

Client Alert

February 2015

Four Takeaways from the Federal Circuit's First *Inter Partes* Review Decision, *In Re Cuozzo Speed Techs.*

The Federal Circuit's *In Re Cuozzo Speed Techs., LLC* opinion¹ involved the first appeal from a final written decision in an *inter partes* review (IPR) proceeding.² These proceedings, created by the Leahy-Smith America Invents Act of 2011 replaced *inter partes* reexamination³ as the preferred route for third party challenges to patents before the United States Patent and Trademark Office (PTO)'s Patent Trial and Appeal Board (Board). Since inception of IPR, patent challengers have filed well over two thousand IPR petitions.⁴ The *Cuozzo* case—the first IPR filed and the first on appeal after final decision—resolved several big ticket questions surrounding the PTO's implementation of IPR.

The split panel decision upheld the Patent Office's rules and practice of applying the broadest reasonable interpretation to the claims in an IPR. It also held procedural challenges relating to the institution decision non-appealable and only subject to judicial scrutiny upon mandamus after final decision. The Court also affirmed the Board's finding that the original patent claims were obvious, and that the Patent Owner's motion to amend the claims was properly denied due to improper broadening. Judge Dyk authored the opinion which Judge Clevenger joined. Judge Newman dissented as to the Court's adoption of broadest reasonable interpretation and its conclusion that procedural challenges to institution are non-appealable.

Cuozzo Speed Technologies, LLC asserted U.S. Patent No. 6,778,074 against Garmin Int'l Inc. and several other defendants in the District of New Jersey in June of 2012. Garmin filed an IPR petition against the '074 Patent on September 16, 2012—the first day IPR became available. The Board instituted IPR but only as to the three out of twenty challenged claims for which it found Garmin had met the threshold test of reasonable likelihood of unpatentability. The Board maintained unpatentability of those three claims in its final written decision, and *Cuozzo* appealed to the Federal Circuit. Garmin elected not to participate because it had settled all related litigation with *Cuozzo*.⁵

¹ Case No. 2014-1301 (February 4, 2015). Although both parties of an IPR typically appear in the caption for the Federal Circuit appeal; here, the patent challenger, Garmin, had settled with *Cuozzo* and did not elect to participate in the appeal. The PTO intervened to defend the Board's decision.

² Earlier IPR decisions by the Federal Circuit involved unsuccessful attempts to overturn the PTO's institution decisions. *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014) (mandamus unavailable for challenging denial of IPR); *In re Proctor & Gamble Co.*, 749 F.3d 1376, 1378-79 (Fed. Cir. 2014) (mandamus unavailable for challenging decision to institute); *St. Jude Med. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) (court has no jurisdiction to review denial of IPR).

³ See J. Vockrodt, "Five Things You Should Know About The Replacement of Inter Partes Reexamination with Inter Partes Review on September 16, 2012," Hunton & Williams Client Alert, July 16, 2012.

⁴ As of January 29, 2015, there had been 2,397 IPR petitions filed. See Patent Trial and Appeal Board, AIA Progress Statistics, available at <<http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics>>.

⁵ While the Federal Circuit appeal involved only three claims, Garmin filed a second IPR petition which the Board instituted for most of the remaining claims. *Cuozzo* and Garmin settled just after institution of the second IPR, and proceedings terminated. Shortly thereafter, another party Ford Motor Company filed a third IPR of the '074 patent using grounds similar to those asserted by Garmin in its first and second IPR petitions. The Board has not yet decided whether to institute the third IPR, but will likely institute since it had already found those grounds met the reasonable likelihood of unpatentability threshold in Garmin's second IPR petition.

IPR Institution Decisions are Unreviewable Except Upon Mandamus After the Final Written Decision

The Court first grappled with Cuozzo's procedural argument that IPR was improperly instituted because the PTO used the prior art differently than proposed in Garmin's IPR petition. In fact, the Board relied on prior art for claims 10 and 14 that the petitioner "did not identify in its petition as grounds for IPR as to those two claims." The petition did rely on the prior art, but only for claim 17. The IPR statute, 35 U.S.C. § 312(a)(3), states that any petition for IPR must "identif[y] . . . with particularity . . . the grounds on which the challenge to each claim is based. . . ." Cuozzo claimed the PTO violated the statute by instituting the IPR using grounds that Garmin did not actually propose in its IPR petition.

The Court held that it lacked jurisdiction to review challenges to institution decisions since 35 U.S.C. § 314(d) provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." In *St. Jude Medical v. Volcano Corp.*, the Federal Circuit had previously held its appellate jurisdiction does not extend to reviewing any IPR issues other than final written decisions.⁶ Cuozzo sought to distinguish the case on the grounds that § 314(d) merely postpones review until after the Board issues its final written decision. The Court rejected this argument, noting that § 314(d) has been characterized as a "broadly worded bar on appeal" and that "it must be read to bar review of all institution decisions, even after the Board issues a final decision."

The Court notably left the door open to mandamus review "to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority." Although it had previously "held that Mandamus relief was not available to challenge the denial of a petition for IPR" in *Dominion Dealer Solutions* and "that mandamus was not available to provide immediate review of a decision to institute IPR" in *Proctor & Gamble*,⁷ it had never precluded mandamus review of the PTO's decision to institute after a final written decision. In response to Cuozzo's argument that denying reviewability would allow egregious abuses to go unchecked, the Court noted that mandamus would be available but only for clear-and-indisputable PTO mistakes—a standard Cuozzo could not meet. The Federal Circuit's clarification of the standard for challenging the Board's decisions to institute is helpful because several IPRs that have yet to reach the Federal Circuit were instituted over patent owner arguments that the 1-year and declaratory judgment statutory bars precluded IPR.⁸

Judge Newman, in dissent, disagreed that § 314(d) prohibits "reviewing compliance with the statutory limits of Inter Partes Review." In her view, "the purpose of the 'nonappealable' provision apparently is to bar interlocutory proceedings and harassing filings by those seeking to immobilize the patent or exhaust the patentee." Noting the PTO disagreed that mandamus is available review of institution decisions, Judge Newman was not convinced that it would provide a viable pathway for correcting improper institution of IPR. The non-reviewability further appeared contrary to Supreme Court cases suggesting caution when applying statutory limitations on appellate review, according to Judge Newman.

The "Broadest Reasonable Interpretation" Claim Construction Standard Applies in IPR

On the question of which claim construction standard applies in IPR, the Court held that the "broadest reasonable interpretation standard" was the correct standard. The America Invents Act (AIA) that created IPR apparently left the claim construction standard unresolved, but granted the Director of the PTO authority to "prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute . . . review." 35 U.S.C. § 316(a)(2). Pursuant to that rulemaking authority, the Director promulgated 37 C.F.R. § 42.100(b), which provides that "a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." This standard had been consistently applied by the PTO in various proceedings including initial examinations, interferences,

⁶ 749 F.3d 1373, 1376 (Fed. Cir. 2014).

⁷ *In re Dominion Dealer Solutions, LLC*, 749 F.3d at 1381; *In re Proctor & Gamble Co.*, 749 F.3d at 1378-79.

⁸ See J. Vockrodt, "Are the Board's Institution Decisions on § 315 Eligibility for Inter Partes Review Appealable," Hunton & Williams Client Alert April 1, 2014 (collecting Board decisions related to the 1-year and declaratory judgment bars to IPR institution); J. Vockrodt et al., "Don't Let Your Right to Inter Partes Review Slip Away," Law 360, August 29, 2012 (older discussion of how 1-year bar may apply in several scenarios).

reexaminations, and reissues. And, “[t]here is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years.”

The Court rejected Cuozzo’s argument that limitations on claim amendment made the broadest reasonable interpretation standard inappropriate for IPR. The Court noted “[a]lthough the opportunity to amend is cabined in the IPR setting, it is nonetheless available.” Furthermore, the PTO had the rule-making authority under the IPR statute to set standards for IPR proceedings, and there was nothing improper about the PTO prescribing this standard for claim construction using its rule-making authority. The Court analyzed the PTO’s rulemaking under the *Chevron* framework. Because “Congress was silent on the subject of claim construction standards,” even if it did not implicitly adopt the longstanding broadest reasonable interpretation standard, the PTO’s regulation was “based on a permissible construction of the statutory language at issue.”

Judge Newman argued in dissent that the broadest reasonable interpretation standard is inconsistent with the legislative purpose of the AIA which was for “providing quick and cost effective alternatives to litigation.” In her view, the broadest reasonable interpretation is an examination expedient available only where claims can be freely amended. And “a PTAB decision based on this artificial ‘broadest’ standard cannot substitute for litigation directed to the correct result.” Noting the repeated references to “validity” rather than “unpatentability” throughout the statute, as well as statements that IPR was to serve as a surrogate for litigating validity issues, Judge Newman concluded the PTO rules did not carry out the legislative intent of, and were therefore inconsistent with, the AIA.

Supreme Court’s *Teva v. Sandoz* Standard of Claim Construction Review Applies in PTO Appeals

The Court found that the Supreme Court’s decision in *Teva Pharms. U.S.A. v. Sandoz, Inc.*, 135 S.Ct. 831, 842 (2015) governed the standards for reviewing claim construction in this appeal of an IPR decision. Although the Supreme Court’s rationale in *Teva* was largely guided by Federal Rule of Civil Procedure 52(a)—a rule inapplicable in the PTO—the Federal Circuit applied *Teva* without question. In doing so, the Court may have quietly ended the Federal Circuit’s internal debate over the level of deference to be applied in reviewing the Board’s claim construction decisions. Concurring in *Flo Healthcare Solutions v. Kappos*, J. Plager highlighted the debate stating, “various of our cases seem to apply one or the other of two (possibly three—see *infra*) inconsistent standards [of review to PTO claim constructions], mostly without acknowledging the other standard exists.”⁹ By applying *Teva*, the *Cuozzo* panel made clear that the PTO’s “factual determinations concerning extrinsic evidence [are reviewed] for substantial evidence and the ultimate construction of the claim *de novo*.” Because there was no issue as to extrinsic evidence in *Cuozzo*, the Court reviewed the Board’s claim constructions *de novo*.

Improper Broadening in IPR is Governed by the Same Standards Used in Reexamination and Reissue

The Court affirmed the Board’s denial of Cuozzo’s motion to amend because it sought to improperly broaden the scope of the ‘071 patent claims. The test for improper broadening is whether a claim “contains within its scope any conceivable apparatus or process which would not have infringed the original patent.” A claim is broadened under this test, “if it is broader in any respect than the original claim, even though it may be narrowed in other respects.” Because improper broadening involves a comparison of the original to the amended claims, patent owners often seek a broad construction for the original patent claims to show their amendment does not increase the claim’s scope, as Cuozzo did here.

Cuozzo sought a broad construction for the term “integrally attached” of its original patent that would cover “a display that both functionally and structurally integrates the speedometer and the colored display, such that there only is a single display.” But the Court agreed with the Board’s narrower construction of “integrally attached” as requiring “discrete parts physically joined together as a unit without each part losing its own separate identity.” Because Cuozzo’s amended claim would have covered a single LCD embodiment that includes both the speedometer and the colored display in one LCD, the Court found the amendment broadened the scope of the claims contrary to statute.

⁹ 697 F.3d 1367, 1376 (Fed. Cir. 2012).

Contacts

Jeff B. Vockrodt
jvockrodt@hunton.com

George B. Davis
gdavis@hunton.com