

## Client Alert

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# Will the Supreme Court Put the Brakes on the IPR Trend? *Cuozzo Speed Tech., LLC v. Lee*

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Not so fast: the United States Supreme Court is set to review the America Invents Act's ("AIA") fast-track *inter partes* review ("IPR") process. On January 15, 2016, the Supreme Court granted certiorari in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446, to address two questions: (1) whether the United States Patent and Trademark Office ("PTO") acted within its rulemaking authority by adopting the rule that patent claims be given their "broadest reasonable interpretation" during IPR proceedings; and (2) whether a party may challenge, on appeal to the Federal Circuit, any part of the PTO's decision to institute an IPR.

Whatever the Supreme Court decides, patent owners and potential challengers alike should watch *Cuozzo* carefully. Challenging a patent's validity in IPRs has become a mainstay whenever a party is sued for patent infringement in district court. Defendants view IPRs as a cost-effective, efficient alternative to often lengthy district court litigation, even though the AIA's estoppel provisions require accused infringers to make certain invalidity challenges in only one forum or the other. How the Supreme Court answers these two questions could make IPRs less favorable to patent challengers or more like district court litigation, either of which may lead parties to rethink when it makes sense to bring an IPR. The Court is expected to hear arguments in April and should issue its decision before the Supreme Court's summer recess in late-June/early-July this year.

### THE BROADEST REASONABLE INTERPRETATION STANDARD

The first issue involves the PTO's long-established practice of construing claims in a patent or application according to their "broadest reasonable interpretation" when determining the claim's patentability. The broadest reasonable interpretation arguably produces broader constructions than the standard federal courts apply when construing claims in litigation. 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. Proponents of the standard argue that it benefits the public by reducing the possibility that a patent claim is allowed under a narrow interpretation and given a broader interpretation in subsequent patent infringement litigation.

Patent owners have hotly contested the PTO's application of that standard in IPRs. While IPRs share characteristics with other pre-AIA PTO proceedings, there are important limitations as well. For example, 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.

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In seeking review, petitioner and various amici suggested that the limits on amendments and other aspects of the statutory scheme show Congress intended for IPRs to operate according to district court standards for claim construction. They argued 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's ruling in this case could affect the trend of who wins in IPRs. To date, IPRs are generally viewed as unfavorable to patent owners. Recent data shows that the PTO institutes review for nearly 80% of filed IPR petitions.<sup>1</sup> Once review has been initiated, the PTO finds at least one claim unpatentable 87% of the time.<sup>2</sup> There are at least two ways in which the Supreme Court's ruling here could change that trend.

First, if the Supreme Court rejects the use of the broadest reasonable interpretation standard outright and requires the PTO to construe claims as a district court would, the claims might be construed more narrowly and avoid prior art that would render them unpatentable. In addition, IPRs might be mired in claim construction disputes that resemble the fact-intensive, sometimes case-dispositive *Markman* hearings in district courts.

Second, the Supreme Court could affirm the use of the broadest reasonable interpretation standard for IPRs, but signal that patent owners should be granted more opportunities to amend their claims. Such an outcome might lead to more patents surviving IPR proceedings, albeit with more narrow claims. Any amended claims would be subject to intervening rights under 35 U.S.C. § 252.

Finally, the Supreme Court's decision could have broader implications with respect to the PTO's authority to issue rules interpreting the provisions of the AIA. The Federal Circuit has held that Congress gave the PTO authority to adopt rules governing its own procedure, but granted no authority to adopt rules interpreting substantive patent laws. If the Supreme Court holds that adoption of the broadest reasonable interpretation standard is beyond the PTO's rulemaking authority, the decision could affect other PTO rules.

## LIMITATIONS ON JUDICIAL REVIEW

In addition to addressing the PTO's use of the broadest reasonable interpretation standard, the Supreme Court also will review 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.<sup>3</sup> 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.

<sup>1</sup> Docket Navigator, IPR Institution Decisions (May 2015), <http://home.docketnavigator.com/wp-content/uploads/2015/05/stays-and-institution-rates.pdf>.

<sup>2</sup> USPTO, Patent Trial and Appeal Board Statistics 9 (Sept. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf>.

<sup>3</sup> See *In re Cuozzo Speed Techs, LLC*, 793 F.3d 1268 (Fed. Cir. 2015); see also *Versata Develop. Grp. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (affirming and distinguishing *Cuozzo*).

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The Supreme Court's resolution of this issue may have important implications for parties in IPRs. The Supreme Court could side with the petitioner and hold that Section 314(d) bars only immediate (or interlocutory) appeals of PTO institution decisions, but does not preclude review of those decisions *after* the agency issues a final determination of patentability. That holding would likely provide additional grounds for patent holders to challenge unfavorable IPR decisions, which might affect the IPR reversal rate in the Federal Circuit.

In addition, broader issues lurk beneath the surface in this case. The respective roles of the PTO and federal courts in adjudicating patent rights has changed with Congress's adoption of the AIA, with much of that change giving a greater role to the PTO. A decision by the Supreme Court to allow for more searching review of the PTO's actions could undo or at least alter this change.

### CONCLUSION

Over the next several months, the parties and interested amici will file their briefs in the Supreme Court. The Supreme Court likely will schedule oral argument in April. Those interested in these issues should stay tuned—a decision is expected no later than late-June/early-July of this year.

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