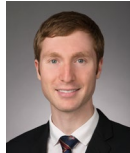


IS BROADEST REASONABLE INTERPRETATION THE APPROPRIATE STANDARD IN AN IPR? U.S. SUPREME COURT TO DECIDE



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On April 25, 2016, the Supreme Court heard argument in *Cuozzo Speed Technologies, LLC v. Lee*.¹ The case stems from an *inter partes* review (IPR) proceeding in front of the Patent Trial and Appeal Board (PTAB). The IPR decision invalidated several claims of a patent owned by Cuozzo, who then appealed the decision to the Court of Appeals for the Federal Circuit, and following the Federal Circuit affirmance, to the Supreme Court.

WHAT IS AN IPR?

Congress created IPR proceedings² with the passage of the America Invents Act (AIA) to allow third parties to challenge the validity of issued patents based on prior art patents and printed publications. Starting on September 16, 2012, IPR proceedings superseded *inter partes* reexamination proceedings.³ An IPR differs from an *inter partes* reexamination proceeding in four principal ways: (1) a three-judge panel of the PTAB presides over an IPR, whereas a patent examiner handled an *inter partes* reexamination; (2) discovery, including depositions of declarant experts, is permitted in an IPR, but was not permitted in *inter partes* reexamination; (3) an IPR has statutory deadlines, including a final written decision by the PTAB within 12 months of the PTAB decision to institute trial on an IPR petition, whereas there were no like statutory deadlines in *inter partes* reexamination, which could take years to conclude; and (4) the PTAB rarely grants a motion to amend claims in an IPR, whereas a patent owner could readily amend and add claims in *inter partes* reexamination.

In most, but not all cases, IPR proceedings are instituted by an accused patent infringer in response to litigation or threat of litigation. The accused infringer can challenge the asserted patent in an IPR proceeding, which is “a quicker and cheaper substitute for litigation.”⁴ Frequently, district courts grant accused infringers’ motions to stay litigation pending IPR proceedings. Over the past few years, the PTAB has invalidated a large percentage of claims that have been reviewed, and thus IPR has become a very popular avenue for accused infringers.

One possible reason that the PTAB is invalidating such a large percentage of claims reviewed in an IPR is that the PTAB uses a different standard than the district courts when construing claims. In an IPR, the PTAB uses the broadest reasonable interpretation (BRI) standard, which is the standard used by the U.S. Patent and Trademark Office (PTO) during examination of a patent. District courts, when construing claims in litigation, use the standard set out by the CAFC in *Phillips*, which is known as the plain and ordinary meaning standard.⁵

WHAT IS AT ISSUE?

Cuozzo presents two issues to the Supreme Court: 1) whether the BRI standard should be used in IPR proceedings; and 2) whether the PTAB’s decision to institute an IPR is barred from appeal, or whether it should be subject to appellate review. The first issue, whether to use BRI or plain and ordinary meaning to construe claims in IPR, may impact the percentage of issued claims that survive IPR proceedings. The second issue, regardless of how it is decided, would likely only play a significant role in a limited number of IPR proceedings.

FEDERAL CIRCUIT OPINION

A panel of three judges of the Federal Circuit affirmed the PTAB and upheld the use of BRI during IPR, stating that there was “no indication that the AIA was designed to change the claim construction standard that the PTO (US Patent and Trademark Office) has applied for more than 100 years” and that the BRI “standard has been applied in every PTO proceeding involving unexpired patents.”⁶

The Federal Circuit also declared that the AIA “precludes interlocutory review of decisions whether to institute IPR,” and that the AIA “prohibits review of the decision to institute IPR even after a final decision.”⁷ Cuozzo filed a petition for rehearing *en banc* in front of the Federal Circuit, but was denied the rehearing in a 6–5 ruling.⁸

IS IPR A MINI-LITIGATION OR CONTINUED EXAMINATION?

At the Supreme Court, the Justices grappled with whether IPR proceedings are an extension of patent examination or more analogous to litigation. IPR shares certain aspects with both examination and litigation. Like an applicant in examination or a patent owner in a reexamination of an issued patent, a patent owner can present claim amendments once an IPR has been instituted. But, unlike examination, claim amendments are not entered as a matter of right during IPR, and there is only a limited opportunity to amend. Additionally, unlike litigation, there is no presumption of validity of the patent in question during IPR.

On the other hand, like litigation, IPR is adversarial and generally includes discovery, briefs, and oral argument in front of the PTAB. Justice Ginsburg described IPR as “kind of a hybrid...in certain respects it resembles administrative proceedings, and other, district court proceedings...so it’s a little of one and a little of the other.”

THE GOVERNMENT’S ARGUMENT FOR BRI

The AIA does not provide instructions to the PTO as to which standard should be used during IPR proceedings. During argument, Justice Kagan said that “if I look at the statute, I mean, it just doesn’t say one way or the other. So we’re a little bit reading tea leaves, aren’t we?” The government argued that Congress had left it to the PTO to decide which standard to use during IPR.⁹ The government’s position is that because the PTO uses BRI throughout examination and in most other proceedings, the PTO’s decision to use BRI during IPR proceedings was reasonable and is “precisely the sort of expert judgment that warrants judicial deference.”¹⁰ Additionally, because “[t]he agency often has multiple pending proceedings concerning the same patent,” which may be combined into a single proceeding, the government argued that it is more efficient for the PTO to use the same standard in each of these proceedings.¹¹

CUOZZO’S ARGUMENT FOR PLAIN AND ORDINARY MEANING

Cuozzo argued that IPR is more analogous to litigation than examination, and thus the plain and ordinary meaning standard is the only reasonable interpretation of the statute.¹² Cuozzo reasoned that the intent of Congress was clearly to create an adjudicatory proceeding, different from the prior reexamination proceedings, and thus there is no ambiguity in the statute because the only appropriate standard would be the one used by district courts.¹³ Cuozzo also pointed out that, unlike during examination where applicants can amend claims freely, patent owners have only a very limited opportunity to amend claims during IPR proceedings.¹⁴

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Counsel for Cuozzo argued that “the process that Congress enacted in IPR is a brand new adjudicatory proceeding unlike the PTO has ever confronted in the past,” and that using BRI during IPR “is really the quintessential example of trying to pound a square peg into a round hole simply because that peg used to fit a very different hole.”

In an amicus brief, the American Intellectual Property Law Association (AIPLA) supported Cuozzo’s position, arguing that there was “clear and unambiguous Congressional intent that AIA trials were to be adjudicatory,” and that because the “*Phillips/Markman* standard is applied in district court trials...there is no hint that Congress intended any other standard to apply in post-grant trials.”¹⁵

AIPLA further argued that the BRI “standard functions well for patent examination, but it is inappropriate for adjudicatory proceedings before the PTAB.”¹⁶

INCONSISTENCIES BETWEEN IPR AND DISTRICT COURT LITIGATION

Justice Roberts asked a number of questions regarding inconsistent outcomes between district court litigation and IPR proceedings due to BRI being used in the latter, but not the former. Justice Roberts remarked “it’s a very extraordinary animal in legal culture to have two different proceedings addressing the same question that leads to different results.” Justice Roberts further stated that having two different interpretations of a patent was “a bizarre way to...decide a legal question.”

AIPLA also pointed to this issue in its amicus brief, arguing that “issued claims can be given a different and broader interpretation in AIA trials than they are given in district court infringement proceedings, leading to inconsistent results and uncertainty about the scope and value of patents.”¹⁷ The Intellectual Property Law Association of Chicago (IPLAC)

made a similar argument in an amicus brief, stating that “[a]pplying differing standard to a claim construction reached under an IPR from one reached by a district court would be incoherent,” and that this “would unacceptably permit differing tribunals, both created by Congress, to reach differing results on the same evidence.”¹⁸

REVIEWABILITY OF INSTITUTION DECISION

In enacting the AIA, Congress limited the reviewability of the PTAB’s decision to institute an IPR. 35 U.S.C. § 314 states that “[t]he determination by the Director whether to institute an inter partes review under this section shall be **final and nonappealable**.”¹⁹ The decision of whether or not to institute an IPR is particularly important because once an IPR is instituted, the PTAB “invalidates more than four out of every five patent claims that reach a final decision.”²⁰

Cuozzo asserted that § 314 was enacted in order to reduce the amount of time needed for the PTAB to issue a final decision in an IPR proceeding.²¹ But, once a final decision has been rendered, Cuozzo argued that “nothing bars a party from arguing that the Board’s final decision must be set aside because the proceeding was instituted in violation of the statutory restrictions.”²² The government countered that there is no need to relitigate “threshold questions that do not bear on the proper scope of the patentee’s exclusive rights.”²³ But Cuozzo noted that “permitting review is the only way to ensure that the Board’s scrutiny of an issued patent actually complies with the AIA’s requirements.”²⁴

UPCOMING SUPREME COURT DECISION

An opinion is expected in June or July, and it appears likely that the Court will issue a final

determination as to whether or not BRI is appropriate during IPR rather than defer to the PTO's discretion of the standard to use. If the Court decides that BRI is inappropriate, a decrease in the percentage of claims invalidated during IPR is likely, although it is not clear how significant this decrease would actually be. If the PTAB were to begin using the same claim construction standard as district courts, then the decision could impact litigation as well, because district courts may defer to, or be influenced by, PTAB claim construction. ■

- ⁴ Brief for the petitioner at 17, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Feb. 22, 2016).
- ⁵ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).
- ⁶ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015), *aff'g*, *Garmin Int'l v. Cuozzo Speed Techs., LLC*, 108 USPQ2d 1852 (PTAB 2013), IPR2012-00001, Paper 59.
- ⁷ *In re Cuozzo*, 793 F.3d at 1273.
- ⁸ Order Denying Rehearing *En Banc*, 793 F.3d 1297 (Fed. Cir. 2015).
- ⁹ Brief for the respondent in opposition at 9–17, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Dec. 11, 2015).
- ¹⁰ Brief for the respondent in opposition at 9–10 and 14.
- ¹¹ Brief for the respondent in opposition at 14.
- ¹² Brief for the petitioner at 16–42.
- ¹³ Brief for the petitioner at 18–35.
- ¹⁴ Brief for the petitioner at 29–31.
- ¹⁵ Brief of *Amicus Curiae* American Intellectual Property Law Association in Support of Neither Party at 5, *Cuozzo Speed Techs., LLC*, No. 15-446 (U.S. Mar. 7, 2016).
- ¹⁶ Brief of *Amicus Curiae* American Intellectual Property Law Association at 8.
- ¹⁷ Brief of *Amicus Curiae* American Intellectual Property Law Association at 8.
- ¹⁸ Brief of the Intellectual Property Law Association of Chicago as *Amicus Curiae* in support of neither party at 15.
- ¹⁹ 35 U.S.C. § 314 (emphasis added).
- ²⁰ Brief for the petitioner at 46, *citing* U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics Dec. 31, 2015 at 12.
- ²¹ Brief for the petitioner at 48–49.
- ²² Brief for the petitioner at 49.
- ²³ Brief for the respondent in Opposition at 21.
- ²⁴ Brief for the petitioner at 52.

¹ *Cuozzo Speed Techs., LLC*, v. *Lee* No. 15-446 (U.S. argued April 25, 2016).

² With passage of the AIA, Congress also created post grant review (PGR) proceedings and covered business method (CBM) proceedings.

³ *Ex parte* reexamination, wherein a third party files a request but has no ability to provide further input to the examiner handling the request, is still available after the AIA became effective.

BANNER & WITCOFF REPRESENTS ELLIE'S HATS PRO BONO

Banner & Witcoff recently expanded its pro bono efforts with the representation of Ellie's Hats, a nonprofit organization in Virginia that offers children with cancer and their families care and support. Ellie's Hats started with the goal of spreading hope and joy to children with cancer by sending them a hat and showing them that someone is thinking of them. The organization has now taken on many new projects, including organizing fundraisers, offering support to hospitals that provide cancer treatment to children, and raising awareness of childhood cancer.

Robert S. Katz, one of the firm's principal shareholders, was introduced to Ellie's Hats by a member of its board of directors. He said that a primary goal of the organization is to "let the children express themselves through their hats and, in the process, create a dialogue about cancer awareness."

Banner & Witcoff associate Maurine Knutsson filed three trademark applications with the U.S. Patent and Trademark Office on behalf of Ellie's Hats on May 13, 2016:

MARK: ELLIE'S HATS

Serial No. 87036430

MARK:



Serial No. 87036437

MARK: MORE THAN JUST A HAT

Serial No. 87036443

"I was excited for the opportunity to help Ellie's Hats work toward protecting its brand," Maurine said. "I think it will be a great marketing tool for Ellie's Hats to later be able to mark its trademarks as registered and show that it is an established organization with real intellectual property rights."

For more information about Ellie's Hats, please visit ellieshats.org.