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Microsoft v. Proxyconn: Lessons in Claim Construction and Amendments in IPRs

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Inter partes reviews (“IPRs”) are a cheaper and faster alternative to patent litigation, instituted in 2012 by the America Invents Act. IPRs allow parties to challenge the validity of patents in the U.S. Patent and Trademark Office (“USPTO”), rather than in federal courts. Since the inception of IPRs in 2012, there have been 1,291 IPR proceedings instituted in the USPTO (out of over 3,000 petitions).¹ The Federal Circuit has docketed 503 appeals from the USPTO since 2012.² Until recently, all decisions by the Patent and Trial Appeal Board (the “Board”) were affirmed in the Federal Circuit, often under the Federal Circuit Rule 36, which allows the Court to affirm a lower decision without any written opinion so long as there was no clear error. The Federal Circuit’s June 16, 2015 decision in *Microsoft Corp. v. Proxyconn, Inc. v. Michelle Lee*, No. 2014-1542 (Fed Cir. June 16, 2015) marks the first reversal of the Board’s claim constructions in an IPR decision.

In the *Microsoft* case, Proxyconn originally sued Microsoft for infringement of a patent relating to increasing data transfer speeds over packet switched networks (e.g., the Internet). Microsoft then challenged the validity of the patent in the USPTO, initiating two separate IPR proceedings.³ During these proceedings, the Board denied Proxyconn’s motion to amend the claims, construed the existing claims, and invalidated all but one of them. Proxyconn appealed the Board’s decision to the Federal Circuit.

On the appeal, Proxyconn challenged the Board’s use of the “broadest reasonable interpretation” standard of claim construction. Unfortunately for Proxyconn, the Court was already bound by its decision in *In re Cuozzo Speed Techs., LLC*, which came down after briefing in this case had begun. The *Cuozzo* Court held that the broadest reasonable interpretation standard in IPRs was properly adopted by the USPTO.⁴ However, the Court recognized here that there are limits to this standard, and explained that the Board cannot construe claims during IPRs so broadly as to be *unreasonable* under general claim

¹ <http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics>

² <http://www.cafc.uscourts.gov/the-court/statistics.html>

³ Microsoft’s first petition challenged claims 1, 3, 10-12, 14, and 22-24 as unpatentable under as anticipated and obvious. IPR2012-00026, Paper No. 6 (PTAB Sep. 18, 2012) at 3. Microsoft’s second petition challenged claims 6, 7, 9, 11, 12, and 14, again both as anticipated and obvious. IPR2013-00109, Paper No. 1 (PTAB Jan. 11, 2013) at 4-5.

⁴ *In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271, 1282 (Fed. Cir. 2015).



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construction principles.⁵ Thus, the Federal Circuit agreed with Proxyconn on two claim constructions, and found the Board's construction of those terms unreasonably broad for violating the canons of claim construction.

The Court also affirmed the denial of Proxyconn's appeal, but clarified how to properly move to amend claims during IPR proceedings. The Court upheld the USPTO's adoption of additional requirements through Board decisions, and specifically affirmed one such requirement that a motion to amend claims must show that the proposed claims are patentable over all prior art of record.

After the *Microsoft* decision, it is now clear that the Court will review Board decisions on claim construction if they violate the long-established canons of claim construction, e.g.,:

- Claims should be construed in such a way to preserve their validity;⁶
- The context, and surrounding words in the claims, should inform the meaning of claim terms;⁷
- Claims must be construed in light of the specification,⁸ however, limitations from the specification may not be imported into the claims;⁹ and
- Different terms used in claims should have different meanings.¹⁰

With its decision in *Microsoft*, the Court has also provided guidance on how to properly move to amend claims during IPRs, and more generally reminds us that in making motions before the Board, one should pay close attention to the Board's previous decisions which may place additional requirements on such motions.

About the Author

Mr. Cefo's practice focuses on patent litigation and patent portfolio evaluation and management in the areas of computer hardware and software, electronic and electromechanical devices, and MPEG video compression arts as well as in trademarks and copyrights. He also has experience with post-grant patent proceedings, including ex parte reexamination, reissues, AIA inter partes review and covered business method review for patent owners and petitioners.

⁵ *Microsoft Corp. v. Proxyconn, Inc. v. Michelle Lee*, No. 2014-1542,1543, slip op. at 6 (Fed Cir. June 16, 2015).

⁶ *Id.* at 1327.

⁷ *Id.* at 1314.

⁸ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005) (*en banc*) (quoting *Markman v. Westview Instruments, Inc.*, 52 F.2d 967 at 979).

⁹ *RF Delaware Inc. v. Pacific Keystone Techs, Inc.*, 326 F.3d 1255, 1264 (Fed. Cir. 2003).

¹⁰ See, e.g., *CAE Screenplates Inc. v. Heinrich Fiedler GmbH*, 224 F.3d 1308, 1317 (Fed. Cir. 2000) ("[T]he use of . . . different terms in the claims connotes different meanings.").



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