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Federal Circuit Affirms PTO in First Appeal of an *Inter Partes* Review Decision

By Matthew I. Kreeger and Jason D. Hall

Today, in a split decision, the Federal Circuit issued its first opinion reviewing a final decision of the Patent Trial and Appeal Board (“Board”) of the Patent and Trademark Office (“PTO”) in an *inter partes* review case. The Court affirmed the PTO’s decision finding three claims invalid and denying the patent owner’s motion to amend claims. Along the way, the Court made two significant rulings: (1) the Court lacks jurisdiction to review the Board’s decision to institute an IPR; and (2) the Board correctly used the “broadest reasonable interpretation” standard to construe claims. Judge Newman dissented because in her view, “several of the panel majority’s rulings are contrary to the legislative purpose of the Leahy-Smith America Invents Act.”

This decision provides a first look at how the Federal Circuit will review Board decisions in *inter partes* review cases. The opinion confirms the Board’s authority, making the Board’s decisions to institute trial unreviewable on appeal, and approving the Board’s “broadest reasonable interpretation” standard that can make it easier to invalidate patents. The decision thus confirms the Board’s approach in conducting these increasingly important patent review proceedings.

I. BACKGROUND

Cuozzo is the assignee of U.S. Patent No. 6,778,074 (the ‘074 patent), which is directed to an interface for displaying both a vehicle’s current speed and the speed limit. Garmin filed a petition for *inter partes* review, requesting the Board to cancel three claims of the ‘074 patent on various grounds, including anticipation and obviousness. The Board instituted the IPR, based on obviousness grounds that differed in some ways from the grounds in the petition.

In a final written decision, the Board construed the claims under the PTO’s customary “broadest reasonable interpretation” standard and found the claims invalid as obvious. The Board denied Cuozzo’s motion to amend the claims, finding that the amended claims lacked written support under 35 U.S.C. § 112 and improperly enlarged the scope of the claims. Cuozzo appealed the Board’s final written decision as well as its decision to institute IPR. The PTO responded to the appeal, but Garmin had settled the case and did not participate.

II. THE FEDERAL CIRCUIT LACKS JURISDICTION TO REVIEW THE BOARD’S DECISION TO INSTITUTE IPR

The Court’s majority opinion—authored by Judge Dyk and joined by Judge Clevenger—held that under 35 U.S.C. § 314(d), a decision to institute IPR may not be appealed at any stage of the proceeding. In a prior decision, the Court held that § 314(d) precludes interlocutory review of decisions whether to institute IPR. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014). Here, the Court sounds the death knell to all efforts to appeal decisions to institute IPR, now holding that the Court cannot on appeal review decisions to institute IPR, even after a final decision.

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The Court suggested that a writ of mandamus might be available (after a final decision) to challenge a Board's decision "in situations where the PTO has clearly and indisputably exceeded its authority." The Court declined, however, to rule "whether mandamus to review institution of IPR after a final decision is available." Instead, the Court held that even if it were available, *Cuozzo* failed to satisfy the requirements for mandamus.

III. THE PTO'S BROADEST REASONABLE INTERPRETATION STANDARD IS APPROPRIATE

The Court upheld the PTO's use of the "broadest reasonable interpretation" standard for construing claims during IPR. First, the Court found that Congress implicitly adopted this standard by enacting the AIA. "[T]he broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings." And the Court has approved of this standard in numerous proceedings, including initial examinations, interferences and post-grant proceedings. Thus, Congress was aware and adopted this prevailing rule through its enactment of the AIA.

Second, the Court held that the PTO properly used its rulemaking power under the AIA to adopt the broadest reasonable interpretation standard. The AIA conveys rulemaking authority to the PTO under 35 U.S.C. § 316(a)(2), which provides that the PTO shall establish regulations "setting forth the standards for the showing of sufficient grounds to institute a review . . ." Under this authority, the PTO set the broadest reasonable interpretation standard under 37 C.F.R. § 42.100(b). "There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." The Court analyzed the validity of the PTO's regulation defining its claim construction standard under the *Chevron* framework and determined that, because of AIA's silence and the PTO's century long use of the standard, the regulation was proper.

IV. JUDGE NEWMAN'S DISSENT

Judge Newman dissented, and argued that the majority's decisions are inconsistent with the AIA. On the claim construction standard, Judge Newman contended that the PTO needs to "apply the same legal and evidentiary standards as would apply in the district court." Because the express purpose of IPRs is "providing quick and cost effective alternatives to litigation," IPRs are better classified as a "surrogate for district court litigation." Judge Newman also offered the view that appeals of decisions to institute IPR are necessary to ensure that the PTO does not overstep its authority.

Contact:

Matthew I. Kreeger
(415) 268-6467
mkreeger@mofo.com

Jason D. Hall
(415) 268-6103
jhall@mofo.com

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