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Patents

Supreme Court Affirms BRI Standard in AIA Patent Challenges, Limited Appellate Review

The U.S. Supreme Court dashed the hopes of patent owners wanting the Patent Trial and Appeal Board to change a review standard that gives a slight advantage to patent challengers in America Invents Act-enabled proceedings (*Cuozzo Speed Techs., LLC v. Lee*, U.S., 15-446, 6/20/16).

The court on June 20 upheld the PTAB's use of the "broadest reasonable interpretation" (BRI) standard for determining the meaning of disputed patent claim terms in AIA proceedings like inter partes review (IPR). *Cuozzo Speed Technologies LLC* wanted the board to switch to the "plain and ordinary meaning" standard, used in federal courts, that arguably results in fewer judgments of patent invalidity for obviousness or lack of novelty.

"With its ruling today, the Supreme Court has given stakeholders valuable certainty by clarifying that claims should be given their broadest reasonable construction in IPRs," Gerard M. Donovan, a patent attorney with Reed Smith LLP, Washington, told Bloomberg BNA.

The decision also affirmed the U.S. Court of Appeals for the Federal Circuit's ruling that it has limited ability to review the PTAB's decisions to institute patent validity trials.

In this case, *Cuozzo* contended that the PTAB overstepped its bounds by instituting trial with its own invalidity arguments, over and above what challenger *Garmin International Inc.* had argued.

The Supreme Court held that the statute bars appeals of those merits-based decisions, though it left room for the possibility that the PTAB could be subject to judicial review for exceeding the AIA's statutory limitations or its administrative authority.

Justice Stephen G. Breyer wrote the court's opinion, which was unanimous as to the BRI question.

Justice Sonia M. Sotomayor joined Justice Samuel A. Alito's dissent as to the judicial review question.

Congress Allowed PTO to Set 'Rules'; BRI Is a Rule. *Garmin* filed an IPR petition on the first day it was available under the AIA. It was challenging *Cuozzo's* U.S. Patent No. 6,778,074, on a modification to a speedometer that lets a driver know he is speeding. The PTAB ruled in favor of *Garmin* on three patent claims.

Cuozzo contended that, had the board interpreted its claims under the so-called *Phillips* "ordinary meaning" standard used in courts, instead of BRI, it would have found the claims valid.

"While this choice of standards might not lead to a different result in many cases, the Court's decision resolves a hotly-contested question that, had it come out differently, could have been argued to require further review of a great many issued PTAB decisions," J. Steven Baughman a patent attorney with Ropes & Gray LLP, Washington, said.

The AIA, through 35 U.S.C. § 316(a)(4), gave the Patent and Trademark Office the authority to establish rules for PTAB proceedings, the Supreme Court said, "and the broadest reasonable construction regulation [of 37 C.F.R. § 42.100(b)] is a rule that governs inter partes review."

Ultimately, opponents of using BRI rely on casting the AIA's intent as replacing district court validity proceedings. The two standards should be aligned, then, they argue.

But the high court said that Congress had to have more in mind, since the IPR proceeding differs from litigation in court in several ways. And more importantly, the court said, Congress had a second intent—giving the PTO a chance to take a "second look" at patents that maybe shouldn't have been issued in the first place. That makes IPR a "hybrid proceeding," the court said, leaving it to the PTO to determine which standard is best.

Under deference normally given to administrative agencies, the only remaining question was whether using BRI was "a reasonable exercise of [the PTO's] rule-making authority." The court concluded that it was, primarily because it "helps to protect the public" against unlawfully broad patent rights.

It accepted the argument that parallel actions at the PTAB and in court might produce different results. But BRI has been used in reexamination proceedings since 1980, the court noted. The "possibility of inconsistent results," therefore, existed for 31 years before the AIA, the court said, and could well be deemed "inherent to Congress's regulatory design."

'Mine-Run' Decisions Not Reviewable. A post-opinion "official statement" by PTO Director Michelle K. Lee said that the agency "appreciates the Supreme Court's decision." That undoubtedly applies to the BRI ruling, but the appellate reviewability ruling is not so clear cut in the agency's favor.

The question relates to the two stages of any AIA proceeding. Stage one ends with the PTAB making a trial institution decision—whether the petitioner made a sufficient case for unpatentability. If a trial is instituted, stage two ends about a year later with a "final written decision" on whether to cancel patent claims.

Section 314(d) of the AIA is titled "No Appeal," and says: "The determination by the Director whether to in-

stitute an inter partes review [i.e., stage one] under this section shall be final and nonappealable.”

The PTO argues that the rulings it makes in every trial-institution decision are not subject to Federal Circuit review. The appeals court agreed in this case, but has indicated there are some decisions that go too far. While there remains ambiguity as to where that line is, the Supreme Court sided with the appeals court’s view.

The court held that Section 314(d) “does bar judicial review of the kind of mine-run claim at issue here.” The term “mine-run” roughly equates to “unexceptional,” but the court intended more than a matter of degree, as evidenced in dicta (comments unnecessary to decide this particular case).

But What Might Be? It first indicated that the Federal Circuit should be able to review PTAB stage-one judgments that are arguably arbitrary and capricious, under the Administrative Procedure Act. It later listed specifically appeals that “implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’”

Brian H. Pandya a patent attorney with Wiley Rein LLP, Washington, identified for Bloomberg BNA three areas where the PTAB’s decisions might be reviewed: an IPR that goes beyond questions of novelty and obviousness; “a proceeding instituted outside the time window provided by statute,” such as post-grant review beyond the nine-month window for that proceeding; and whenever “the petitioner or patent holder can show [the PTAB’s ruling] deprives the party of due process or is otherwise unduly prejudicial.”

The high court has another petition in front of it that could also test the dividing line, Jon E. Wright a patent attorney with Sterne, Kessler, Goldstein & Fox PLLC, Washington, told Bloomberg BNA.

“The Federal Circuit’s review of ‘covered business method’ eligibility under AIA Section 18, in *Versata [Dev. Grp. v. SAP Am., Inc.]*, No. 15-1145,] seems to fall squarely within this dicta,” he said.

Section 18 created the temporary CBM procedure to challenge method patents targeted to offering financial services. Versata doesn’t believe its patent on software for pricing products fits the CBM definition Congress intended.

The Federal Circuit, in fact, reviewed part of a stage-one decision in which the PTAB found it didn’t have unlimited discretion to label a patent a CBM. However, it agreed with the PTAB that Congress intended challenges to Versata’s patent.

The company’s petition for high court review questions that decision, but it would conceivably give the court a chance to expand upon the judicial-review dicta here as well.

Garrard R. Beeney of Sullivan & Cromwell LLP, New York, represented Cuozzo. Curtis E. Gannon, assistant to the solicitor general, represented the PTO and Lee.

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