

Cuozzo v. Lee: Implications for Post-Grant Review Following New Supreme Court Ruling

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OUTLINE

- I. Examine cases where differences between broadest reasonable interpretation (BRI) and “plain and ordinary meaning” standard either were or should have been outcome-determinative

- II. *Cuozzo v. Lee* (U.S. June 20, 2016)
 - I. PTAB and Federal Circuit decisions
 - II. Supreme Court decision and its reasoning for affirming the PTO’s use of the BRI standard and affirming the prohibition of appeal of the PTAB’s institution decision, as well as the Court’s dissent

- III. What are the consequences now that the Supreme Court affirmed the Federal Circuit’s rulings on claim construction and the immunity of the PTAB’s institution decision?

- IV. Will the *Cuozzo* decision in an IPR context be extended to PGR and CBM AIA reviews?

OUTLINE (con't)

- V. Regarding institution decisions, what effect may §314(d) have on Federal Circuit appeals or PTAB FWDs that implicate constitutional questions, that depend on other less closely-related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond §314(d)

- VI. Potential PTAB and prosecution practices in view of the *Cuozzo* decision
 - A. What is the broadest reasonable claim interpretation the patentee wants for a particular claim?
 - B. Should the patentee present claimed embodiments that will have different “broadest reasonable interpretations”?
 - C. How might a patentee accomplish the objectives in VI.B through crafting the claims, specification, and/or prosecution history claim drafting, specification drafting, or and support to obtain desired broadest reasonable claim construction(s)?

Build Up to USSC Cuozzo:PTO BRI Standard

§ 42.100 Procedure; pendency.

- (a) An inter partes review is a trial subject to the procedures set forth in subpart A of this part.
- (b) 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.

§ 42.200 Procedure; pendency.

- (a) A post-grant review is a trial subject to the procedures set forth in subpart A of this part.
- (b) 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.

May 2, 2016 Rule Change: Still Good Under Cuozzo?

§ 42.100 Procedure; pendency.

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(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. **A party may request a district court-type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition.** The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.

Parallel provision for PGRs, § 42.200

Context for *Cuozzo*: CAFC Has Reminded the PTAB That BRI Standard Has Limits

- *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015)
 - Yes, claim construction standard at PTAB is BRI, but:
 - “Because we are bound by the decision in *Cuozzo*, we must therefore reject Proxyconn’s argument that the Board legally erred in using the broadest reasonable interpretation standard during IPRs. **That is not to say, however, that the Board may construe claims during IPR so broadly that its constructions are unreasonable under general claim construction principles.** As we have explained in other contexts, ‘[t]he protocol of giving claims their broadest reasonable interpretation ... does not include giving claims a legally incorrect interpretation.’ ...Rather, ‘claims should always be read in light of the specification and teachings in the underlying patent.’ ...**The PTO should also consult the patent’s prosecution history in proceedings in which the patent has been brought back to the agency for a second review.**”

BRI Standard Has Limits (con't)

- *Microsoft Corp. v. Proxyconn, Inc.* (con't)
 - “Even under the broadest reasonable interpretation, the Board's construction ‘cannot be divorced from the specification and the record evidence,’ ...and ‘must be consistent with the one that those skilled in the art would reach,’ A construction that is ‘unreasonably broad’ and which does not ‘reasonably reflect the plain language and disclosure’ will not pass muster.”
 - Vacated PTAB’s claim construction on certain claims because it was “based on an unreasonably broad construction” and remanded.
 - On remand, IPR2012-00026, IPR2013-00109 (Dec. 9, 2015), PTAB again held claims unpatentable.

*More Context to help Understand
Cuozzo: Differences Between
Broadest Reasonable Interpretation
(BRI) And “Plain And Ordinary
Meaning” Standard Either Were Or
Should Have Been Outcome-
determinative*

Facebook, Inc. v. Pragmatus AV, LLC, 582 Fed.Appx. 864 (Fed. Cir. Sept. 11, 2014)

FC: “We reach this conclusion after applying the Phillips claim construction framework, as the patents are now expired. We note that **the Board's construction**—limited to the physical location of the device—**is narrower than ours**. **The broadest reasonable interpretation of a claim term may be the same as or broader than the construction of a term under the Phillips standard. But it cannot be narrower. Thus, the Board's construction cannot be the broadest reasonable one.**”

Still good after USSC Cuzo?

Different Constructions between BRI and Phillips; More Lead Up to Cuozzo

- *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 747 (Fed. Cir. 2016)
 - Claim 10. A coaxial cable connector for coupling an end of a coaxial cable, ...comprising:...a continuity member having a nut contact portion positioned to electrically contact the nut and *positioned to reside around an external portion of the connector body* when the connector is assembled, ...”
 - PTAB: construed “reside around” to mean “in the immediate vicinity of; near” according to a dictionary definition.

Court Noted Different Constructions between BRI and Phillips

- *PPC Broadband* (con't)
 - FC: Vacated and remanded.
 - PTAB's construction is not the BRI, PPC Broadband's proposed construction is the broadest reasonable construction in light of the claims and specification.
 - “The Board's approach in this case **fails to account for how the claims themselves and the specification inform the ordinarily skilled artisan as to precisely which ordinary definition the patentee was using.**”

Court Noted Different Constructions between BRI and Phillips

- *PPC Broadband* (con't)
 - FC: “This is a close and difficult case because of the standard that the Board uses to construe claims. The Board applies the broadest reasonable construction standard even in IPRs which are litigation-like contested proceedings before the Board. The Board uses this standard even when the identical patent may be simultaneously in litigation involving the identical parties and where the district court would be deciding the correct construction consistent with *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed.Cir.2005) (en banc). Thus, it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards.

Court Noted Different Constructions between BRI and Phillips, cont.

- *PPC Broadband* (con't)
 - FC: If we were tasked with reviewing the Board's construction according to Phillips, and in fact if the Board had applied the Phillips standard rather than the broadest reasonable construction, this case would be straightforward. PPC Broadband's construction is the only construction of the term consistent with the use of the same term throughout the specification. But this case is much closer under the broadest reasonable interpretation standard given the ordinary meanings attributable to the term at issue. We conclude that while close, the Board's construction is not reasonable in light of the specification. Given our conclusion, the Supreme Court's grant of certiorari to consider the propriety of the broadest reasonable interpretation in IPRs will not affect the outcome of this case. *Cuozzo*, 793 F.3d 1268, cert. granted, 136 S.Ct. 890.
- The prophetic reference to *Cuozzo* was interesting. It was on the mind of the Federal Circuit.

No Difference between BRI and Phillips Constructions

- *Black & Decker, Inc. v. Positec USA, Inc.*,--Fed.Appx. __ (Fed. Cir. May 18, 2016)
 - PTAB used BRI, but should have used *Phillips* because claims set to expire prior to FWD.
 - Is this still true after *Cuozzo*?
 - FC:
 - “Despite the Board's use of an improper standard, applying the Phillips standard, we find that its ultimate construction of ‘fixedly secured/securing’ is nonetheless correct. The Board properly consulted the ‘417 patent's specification in construing the term. ...Based on the intrinsic evidence, the Board properly concluded that components that are ‘fixedly secured,’ in this context, cannot move relative to each other.”

Tension between BRI and Phillips Constructions?

- *Ferrum Ferro Capital LLC v. Allergan Sales LLC*, IPR2015-00858, Paper No. 1 (Mar. 10, 2015)
 - Petition filed challenging patent claim that was held not invalid by Federal Circuit in May 2013.
 - “[W]hen interpreted under the broadest reasonable interpretation standard applicable in inter partes review proceedings, claim 4 would have been obvious for the same reasons as the composition claims of the ‘463 patent,” quoting the dissent in the Federal Circuit decision.”

Tension between BRI and Phillips Constructions

- *Ferrum* (con't)
 - Claim 4 of the '149 patent recites a 'method of reducing the number of daily topical ophthalmic doses of brimonidine . . .from 3 to 2 times a day without loss of efficacy' ... **Petitioner contends that 'without loss of efficacy' is not a claim limitation under our broadest reasonable interpretation standard.** ...According to Petitioner, in the Federal Circuit decision ...addressing the same claim and applying the Phillips standard of claim construction, the 'majority considered it a claim limitation; the dissent did not.'”

Court Noted No Difference between BRI and Phillips Constructions

- *Ferrum* (con't)
 - Paper 10 (P.T.A.B. Sept. 21, 2015)
 - PTAB: Petition denied.
 - “Petitioner does not persuade us that ‘without loss of efficacy’ is not a limitation in claim 4, regardless of whether we apply the broadest reasonable interpretation or the Phillips standard of claim construction. That result is recited and required in claim 4, and is a limitation.”

Under Cuozzo as seen by USSC, Different Results Remain Very Real Possibility

- *In re Baxter Int'l*, 678 F.3d 1357 (Fed. Cir. 2012)
- Board's decision of unpatentability affirmed despite earlier no invalidity finding in district court and affirmance by Federal Circuit.
- Federal Circuit considered Federal Circuit's earlier affirmance of validity, but nevertheless upheld rejections.
 - PTO and courts “take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions”
 - Different claim construction standards;
 - Different burdens of proof; and
 - Different records.
- “Because the two proceedings necessarily applied different burdens of proof and relied on different records,” PTO did not err in reaching different conclusion than district court.

Cuozzo USSC Majority Said Inconsistent Results “Inherent” in System as Established by Congress

- *Cuozzo at p. 19:*
 - “Cuozzo says that the use of the broadest reasonable construction standard in inter partes review, together with use of an ordinary meaning standard in district court, may produce inconsistent results and cause added confusion. **A district court may find a patent claim to be valid, and the agency may later cancel that claim in its own review. We recognize that that is so.** This possibility, however, has long been present in our patent system, which provides different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims. As we have explained above, inter partes review imposes a different burden of proof on the challenger. **These different evidentiary burdens mean that the possibility of inconsistent results is inherent to Congress’ regulatory design.**”

Consistent with Cuozzo USSC: End Of Litigation May Not Be the End (Fresenius II)

- *Fresenius USA, Inc. v. Baxter Int'l., Inc.*, (*Fresenius II*), 721 F.3d 1330 (Fed. Cir. 2013)
 - Pending infringement suit must be dismissed as moot after PTO finding of unpatentability during reexamination; wipes out \$24 M damage award.
 - USPTO's cancellation of the claims as unpatentable divested Baxter of a cause of action for infringement.
- Patentee argued that earlier final judgment by district court on damages operated as *res judicata*, precluding challenging district court's underlying holding of validity (upheld in *Fresenius I*)
 - **BRI lead to unpatentability** (aff'd PTO's determination that the rejected claims unpatentable).
 - *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1360 (Fed. Cir. 2012), *reh'g en banc denied*, 698 F.3d 1349 (Fed. Cir. 2012).
 - **Phillips led to no invalidity**
 - *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2007 WL 518804, (N.D.Cal. Feb. 13, 2007).
 - *Jury claims invalid, but JMOL of no invalidity and infringement.*

Litigation May Not Be the End (Fresenius II) (con't)

- *Fresenius II* (con't)
 - Majority disagreed, distinguishing between final judgments for the purposes of appeal and final judgments for the purposes of preclusion.
 - Since scope of relief remained to be determined, there was no final judgment binding on the parties or the court.

*THE BUILD UP IS OVER: NOW
DISCUSSION OF THE CUOZZO
DECISIONS*

*PTAB AND FEDERAL CIRCUIT
DECISIONS SURVIVE IN FULL*

The Statutory Language Related to Institution Decisions

- 35 U.S.C. § 314(d): NO APPEAL.—
The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

Cuozzo at PTAB

- *Garmin Int'l, Inc. v. Cuozzo Speed Technologies LLC*, IPR2012-00001, Paper 59 (P.T.A.B. Nov. 13, 2013)
 - Claim 10. A speed limit indicator comprising:
 - a global positioning system receiver;
 - a display controller connected to said global positioning system receiver, wherein said display controller adjusts **a colored display** in response to signals from said global positioning system receiver to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location; and
 - a speedometer ***integrally attached*** to said colored display.

Cuozzo at PTAB

- *Garmin Int'l, Inc. v. Cuozzo Speed Technologies LLC*, IPR2012-00001, Paper 59 (P.T.A.B. Nov. 13, 2013)
 - Cuozzo (patent owner) argued for construction to be “joined or combined to work as a complete unit”; the speedometer and colored display are not separate.
 - PTAB claim construction, according to BRI:
 - “discrete parts physically joined together as a unit without each part losing its own separate identity.”
 - the speedometer and colored display are separate.
 - **Cuozzo’s construction reads out “attached.”**
 - **Cuozzo relied on separate components to provide written description support for “attached” during prosecution.**

Cuozzo at PTAB

- *Garmin Int'l, Inc. v. Cuozzo Speed Technologies LLC*, IPR2012-00001, Paper 59 (P.T.A.B. Nov. 13, 2013)
 - PTAB: Instituted claims unpatentable and motion to amend claims denied.
 - Cuozzo did not successfully antedate references.
 - Instituted claims obvious over asserted references.
 - **Proposed amendment** adding “wherein the speedometer comprises a liquid crystal display, and wherein the colored display is the liquid crystal display” **did not have written description support in the original disclosure and enlarged the scope of the original claims.**

CUOZZO CAFC AFFIRMED PTAB

- *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015), *reh'g denied*, 793 F.3d 1297 (2015)
 - No jurisdiction to review PTAB's IPR institution decision, even after a final decision (See 35 U.S.C. § 314(d)).
 - Affirm PTAB's Final Written Decision in full (all instituted claims unpatentable as obvious)
 - No error in PTAB's application of BRI claim construction standard;
 - No indication that AIA designed to change application of BRI standard applied by PTO for over 100 years.
 - In any case, PTO had authority to make rule.
 - No error in obviousness determination; and
 - No error in denial of Cuozzo's motion to amend.
 - “Although the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available.”

CAFC DISSENT TO DENIAL OF CUOZZO REHEARING

- PROST, NEWMAN, MOORE, O'MALLEY, and REYNA, dissenting from the denial of the petition for rehearing en banc.
 - “Inter partes review (“IPR”) is a new, court-like proceeding designed to adjudicate the validity of issued patent claims. In adjudicatory proceedings, claims are given their actual meaning, not their broadest reasonable interpretation. For this reason, we respectfully dissent.”
 - “When claims in post-grant proceedings are *not* eligible for modification because they have expired, the broadest reasonable interpretation standard does not apply.”

CAFC DISSENT TO DENIAL OF CUOZZO REHEARING

- Newman, further dissenting.
 - “why the ‘broadest reasonable interpretation’ is the improper standard for America Invents Act post-issuance procedures:
 - Claims of issued patents are construed the same way for validity as for infringement; no precedent, no practical reality, authorizes or tolerates a broader construction for one than the other.
 - The broadest reasonable interpretation is an appropriate examination expedient, for it aids definition of claim scope during prosecution, with ready amendment of pending claims. In contrast, in the AIA proceedings, amendment requires permission, and is limited even when permitted.
 - With PTO construction of issued claims more broadly than the basis on which they were granted, the patentee must now defend, in these AIA proceedings, the validity of claim scope he did not obtain from the PTO during prosecution.”

CAFC DISSENT TO DENIAL OF CUOZZO REHEARING

- Newman dissent (con't)
 - “The AIA contemplated a streamlined surrogate tribunal for determination of validity. This requires that the same claim construction is applied in the PTO as in the district courts.
 - The public notice role of patent claims requires the correct claim construction, not an arbitrarily broad construction of undefined limits.
 - Neither the PTO nor any judicial precedent provides guidance as to how broad is ‘broadest,’ or sets any limits to this parameter. Predictability of legal rights, and stability of law, are replaced by fuzziness and uncertainty.
 - The AIA designed the new PTO tribunal to ‘review the validity of a patent.’ It was expected that the PTO would apply the correct law of validity, while drawing on PTO expertise in technology and PTO experience in patent law. It cannot have been intended that the PTO would not apply the correct law in these new post-grant proceedings.”

CAFC DISSENT TO DENIAL OF CUOZZO REHEARING

- Newman dissent (con't)
 - “...the question before this court is not whether to ‘eliminate’ BRI, but whether to impose it on issued patents, where it has not previously reposed.”

Cuozzo Petition for Certiorari Granted

- *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 890 (U.S., Jan. 15, 2016)
 - Questions presented:
 - 1. Does §314(d) bar a court from considering whether the Patent Office wrongly determined to institute an inter partes review, when it did so on grounds not specifically mentioned in a third party's review request?
 - 2. Does §316(a)(4) - granting the Patent Office the authority to issue regulations establishing and governing inter partes review - authorize the Patent Office to issue a regulation stating that the agency, in inter partes review, shall construe a patent claim according to its broadest reasonable construction in light of the specification of the patent in which it appears?

USSC

- *Cuozzo Speed Techs., LLC v. Lee*, -- S.Ct. ____ (U.S., June 20, 2016).
 - Held:
 - Federal Circuit decision not allowing attack of the decision to institute affirmed. (Part II)
 - In this case, §314(d) bars judicial review of whether PTAB wrongly instituted an IPR on grounds not specifically mentioned in a third party’s review request.
 - Federal Circuit decision affirmed (unanimous, 8-0), as to the BRI standard (Part III).
 - USPTO has authority under §316(a)(4) to enact 37 CFR §42.100(b) (BRI is the claim construction standard in IPRs).

USSC

- *Cuozzo Speed Techs., LLC v. Lee*, -- S.Ct. ____ (U.S., June 20, 2016).
 - Parts I and III - unanimous.
 - Part II - BREYER, Roberts, Kennedy, Thomas, Ginsburg, and Kagan.
 - THOMAS, concurring opinion (non-appealable institution decision clear from statute; no need to resort to *Chevron*).
 - Part II: ALITO and Sotomayor, concurring in part and dissenting in part on the no-appeal ruling

USSC (con't)

- Part III (BRI) (unanimous)
 - “The upshot is, whether we look at statutory language alone, or that language in context of the statute’s purpose, we find an express delegation of rulemaking authority, a ‘gap’ that rules might fill, and ‘ambiguity’ in respect to the boundaries of that gap. ...We consequently turn to the question whether the Patent Office’s regulation is a reasonable exercise of its rule making authority.”
 - “We conclude that the regulation represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office.”

USSC (con't)

- Part II (No attack on decision to institute) (6-2)
 - “We doubt that Congress would have granted the Patent Office this authority, including, for example, the ability to continue proceedings even after the original petitioner settles and drops out, §317(a), 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.”
 - Do not agree that §314(d) limited prohibition to interlocutory appeals.
 - “The Administrative Procedure Act already limits review to final agency decisions. 5 U. S. C. §704. The Patent Office’s decision to initiate inter partes review is ‘preliminary,’ not ‘final.’ Ibid. And the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”

USSC (con't)

- Part II (6-2)
 - “We recognize the “strong presumption” in favor of judicial review that we apply when we interpret statutes, including statutes that may limit or preclude review... This presumption, however, may be overcome by ‘clear and convincing’ indications, drawn from ‘specific language,’ ‘specific legislative history,’ and ‘inferences of intent drawn from the statutory scheme as a whole,’ that Congress intended to bar review.”
 - “The text of the ‘No Appeal’ provision, along with its place in the overall statutory scheme, its role alongside the Administrative Procedure Act, the prior interpretation of similar patent statutes, and Congress’ purpose in crafting inter partes review, **all point in favor of precluding review of the Patent Office’s institution decisions.**”

USSC: Wiggle Room?

- Part II (No attack on decision to institute)(6-2):
 - “Given that presumption, however, the interpretation adopted here applies to cases in which the challenge is to the Patent Office’s determination “to initiate an inter partes review *under this section*,” or where the challenge consists of questions closely tied to the application and interpretation of statutes related to that determination. **Cuozzo’s claim does not implicate a constitutional question, nor does it present other questions of interpretation that reach well beyond ‘this section’ in terms of scope and impact.** Rather, Cuozzo’s allegation that Garmin’s petition did not plead ‘with particularity’ the challenge to claims 10 and 14 as required by §312 is little more than a challenge to the Patent Office’s conclusion under §314(a) that the ‘information presented in the petition’ warranted review.”

USSC (con't)

- Part II (No attack on decision to institute) (6-2)
 - “Nevertheless, in light of §314(d)’s own text and the presumption favoring review, we emphasize that **our interpretation applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.**”

USSC Wiggle Room (con't)

- Part II (No attack on decision to institute) (6-2) (con't)
 - “This means that we need not, and do not, decide the precise effect of §314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’ Thus, contrary to the dissent’s suggestion, we do not categorically preclude review of a final decision where a petition fails to give “sufficient notice” such that there is a due process problem with the entire proceeding, nor does our interpretation enable the agency to act outside its statutory limits by, for example, canceling a patent claim for ‘indefiniteness under §112’ in inter partes review.”

Wiggle Room?

- Part II (6-2)
 - “Such ‘shenanigans’ may be properly reviewable in the context 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.’”

USSC (con't)

- Part II (6-2)
 - “By contrast, where a 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 ‘with respect to at least 1 of the claims challenged,’ §314(a), or where a patent holder grounds its claim in a statute closely related to that decision to institute inter partes review, §314(d) bars judicial review.”
 - Is the one year bar on petitioner such a “closely related” statute?
 - This case is just a challenge to the Patent Office’s conclusion, under §314(a), that the “‘information presented in the petition’ warranted review. We therefore conclude that §314(d) bars Cuozzo’s efforts to attack the Patent Office’s determination to institute inter partes review **in this case.**”

USSC (con't)

- Part III (unanimous)
 - “The statute, however, contains a provision that grants the Patent Office authority to issue “regulations . . . establishing and governing inter partes review under this chapter.” 35 U. S. C. §316(a)(4). **The Court of Appeals held that this statute gives the Patent Office the legal authority to issue its broadest reasonable construction regulation. We agree.”**

USSC (con't)

- Part III (unanimous) (con't)
 - “We interpret Congress’ grant of rulemaking authority in light of our decision in *Chevron U. S. A. Inc.*, 467 U. S. 837. Where a statute is clear, the agency must follow the statute. But where a statute leaves a ‘gap’ or is ‘ambigu[ous],’ we typically interpret it as granting the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute. ... **The statute contains such a gap: No statutory provision unambiguously directs the agency to use one standard or the other. And the statute ‘express[ly] . . . authoriz[es] [the Patent Office] to engage in the process of rulemaking’ to address that gap.”**

USSC (con't)

- Part III (unanimous) (con't)
 - “[I]nter partes review is less like a judicial proceeding and more like a specialized agency proceeding. Parties that initiate the proceeding need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.”

USSC (con't)

- Part III (unanimous) (con't)
 - “[T]he Patent Office may continue to conduct an inter partes review even after the adverse party has settled. §317(a). Moreover, as is the case here, the Patent Office may intervene in a later judicial proceeding to defend its decision—even if the private challengers drop out. And the burden of proof in inter partes review is different than in the district courts: In inter partes review, the challenger (or the Patent Office) must establish unpatentability ‘by a preponderance of the evidence’; in district court, a challenger must prove invalidity by ‘clear and convincing evidence.’”

USSC (con't)

- Part III (unanimous) (con't)
 - “The process however, is not as unfair as Cuozzo suggests. The patent holder may, at least once in the process, make a motion to do just what he would do in the examination process, namely, amend or narrow the claim. §316(d) (2012 ed.). This opportunity to amend, together with the fact that the original application process may have presented several additional opportunities to amend the patent, means that use of the broadest reasonable construction standard is, as a general matter, not unfair to the patent holder in any obvious way.”
 - *Pending continuation applications?*

USSC (con't)

- Part III (unanimous) (con't)
 - PTAB's manner of exercising authority not challenged.
 - low numbers of granted motions to amend “may reflect the fact that no amendment could save the inventions at issue, i.e., that the patent should have never issued at all.”
 - no allegation of arbitrary, capricious, or otherwise unlawful decision.
 - No mention of pending continuation applications.

USSC (con't)

- Part III (unanimous)(con't)
 - No sympathy for possibility of inconsistent results with district court.
 - “[W]e cannot find unreasonable the Patent Office’s decision to prefer a degree of inconsistency in the standards used between the courts and the agency, rather than among agency proceedings.”

USSC (con't)

- Part III (unanimous)
 - No sympathy for policy arguments.
 - “The Patent Office is legally free to accept or reject such policy arguments on the basis of its own reasoned analysis. Having concluded that the Patent Office’s regulation, selecting the broadest reasonable construction standard, is reasonable in light of the rationales described above, we do not decide whether there is a better alternative as a policy matter. That is a question that Congress left to the particular expertise of the Patent Office.”

USSC (con't)

- Judge Thomas, concurring in support of part III
 - “the America Invents Act at issue contains an express and clear conferral of authority to the Patent Office to promulgate rules governing its own proceedings.”
 - “But today’s decision does not rest on *Chevron*’s fiction that ambiguity in a statutory term is best construed as an implicit delegation of power to an administrative agency to determine the bounds of the law. In an appropriate case, this Court should reconsider that fiction of *Chevron* and its progeny.”

USSC (con't)

- Judges Alito and Sotomayor, dissenting in part on Part II
 - “Unlike the Court, I do not think that Congress intended to shield the Patent Office’s compliance—or noncompliance—with these limits from all judicial scrutiny. Rather, consistent with the strong presumption favoring judicial review, **Congress required only that judicial review, including of issues bearing on the institution of patent review proceedings, be channeled through an appeal from the agency’s final decision.**”

USSC (con't)

- Judges Alito and Sotomayor, dissenting in part on Part II
 - “Non-appealable” means “to bar only an appeal from the institution decision itself, while allowing review of institution-related issues in an appeal from the Patent Office’s final written decision at the end of the proceeding. ...the decision to institute inter partes review is ‘final and nonappealable’ in the sense that a court cannot stop the proceeding from going forward, **the question whether it was lawful to institute review will not escape judicial scrutiny.**”

Of Note In *Cuozzo*

- No constitutional challenge to the AIA regime in *Cuozzo*, but “though [314(d)] may not bar consideration of a constitutional question, for example, [314(d)] does bar judicial review of the kind of mine-run claim at issue here, involving the Patent Office’s decision to institute inter partes review.” (USSC majority, p. 2).
 - Also, Court left open the rare possibility of relief by mandamus to correct institutions based on non-prior art grounds. (See FN 5 in Judge Alito’s opinion).
- Supreme Court did not agree with argument that IPR proceedings are like a trial proceeding.
 - The IPR process is “less like a judicial proceeding and more like a specialized agency proceeding.” (USSC majority, p. 15)

*WHAT ARE THE CONSEQUENCES NOW
THAT THE SUPREME COURT AFFIRMED
THE FEDERAL CIRCUIT'S RULINGS ON
CLAIM CONSTRUCTION AND THE IMMUNITY
OF THE PTAB'S INSTITUTION DECISION?*

BRI affirmed

Non-
reviewability
affirmed

USSC Cuozzo Stamp Of Approval On USPTO'S Practice/Rules

- Proceed under status quo:
 - Currently pending Federal Circuit appeals of PTAB final written decisions (FWD).
 - Currently pending CBMs, IPRs, and PGRs that have been instituted but not reached an FWD.
 - CBMs, IPRs, and PGRs that have been filed but have not reached institution decisions.
 - AIA post-grant proceedings that are yet to be filed.

Media Comment on Cuozzo

“Inconsistency is the new normal.”

“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.”

“Cuozzo therefore offers little support to litigants seeking to challenge the PTO’s amendment practices.”

“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.”

Source: Law360, June 20, 2016, <http://www.law360.com/ip/articles/808720/attys-react-to-high-court-s-ptab-claim-construction-ruling>

Media Comment on Cuozzo (con't)

“The court also showed considerable deference to the Patent Office.”

“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.”

“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.”

Source: Law360, June 20, 2016, <http://www.law360.com/ip/articles/808720/attys-react-to-high-court-s-ptab-claim-construction-ruling>

Media Comment (con't)

“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.”

“the institution decision – and the predicate petition and patent owner preliminary response – remain critically important.”

“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.”

Source: Law360, June 20, 2016, <http://www.law360.com/ip/articles/808720/attys-react-to-high-court-s-ptab-claim-construction-ruling>

Media Comment on Cuozzo (con't)

“Petitioners will breathe a sigh of relief and patent owners hoping for a pro-patent turn of events will be disappointed”

Source: Managing IP, June 22, 2016, <http://www.managingip.com/Article/3564206/Managing-Patents-Archive/SCOTUS-stands-by-PTAB-in-Cuozzo-decision.html>

“Unlike the Court's decision regarding BRI, its decision regarding appealability of institution decisions is narrow, fact specific, and leaves many issues outstanding.... the Court held narrowly that 314(d) bars appeals that attack whether the information presented in the petition warranted review of the claims. The Court's narrow holding regarding 314(d) leaves, as unsettled, the appealability of issues depending upon statutory sections arguably less closely related to 314(d), than 312. ...the Court's 314(d) analysis favors appellants challenging the PTO's application of 315(b) and 315(c).”

Source: Neifeld, Rick, “The Supreme Court Weighs in On IPR Proceedings”

*WILL THE CUOZZO DECISION
IN AN IPR CONTEXT BE
EXTENDED TO PGR AND CBM
AIA REVIEWS?*

Probably Yes

- The USSC showed great deference to the PTO’s rule-making.
 - “the statute allows the Patent Office to issue rules “governing inter partes review,” §316(a)(4), and the broadest reasonable construction regulation is a rule that governs inter partes review.” (at p. 13).
 - §326(a)(4) - same language for PGRs
 - “4) establishing and governing a post-grant review...”
 - AIA SEC. 18(a)(1) ESTABLISHMENT.—Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents.

*REGARDING INSTITUTION DECISIONS,
WHAT EFFECT MAY §314(d) HAVE ON
FEDERAL CIRCUIT APPEALS OR PTAB
FWDs THAT IMPLICATE CONSTITUTIONAL
QUESTIONS, THAT DEPEND ON OTHER
LESS CLOSELY-RELATED STATUTES, OR
THAT PRESENT OTHER QUESTIONS OF
INTERPRETATION THAT REACH, IN TERMS
OF SCOPE AND IMPACT, WELL BEYOND
§314(d)*

Bring It On

- USSC Majority opinion seems to be very explicit that this decision, at least with respect to the non-appealability part, is on the facts presented in *Cuozzo*.
- So, still open: constitutional questions, “less closely related statutes,” “other questions of interpretation” beyond this section, “due process problem,” agency acting “outside its statutory limits,” “shenanigans,” and ““in excess of statutory jurisdiction,” or “arbitrary [and] capricious.” (at p. 11-12)
- See also, re PTAB’s exercise of authority
 - “Cuozzo does not contend that the decision not to allow its amendment is “arbitrary” or “capricious,” or “otherwise [un]lawful.” (at p. 19)

Action One Week Later: Oracle On Remand After Cuozzo

Click-To-Call Technologies LP v. Oracle Corp., --S. Ct. (U.S. June 27, 2016)

- Click-To-Call argued time bar because one of the petitioners was sued for infringement in 2001. The AIA generally precludes the institution of inter partes reviews that were filed more than one year after a petitioner was sued.
- PTAB: FWD that all instituted claims were unpatentable.
 - 2001 suit had been voluntarily dismissed without prejudice, the one-year time-limit clock had restarted in May 2012, when Click-To-Call filed infringement complaints against Oracle and Ingenio.
- FC, 622 Fed.Appx. 907 (Fed. Cir. 2015): dismissed case for a lack of jurisdiction.
 - “courts have recognized ‘an implicit and narrow exception’ to statutory bars on judicial review for ‘claims that the agency exceeded the scope of its delegated authority or violated a clear statutory mandate.’”
 - No petition for writ of mandamus properly before the court.

On Remand After Cuozzo

Click-To-Call Technologies LP v. Oracle Corp., --S. Ct. (U.S. June 27, 2016)

- USSC: “The petition for a writ of certiorari is granted. The judgment is vacated, and the case is remanded to the United States Court of Appeals for the Federal Circuit for further consideration in light of *Cuozzo Speed Technologies, LLC v. Lee*, 579 U. S. ____ (2016).”

*POTENTIAL PTAB AND
PROSECUTION PRACTICES IN
VIEW OF THE CUOZZO DECISION*

The USSSC Says BRI Encourages Narrow Drafting

- *Cuozzo* Majority, p. 18
 - “Because an examiner’s (or reexaminer’s) use of the broadest reasonable construction standard increases the possibility that the examiner will find the claim too broad (and deny it), use of that standard encourages the applicant to draft narrowly.”

*But Forewarned is Forearmed:
Lay a Strong Foundation For Desired Claim Construction both at
PTAB and District Court During Drafting and Prosecution*

- Claims and Specification
 - Define terms judiciously, considering dual objectives of patentability and proving infringement.
 - Carefully consider what would be the broadest reasonable claim interpretation desired by the patentee for a particular claim.
 - This may involve including several embodiments that will either support a BRI or possibly support different BRIs?

*But Forewarned is Forearmed:
Lay a Strong Foundation For Desired Claim Construction both at
PTAB and District Court During Drafting and Prosecution*

- Claims and Specification (con't)
 - Once defined, use terms consistently.
 - Probably want range of claims from broad to narrow.
 - Try to draft claims so that the broadest reasonable interpretation (BRI) is the ordinary meaning a la *Philips*.
 - Keep applications pending

Patent Profanity May Help Narrow Claims

- Profanity could put limits on BRI or make clear the ordinary meaning and could be advantageous to the patent owner for some claims.
- See, e.g., *Conopco, Inc. v. Procter & Gamble Co.*, IPR2013-00510, where Petitioner argued “no evidence in the '155 patent or its file history of the criticality of the recited ranges in the compositions as claimed[.]”

Patent Profanity May Help Narrow Claims

Words of characterization

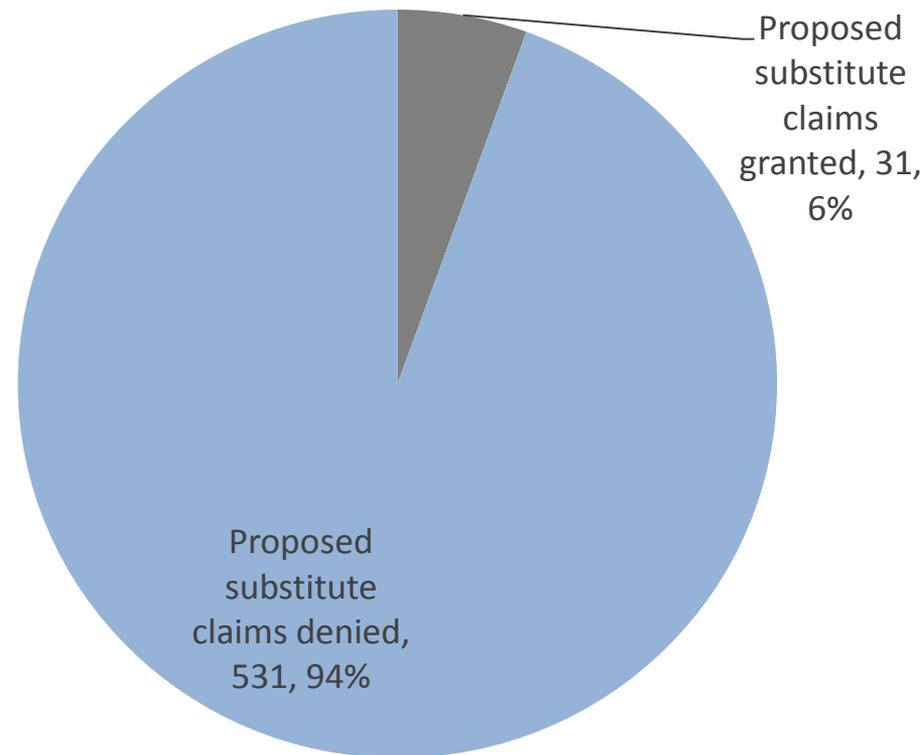
- Chief, Majority
 - Vital
 - Critical, Essential, Necessary
 - Fundamental
 - Solely, Only, Is
 - Important
 - Main
 - Principal
 - Significant
- ▶ Surprising
 - ▶ Unexpected (?)
 - ▶ All (?)
 - ▶ Only (?)
 - ▶ Each (?)
 - ▶ “The invention is...”
or “This invention...”

Claim Drafting

- Consider including several claims, maybe independent, with varying claim scope.
 - Profanity for some embodiments
 - Narrow claim scope
 - Survive IPRs/PGRs (petitions denied or FWDs of patentability)
 - No profanity for other embodiments
 - Broad (fully-supported) claim scope
 - Catch design-arounds
 - The real trick is if you can get claims broad enough to be infringed but narrow enough in IPR to be patentable!!

Minimize necessity of amendment; Remember, Granted Motions to Amend Substituting Claims Are Still Rare

- If the right to amend claims is illusory, is BRI really the appropriate standard? USSC: **YES PER CUOZZO***



Source: Finnegan, <http://www.aiablog.com/claim-and-case-disposition/>, as of May 1, 2016.

USSC Majority Said That Was Okay

“The process however, is not as unfair as Cuozzo suggests. The patent holder may, at least once in the process, make a motion to do just what he would do in the examination process, namely, amend or narrow the claim. §316(d) (2012 ed.). This opportunity to amend, together with the fact that the original application process may have presented several additional opportunities to amend the patent, means that use of the broadest reasonable construction standard is, as a general matter, not unfair to the patent holder in any obvious way.” (p. 18-19)

Thank you.

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