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Supreme Court Defers to Patent Office on IPR Procedure, *Cuozzo Speed Tech., LLC v. Lee*

By Matthew Kreeger and Brian Matsui

The United States Supreme Court decided today that: (1) the United States Patent and Trademark Office (PTO) acted within its rulemaking authority by adopting the rule that patent claims must be given their “broadest reasonable interpretation” during an *inter partes* review (IPR) proceeding; and (2) a party may not challenge, on appeal to the Federal Circuit, any part of the PTO’s decision to institute an IPR. *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446. Both of these rulings eased the road for parties challenging patents in IPR cases.

THE BROADEST REASONABLE INTERPRETATION STANDARD

The PTO has a long-established practice of construing claims in a patent or application according to their “broadest reasonable interpretation” when determining the claim’s patentability, as opposed to the “ordinary meaning to one of skill in the art” standard used in district court proceedings. The broadest reasonable interpretation arguably produces broader constructions that could make it easier to find a patent invalid. This difference has been justified in part because, during PTO proceedings, a patent owner or applicant generally has the opportunity to amend its claims to avoid a potentially broad invalidating construction. Thus, the Federal Circuit has upheld the PTO’s application of the broadest reasonable interpretation standard as reasonable.

Patent owners (including Cuozzo) have contended that IPRs are like district court cases and should be governed by the same claim construction standard applicable there. In addition, Congress has limited the ability of patent owners to amend their claims during an IPR. Under 35 U.S.C. § 316(d), patent owners have no absolute right to amend their claims; they must file a motion with the PTO requesting an amendment. Moreover, the patent owner is generally limited to making only one such motion. Cuozzo and amici in support noted that, in practice, the PTO has rarely granted motions to amend. In addition, unlike prosecution of patent applications and other proceedings at the agency, they noted that IPRs do not involve the back-and-forth exchange between examiners and patentees that would normally serve to clarify claim scope.

The Supreme Court decided unanimously that the PTO acted reasonably in adopting the broadest reasonable interpretation standard for IPRs. The Supreme Court relied on the fact that Congress gave the PTO the authority to adopt rules governing IPRs, including rules of this type. The Court noted that prior enacted “reexamination” procedures were conducted under the broadest reasonable interpretation standard. The Court recognized the possibility that the broadest reasonable interpretation standard could result in inconsistent decisions in district courts and the PTO. Such a result was “inherent to Congress’ regulatory design,” which provided for different burdens of proof in the two fora.

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LIMITATIONS ON JUDICIAL REVIEW

In addition to addressing the PTO's use of the broadest reasonable interpretation standard, the Supreme Court also reviewed an issue concerning the scope of judicial review of the PTO's decision to institute an IPR. In the AIA, Congress mandated that the PTO's decision "whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). In *Cuozzo*, the Federal Circuit held that the statute precluded not just an immediate appeal from a decision to institute an IPR, but also the review of the institution decision itself — even after the PTO issues its final decision. The Federal Circuit thus refused to consider the petitioner's argument that the PTO improperly instituted an IPR because the petition for review failed to satisfy certain statutory requirements.

The Supreme Court affirmed on this issue, deciding on a 6-2 vote that the IPR statute did not permit any review of an institution decision, even as part of an appeal of a final decision. The Court relied heavily on the statute's "final and nonappealable" language, as well as its view that "a contrary holding would undercut one important congressional objective, namely, giving the Patent Office significant power to revisit and revise earlier patent grants." The Court left open the possibility that one could raise, as part of an appeal of a final decision, issues "that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation."

Justice Alito, joined by Justice Sotomayor, dissented on this issue. In their view, the "no appeal" clause from the IPR statute precluded only interlocutory appeals of institution decisions, and did not impose any limitations on issues that can be raised on appeal of a final decision.

CONCLUSION

This decision continues the recent trend of Supreme Court decisions in patent cases, which have largely (with the notable exception of the *Halo* case decided last week) limited patents, and made them easier to challenge and more difficult to enforce. The Court appears to be very concerned with patent quality, and looked favorably on the IPR procedure designed to reexamine whether dubious patents should have been issued in the first place.

The decision also shows considerable deference to the PTO, both as to its rulemaking authority and in insulating its initial decisions to institute IPR proceedings from any appellate review, even after the final decision has been entered.

The decision could spur additional efforts in Congress to reform the IPR procedure to provide additional protections to patent owners. To date, IPR outcomes have favored the patent challenger. Previously proposed Congressional bills have included provisions that would impose the "ordinary meaning to one of skill in the art" standard for claim construction in an IPR, among other reforms.

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