision allowing the Patent Trial and Appeal Board to continue using the 'broadest reasonable interpretation' will seemingly have little impact in the sense that attorneys and clients have been reconciling the different standards for decades. However, now that use of BRI in IPR proceedings has been confirmed, attorneys and clients will be forced to more seriously consider 'motions to amend' as the best strategy for ensuring a patent's survival. It will be interesting to see if the PTAB improves upon the low grant rate for such motions."

Kia Freeman, McCarter & English LLP

"Cuozzo confers the PTO with wide discretion as to IPR institution. Under Cuozzo, the PTO's decision to institute an IPR based on an 'implicit' challenge may not be appealable. On the other hand, plain errors in an IPR institution decision that remain uncorrected in the [final written decision] also may not be

appealable under *Cuozzo*. By affirming the PTO's authority to apply the broadest reasonable construction standard in IPRs, *Cuozzo* favors uniformity in the construction standard applied by the PTO over that applied by the Court of Appeals. Application of the BRC standard encourages narrow drafting of application claims, and less concern with prosecution history in IPRs."

Paul Haughey, Kilpatrick Townsend & Stockton LLP

"*Cuozzo* preserves the status quo. Most patents will continue to be interpreted the same under both standards. For the few that differ, the broader PTAB standard preserves that forum's advantages for defendants over district court. Also, in theory a broad construction that covers a defendant's products could be used before the PTAB, while a narrower construction that avoids infringement could be used in court. However, that continues to be risky."

Paul Hughes, Mayer Brown LLP

"The Supreme Court's discussion in *Cuozzo* of the PTO's amendment practices may prove notable. In urging the court to reject the Patent Office's use of the 'broadest reasonable interpretation' standard, *Cuozzo* contended that, in practice, there was little 'opportunity to amend' during inter partes review. The court disagreed: not only has the PTO granted several amendments, but, according to the court, the statistics 'may reflect the fact that no amendment could save the inventions at issue.' *Cuozzo* therefore offers little support to litigants seeking to challenge the PTO's amendment practices."

Thomas King, Haynes and Boone LLP

"This was a good day for the Patent Office. The Supreme Court affirmed both the broadest reasonable construction standard, and the PTO's practice of looking beyond the petition in rendering its institution decisions. The decision also essentially invites the PTO to seek review of past Federal Circuit decisions that deny the PTO the ability to issue substantive rules. All of this suggests that the balance of power in our patent system continues to swing away from Article III courts and toward the Patent Office, and that PTAB trials are here to stay."

Bernard Knight, McDermott Will & Emery LLP

"The Supreme Court today unanimously decided that the USPTO has the legal authority to issue regulations that provide for the claim construction standard in inter partes reviews. As the General Counsel that approved the legal sufficiency of those regulations, I was happy to see that conclusion. The parties that filed briefs arguing about the policy reasons behind whether the BRI or Phillips claim construction standard is the best really missed the main and only legal issue. The Supreme Court stated that these policy issues are not properly before the courts but better left to Congress. The only issue to be decided was whether the USPTO had the legal authority to issue the regulations and it did. This issue now is one for Congress, as it always should have been."

Matthew Kreeger, Morrison & Foerster LLP

"This decision is consistent with the recent trend of Supreme Court decisions in patent cases, which have tended to limit patents, as well as make them easier to challenge and more difficult to enforce. The court appears to be very concerned with patent quality, and looked favorably on the inter partes review procedure designed to reexamine whether dubious patents should have been issued in the first place. The court also showed considerable deference to the Patent Office. The court affirmed the PTO's decision to issue a regulation imposing the broadest reasonable interpretation claim construction standard — as opposed to the ordinary meaning standard used in district court cases — which makes it

somewhat easier to challenge patents in an IPR. The court also held that initial decisions by the PTO to institute an IPR proceeding are unreviewable by any court, even after the final decision has been entered. The decision could spur efforts in Congress to reform the IPR procedure to provide additional protections to patent owners. To date, IPR decisions have overwhelmingly favored the patent challenger.”

David Leason, Leason Ellis LLP

“The high court’s decision in *Cuozzo* confirms broad authority in the PTO and provides a clear signal that the strongest patents are those that have claims drafted so as to take full account of the broadest reasonable construction standard. As a practical matter, original prosecution is the proceeding during which claims should be drafted to depend from one another. In this way, claims are defined with increasing specificity and provide a concomitantly better likelihood of surviving the BRC review. *Cuozzo* provides rulings favoring more streamlined IPRs and surely supports the trend of IPR filings in lieu of actions advancing in district court.”

Jason Mudd, Erise IP

“Today’s decision affirming the PTO’s use of the BRI standard in IPRs brings much needed clarity to a fundamental issue affecting all IPR proceedings, which have become the dominant means by which parties challenge the validity of issued patents. This decision ends the debate in the courts and effectively shifts it to policymakers at the PTO and Congress, where various stakeholders have attempted to lobby for the use of the same claim construction standard used by courts, rather than the BRI standard. But, absent Congressional action or revised rulemaking from the PTO, practitioners can now rely on BRI as the settled claim construction standard for IPRs. The court was not as clear in its resolution of the second issue relating to non-reviewability of the PTO’s decisions to institute IPRs. The majority opinion, in response to the dissent’s criticisms, purports to leave open the ability to seek judicial review where there is a constitutional due process problem, where the appeal ‘depend[s] on other less closely related statutes,’ or where the appeal ‘present[s] other questions of interpretation that reach, in terms of scope and impact, well beyond “this section.”’ Thus, the majority suggests judicial review remains available for certain acts of the PTO that exceed constitutional limits or that clearly exceed certain aspects of its statutory authority, but it appears to leave for another day the open question of what other issues could be reviewable.”

William O’Brien, One LLP

“The Supreme Court followed its precedents on agency deference, but the result is to permit inconsistencies in claim constructions that would never be tolerated if infringement and validity were both being determined in court. By petitioning the Patent Trial and Appeal Board, an accused infringer gains a broader playing field for contesting validity, because the board will compare the prior art to the ‘broadest reasonable construction’ of the patent claims it reviews. If the claims nonetheless survive, the case returns to court, where the accused infringer can invoke different claim construction rules and play infringement defense on a narrower field.”

Justin Oliver, Fitzpatrick Cella Harper & Scinto

“There are two issues. The first is whether decisions denying institution are appealable. The court held that the statute made clear that the decision on institution is non-appealable, where the ground for attacking the decision consist of questions that are closely tied to the application and interpretation of the statute. However, the court left open the possibility of challenges on constitutional grounds or other

questions that reach beyond the scope of the relevant statute. The second issue involves the properness of the broadest reasonable interpretation standard applied by the PTO. There, the court noted the long history of the PTO using that standard and the explicit authority given the PTO in rulemaking. Despite a lack discussion in the statute on the construction standard, the court concluded that the express rulemaking authority granted to the PTO allowed for a standard of the PTO's choosing and that the decision was in keeping with the rest of the statute."

Gene Paige, Kecker & Van Nest LLP

"The Supreme Court unanimously upheld the PTO's use of the 'broadest reasonable construction' standard for patent claims challenged in an inter partes review. The petitioner, and the dissenting Federal Circuit judges, had argued that IPRs substituted for district court litigation, and therefore had to employ the district court standard. The court disagreed, finding the statute had delegated to the PTO authority to make rules in IPR proceedings, including rules defining the standards to be applied. As a result, IPRs will continue to proceed under standard that the PTO has been using, and any changes to that standard will have to come from either the PTO itself or Congress."

Bill Panagos, Butzel Long PC

"The Cuozzo court reaffirmed that the Patent Office can interpret claims under the 'broadest reasonable interpretation' standard to determine if the claims are patentable. This is not the standard that federal courts use to interpret claims for validity. This means that a combination of prior art references that can knock out a claim in an IPR might not succeed in establishing invalidity of the same claim in court. The Cuozzo court passed on this opportunity to resolve the apparent inconsistency. The court upheld a long history of permitting two standards: one for specialized agency proceedings and another for judicial proceedings. Thus, the status quo remains. Neither patentees nor accused infringers can claim outright victory since the needle has not moved."

Donald Puckett, Nelson Bumgardner PC

"Cuozzo provided a clear answer on the BRI standard — affirmed — but a muddled answer on reviewability of PTAB institution decisions. The court held 'ordinary disputes' over the institution standards are not reviewable, but that review is permitted when an appeal raises a constitutional issue, or a challenge that the PTAB has exceeded its statutory authority — other than Section 314. As the dissent points out, this dividing line 'remains a mystery.' The fuzzy boundary will be tested soon in pending PTAB appeals, and the Federal Circuit will need to revisit some of its recent opinions that read Section 314(d) more broadly than Cuozzo."

Scott Raevsky, Knobbe Martens Olson & Bear LLP

"In its first case addressing inter partes reviews, the Supreme Court's In re Cuozzo decision upheld the PTAB's application of the 'broadest reasonable interpretation' claim construction standard. This decision relieves concerns about the status of ongoing or appealed PTAB cases argued or decided under this standard. The court also determined that institution decisions remain largely unreviewable, barring constitutional questions or statutory interpretation 'well beyond' the IPR statute. Thus, the institution decision — and the predicate petition and patent owner preliminary response — remain critically important. The PTAB's statistics reveal that at final written decision, 79 percent of all instituted claims are found unpatentable."

Edward Ramage, Baker Donelson Bearman Caldwell & Berkowitz PC

“PTAB’s ‘license to kill’ is renewed. The Cuozzo decision approves the status quo on two fronts, both in favor of current PTAB practice. First, PTAB institutions decisions are not appealable and unreviewable, and second, the PTAB can continue to use the ‘broadest reasonable construction’ standard for claim interpretation. This makes it easier for the PTAB to invalidate patent claims than a district court applying the ‘ordinary meaning’ standard. As a result of the PTAB rules that tilt the system in favor of the challenger, the PTAB has the growing reputation of being the ‘Patent Death Squad,’ and this decision strongly reinforces that.”

Evan Rothstein, Brownstein Hyatt Farber Schreck LLP

“Today’s ruling in Cuozzo likely reinforces the trend of patent litigation defendants using the PTAB as a front-line means of attacking asserted patents. With the ‘broadest reasonable interpretation’ the confirmed standard for assessment of patent claims at the PTAB, patent owners, especially patent assertion entities, can expect to wind up before the board rather than a court more often than not when filing lawsuits over suspect patents. The ruling also cements the strategy for patent litigation defendants to spend significant resources to hunt down relevant prior art to defeat claims of infringement by bringing the fight to patent owners at the USPTO. On the flip side, Cuozzo’s affirmation of the Federal Circuit’s decision will be met with disappointment by patent owners who were hoping for uniformity of the claim construction standards between the federal court and the patent office such that their patent rights would be more firmly recognized.”

Tammy Terry, Osha Liang LLP

“The Cuozzo decision is a victory for the U.S. patent system and consistent with the AIA’s commitment to strengthening that system. Post-grant review is a remedial measure intended to provide a relatively cost-effective and efficient mechanism to eliminate patents that should not have issued in the first place. The current BRI standard is critical to that mission. Applying the BRI standard in post grant reviews — whether IPR or PGR — allows the USPTO to correct years of mistakes made in the prosecution of patents, both before and after the enactment of the AIA. The alternative — applying a heightened claim construction standard — would have crippled these corrective abilities and, as a result, would have been a death knell to post-grant review.”

John F. Ward, Kelley Drye & Warren LLP

“There is nothing particularly surprising about the Supreme Court’s Cuozzo decision — it maintains the status quo. We could hardly expect the Supreme Court to abandon the way the PTO has evaluated patent claims for over a century. But this decision will not be the final word on PTAB procedures. As Justice [Stephen] Breyer notes: ‘To the extent that Cuozzo’s statistical argument takes aim at the manner in which the Patent Office has exercised its authority [i.e., denying 86 of 92 motions to amend], that question is not before us.’ It won’t be long before that question is squarely placed before the court. Cuozzo is perhaps more important as an indication that the Supreme Court will continue to accept far more patent and other IP cases than it has in the past. With three decisions in just the past week and numerous other accepted or pending petitions for certiorari, it would appear that the justices will continue to devote a significant portion of their docket to IP matters. Since IP cases seldom break along ideological lines, they are less likely than politically contentious issues to deadlock at 4–4.”

Eliot Williams, Baker Botts LLP

“This is the Supreme Court’s first opportunity to address the conduct of PTAB trials under the America Invents Act, and the court’s opinion suggests that it believes the PTAB is on the right track. Today the

justices held that the PTAB's decisions regarding whether to institute inter partes reviews are typically not appealable; even so, the court left the door open to some challenges to those decisions, such as when a 'constitutional question' is at issue."

Megan Woodworth, Venable LLP

"One noteworthy aspect of the decision is its posture: a pure affirmance. Recently when the Supreme Court hears a patent case, we are generally not left with the status quo as we are here. What remains to be seen is whether the differing construction standards in parallel judicial and administrative proceedings will create the instability that some amici predicted. To date, there have seemingly been few cases where the different standard would change the validity outcome because the BRI must be reasonable. It also remains to be seen how the Federal Circuit will define the 'shenanigans' that warrant an APA review of a PTAB institution decision in the narrow window that the decision leaves open for such challenges."

Jon E. Wright, Sterne Kessler Goldstein & Fox PLLC

"The most interesting question that falls out of the Supreme Court's decision in *Cuozzo* is how to solve Judge [Samuel] Alito's 'mystery' — that is, which 'statutory limits' would be subject to Federal Circuit review, and which would be insulated. Under *Cuozzo*, whether the unpatentability grounds in a petition satisfy the Section 314 statutory threshold is definitely unreviewable. However, the Federal Circuit's decision in *Versata* to review AIA Section 18 [covered business method] eligibility under APA Section 706 now seems on solid ground. So too would be Federal Circuit review of 'shenanigans' that are clearly outside the PTO's statutory authority, like out-of-time petitions for post grant review. So in the end, the Supreme Court did not go as far as the PTO wanted it to go with respect to reviewability of institution decisions — that is, it unambiguously rejected the PTO's request for complete unreviewability."

Dan Yannuzzi, Sheppard Mullin Richter & Hampton LLP

"The Supreme Court's decision in *Cuozzo*, affirming the appropriateness of the 'broadest reasonable interpretation' standard in inter partes review proceedings, is significant in several respects. Most importantly, allowing the PTAB to apply the broadest reasonable interpretation standard ensures that the IPR remains a viable alternative to district court litigation. The part of the decision dealing with the issue of claim interpretation was decided unanimously. This leaves little room for doubt that the Patent Office's broadest reasonable interpretation standard, long used during initial examination as well as in post-grant proceedings, is here for the long term. The decision provides for more certainty in the finality of the IPR proceeding as the Federal Circuit is less likely to second guess claim construction than it would be if the PTAB were required to apply the Phillips standard for claim construction."

--Editing by Emily Kokoll.