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US Supreme Court affirms Federal Circuit on IPR Claim Construction Standard and that IPR Institution Decisions are Final and Non-appealable

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Yesterday, the US Supreme Court affirmed the Federal Circuit in *Cuozzo v. Lee*[1] by confirming (i) the US Patent and Trademark Office ("PTO") application of the broadest reasonable construction ("BRI") standard to claim construction in *inter partes* review ("IPR") proceedings, and (ii) that PTO decisions whether to institute IPR proceedings are final and may not be appealed pursuant 35 U.S.C.§ 314(d) of the Leahy-Smith America Invents Act ("AIA").

PTO is Free to Use "Broadest Reasonable Interpretation" Claim Construction Standard in IPRs

The Court unanimously denied Cuozzo's request that the PTO use the same claim construction standard as district courts; instead, the Court upheld the PTO's application of the BRI standard to claim construction in IPR proceedings.[2] The Court relied on the PTO's authority given by Congress under 35 U.S.C. § 316(a)(4) to make regulations "establishing and governing *inter partes* review."[3] Under *Chevron*, the PTO has leeway to enact rules that "fill in the gaps" in the statutory framework enacted by Congress;[4] the appropriate claim construction standard for IPR proceedings is just such a gap since Congress did not pass statutory language on that issue.[5]

The Court rejected Cuozzo's arguments that the "judicial nature" of IPR proceedings require the same claim construction standard as district courts, finding instead that IPR proceedings are much more akin to agency proceedings than to judicial proceedings.[6] Instead, the Court affirmed the examination role of the PTO

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1 *Cuozzo Speed Technologies, LLC v. Lee*, 579 US ____ (2016).

2 The majority opinion notes that *Cuozzo* involves an IPR proceeding and that its decision is subsequently limited to claim construction in IPR proceedings. The effect of *Cuozzo* on other post-grant proceedings such as covered business method patent review and post-grant review remains to be seen.

3 *Id.* at 14.

4 *Id.* at 13 (citing *Chevron, USA, Inc. v. Nat. Res. Def. Council, Inc.*, 467 US 837, 843 (1984)).

5 *Id.* at 13.

6 *Id.* at 15.

proceedings and noted that potentially inconsistent results between the PTO and district courts has been and continues to be a known facet of the agency framework created by Congress.[7]

Decision to Institute IPR is Non-Appealable

The Supreme Court split 6-2 with the dissent taking issue with the inability to appeal IPR institution decisions. In *Cuozzo*, the challenger had filed a petition for an IPR asserting, amongst other things, obviousness of one claim of the targeted patent, and in its institution decision the PTO included two more claims as "logically linked." The Court rejected the Cuozzo's argument that the PTO overstepped its bounds by including the two additional claims which had not been pled with particularity. The Court held that the statutory language, which stated that the PTO's decision was *final and non-appealable*[8] forbade an appeal "that attacks a 'determination... whether to institute' review by raising this kind of legal question and little more." [9] The Court held that ruling otherwise would frustrate congressional intent of granting the PTO "significant power to revisit and revise earlier patent grants."[10] However, the Court left open the question whether constitutional challenges could be raised against the PTO's sweeping power to institute IPR proceedings.

Future Congressional Changes to PTO Proceedings

Yesterday's decision will likely limit future judicial challenges to the AIA statutory framework that is currently in place. The Court made strides to preserve constitutional arguments as Justice Breyer specifically noted that the justices "need not, and do not, decide the precise effect of §314(d) on appeals that implicate constitutional questions..."[11] Constitutional issues aside, the *Cuozzo* decision confirms that the PTO enjoys considerable autonomy in making rules wherever Congress has not specifically legislated—which asks the question: "what if Congress changes the statutory framework?"

For those seeking reform for PTO proceedings, Congress is likely to be a more favorable target in the aftermath of *Cuozzo*. A number of active bills proposing changes to the current AIA framework are pending. Innovation Act H.R. 9, currently pending before the House of Representatives, seeks to change the standard of claim construction to the district court standard and also seeks to narrow the estoppel effect of PTO proceedings.[12] Both PATENT Act S. 1137[13] and STRONG Patents Act S. 632[14] are currently pending before the Senate and propose amendments similar to Innovation Act H.R. 9 and also suggest the addition of a presumption of validity to PTO proceedings similar to district court. However, until these amendments reach fruition, *Cuozzo* preserves the status quo for IPR proceedings.

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7 *Id.* at 19.

8 *Id.* at 7.

9 *Id.* at 8.

10 *Id.* at 8.

11 *Id*. at 11.

12 Innovation Act, H.R. 9, 114th Cong. (2015-16) (summary available at https://www.congress.gov/bill/114th-congress/house-bill/9).

13 PATENT Act, S. 1137, 114th Cong. (2015-16) (summary available at https://www.congress.gov/bill/114th-congress/senate-bill/1137).

14 STRONG Patents Act, S. 632, 114th Cong. (2015-16) (summary available at https://www.congress.gov/bill/114th-congress/senate-bill/632).