



Intellectual Property Alert: U.S. Supreme Court Decides *Cuozzo Speed v. Lee*

By Robert H. Resis

June 20, 2016 — Today the U.S. Supreme Court decided *Cuozzo Speed v. Lee, Inc.*, No. 15-446. The Court affirmed the Federal Circuit’s judgment in full, thus resolving two significant issues for *inter partes review* (IPR) proceedings before the Patent Trial and Appeal Board (PTAB) under the America Invents Act (AIA).

First, the Court held that the decision of the PTAB on whether to institute an IPR proceeding is not judicially reviewable unless it involves a constitutional question as to the institution decision. The Court noted that 35 U.S.C. §314(d) states that the “determination by the [Patent Office] whether to institute an inter partes review under this section shall be *final and nonappealable*.” The Court stated that “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 [argument] in a statute closely related to that decision to institute [an IPR], §314(d) bars judicial review.” The Court went on to state that in this case, the patent holder’s argument that the petition “was not pleaded ‘with particularity’ under §312 [was] little more than a challenge to the Patent Office’s conclusion, under §314(a), that the ‘information presented in the petition’ warranted review.” The Court concluded that §314(d) barred the patent holder’s efforts to attack the Patent Office’s determination to institute the IPR.

The Court emphasized that its ruling does 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 enables the Patent Office to act outside its statutory limits by, for example, canceling a patent claim for “indefiniteness under §112” in an IPR. The Court stated that “[s]uch ‘shenanigans’ may be properly reviewable in the context of §319¹ 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.”

Second, the Court held that the Patent Office had legal authority under 35 U.S.C. §316(a)(4) to issue its regulation requiring the agency, when conducting an IPR, to give a patent claim “its

¹ 35 U.S.C. §319 provides in part that “[a] party dissatisfied with the final written decision of the [PTAB] under section 318(a) may appeal the decision pursuant to sections 141 through 144.”

broadest reasonable construction in light of the specification of the patent in which it appears.” 37 CFR §42.100(b). In doing so, the Court rejected the patent owner’s argument that an IPR was a “judicial” proceeding that required the “plain and ordinary meaning” claim construction as required in litigation. The Court noted that in significant respects, an IPR is less like a judicial proceeding and more like a specialized agency proceeding: (i) parties that initiate the proceeding need not have a concrete stake in the outcome; indeed, they may lack constitutional standing; (ii) challengers need not remain in the proceeding; rather, the Patent Office may continue to conduct an IPR even after the adverse party has settled, §317(a); (iii) as 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 (iv) the burden of proof in an IPR is different than in the district courts, i.e., the IPR challenger (or the Patent Office) must establish unpatentability “by a preponderance of the evidence,” while in district court, a challenger must prove invalidity by “clear and convincing evidence.”

The Court noted that where a statute leaves a “gap” or is “ambiguous,” it typically interprets “it as granting the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute.” With respect to the appropriate claim construction standard for IPRs, the Court found “an express delegation of rulemaking authority, a ‘gap’ that rules might fill, and ‘ambiguity’ in respect to the boundaries of that gap.” The Court went on to conclude that the Patent Office’s regulation was a reasonable exercise of rulemaking authority, after noting: (i) the broadest reasonable interpretation (BRI) helps protect the public from unlawfully broad claims; (ii) the Patent Office has used BRI for more than 100 years, including in other proceedings that resemble district court litigation; and (iii) BRI is not unfair because a patent owner may at least once in the IPR make a motion to amend or narrow the claims.

Under this decision, the Patent Office has broad rulemaking authority for IPRs. Patent owners are well advised to prepare and file strong preliminary responses to IPR petitions before the PTAB decides whether to institute trial on the petitions because decisions to institute will likely not be appealable. Patent owners will also have to show that challengers have not carried their burden of proof of unpatentability of the claims, as construed under BRI.

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