

Legal Alert

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Supreme Court's *Cuozzo* Decision Upholds Claim Construction Standard, Maintaining Petitioner-Friendly Environment at the PTAB

On June 20, 2016, the Supreme Court released its opinion on *Cuozzo Speed Technologies v. Lee*. This case was the Court's first decision dealing with the relatively new Patent Trial and Appeal Board ("PTAB") patent trials. The Court determined (1) that the PTAB's institution decisions are not judicially reviewable; and (2) that the USPTO had authority to apply the "broadest reasonable interpretation" ("BRI") standard for claim construction in PTAB patent trials.

Implications for patent owners and challengers

PTAB patent trials have been an effective tool for petitioners to cancel "troublesome" patent claims. For example, currently approximately 70% of *inter partes* review ("IPR") petitions are instituted, and about 90% of such instituted IPR trials at the PTAB result in at least one canceled patent claim. The *Cuozzo* decision effectively upheld the current regime and ensured that PTAB trials will continue to be a speedy and attractive option for a party accused of infringing broad patent claims. A contrary holding by the Court on either of these points would have likely undercut the effectiveness of PTAB trials for petitioners by, on the one hand, interpreting claims more narrowly and making them harder to invalidate, and, on the other hand, opening up institution decisions to time-consuming appellate review. Instead, the Court emphasized that the patent system is designed to protect not only patent holders' interests, but also the "public's 'paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.'"

Overview of the Court's decision and its context

The specific holdings of the Supreme Court are as follows:

1. The court of appeals did not err in deciding that, in IPR proceedings, the Board may construe

claims in an issued patent according to their BRI rather than their plain and ordinary meaning.

2. The court of appeals did not err in deciding that a PTAB decision to institute *inter partes* review is not subject to judicial review.

The new PTAB proceedings were intended to be a lower cost and quicker alternative to district court litigation for challenging the validity of patent claims. It was for this reason that PTAB trials were enacted as a part of the America Invents Act of 2011. The PTAB has since applied the BRI standard to interpret unexpired claims in these proceedings.^[1] In *Cuozzo*, the Court reasoned that, because the statute enacted by Congress did not explicitly direct the use of one standard over another, and because Congress has directly given the USPTO rulemaking authority, the agency has leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute. IPRs were distinguished by the Court from federal district court trials in several significant aspects, and the Court correspondingly concluded that an IPR is more like a specialized agency proceeding than a judicial one. As such, it reasoned that the USPTO was within its statutory authority to apply the claim construction principles that it has historically used to examine patents—the BRI standard. In practical terms, this maintains the widened scope of prior art that may be used to invalidate patents. In his opinion for the majority, Justice Breyer notes that the decision “. . . helps to protect the public. A reasonable, yet unlawfully broad claim might discourage the use of the invention by a member of the public.”

As to the second holding, the decision to institute an *inter partes* review will remain nonappealable. Thus, the three-judge panel for a particular PTAB trial will continue to have the authority to institute review if there is a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Given that the majority of the petitions for review are instituted and that the institution decision, under *Cuozzo*, will remain nonappealable, PTAB trials remain a petitioner-friendly environment for patent challenges. Because PTAB trials are cheaper and faster than district court litigation, they will remain the preferred route for many challengers who wish to cancel or invalidate disputed patent claims.

Conclusion

The Supreme Court’s review of the BRI standard and the appealability of institution decisions in PTAB proceedings has significant implications for patent owners and challengers. The decision in *Cuozzo* affirmed the Federal Circuit’s holding that the USPTO was within its scope of authority when it established BRI as the claim construction standard and that the PTAB decision to institute IPR was “final and nonappealable.” Accordingly, parties accused of patent infringement will be well-advised to consider petitioning to the PTAB to cancel claims of patents asserted against them. On the other hand, patent owners would be well-advised to better craft their patent portfolios to secure multiple patents that cover their markets in varying ways—to include claims of varying scope and protecting multiple aspects of their products or services.

^[1] For expired claims, the PTAB uses the district court *Phillips* standard, which is that claim language is given its plain and ordinary meaning unless otherwise defined by the specification or limited during prosecution.

For more information

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