



ARE Patent Law Alert: Supreme Court Affirms Use of Broadest Reasonable Interpretation in IPRs and Denies Appeals of Decisions to Institute IPRs

Author(s): Charles R. Macedo, Trevor O'Neill

On June 20, 2016, the U.S. Supreme Court issued its first Decision reviewing the structure of the Leahy-Smith American Invents Act ("AIA" or "Act"). In the Decision, *Cuozzo Speed Techs., LLC v. Lee*, No. 15-446 (U.S. June 20, 2016), a unanimous Court joined Parts I and III of Justice Breyer's Opinion, finding that the United States Patent and Trademark Office ("PTO") has the authority to adopt rules interpreting patent claims according to the so-called Broadest Reasonable Interpretation ("BRI") standard in *inter partes* review ("IPR") proceedings before the Patent Trial and Appeal Board ("PTAB"). In Part II, a split Court affirmed the Federal Circuit's interpretation of the AIA, precluding appeals of IPR institution decisions under the Act. On the latter issue, Justice Alito issued a Dissent, joined by Justice Sotomayor, arguing that the AIA only precludes interlocutory appeals of an institution decision, but not review of the decision once the IPR has concluded. Further, while the Court did not find reversible error in Part II, it did provide cautions which could be invoked in future cases.

BRI Standard

In Part III of the Opinion, writing for a unanimous court, Justice Breyer found that the PTO did not exceed its rulemaking authority by issuing a regulation requiring application of the BRI standard as the claim construction standard during an IPR before the PTAB. *Id.* at 13. Pursuant to the AIA, the PTO has designated the standard of patent claim construction in an IPR as the BRI standard, which is used in other contexts at the PTO. 37 C.F.R. § 42.100(b). Relying on the process outlined in *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 104 S. Ct. 2778 (1984), the Court found that the Act was ambiguous because it did not indicate which claim construction standard should be used, and also that Congress had expressly delegated rulemaking authority to the PTO "to address that gap." *Id.* at 13.

Turning to the second step of the *Chevron* inquiry, the Court held that the use of the BRI standard was a reasonable exercise of rulemaking authority. *Id.* To support this conclusion, the Court cited past practice at the PTO and the policy of protecting the public from faulty patents. *Id.* While the Court acknowledged the numerous policy arguments for a different standard of review presented by *Cuozzo* and *amici*, it also recognized that the Court's task when reviewing agency rulemaking does not include substituting its own decision-making for that of the agency. *Id.* at 20.



Appeals of Decisions to Institute

In Part II of Justice Breyer's Opinion, which was joined by five other Justices, the Court affirmed the Federal Circuit's holding that the decision to institute an IPR is not reviewable under the statutory framework. *Id.* at 7. As the Court explained, the present dispute was an "ordinary dispute about the application of certain relevant patent statutes concerning the Patent Office's decision to institute inter partes review." Because the Petition for a Writ of Certiorari focused on the language of the statute rather than on possible violations of the U.S. Constitution or the Administrative Procedure Act, the Court limited its analysis to the statutory question.

The relevant statute states:

The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. § 314(d). Based on this language, the Court concluded that §314(d) prohibits appeals in these kinds of cases. *Id.* at 8. In further support of its position, the Court cited legislative history and congressional policy indicating Congress' desire to leave the decision to institute solely in the hands of the PTO. *Id.*

Significantly, the majority opinion left open the possibility that the bar against judicial review of institution decisions in § 314(d) is not absolute:

[W]e need not, and do not, decide the precise effect of §314(d) on 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."

Id. at 11. The Court further explained, that:

Thus, contrary to the dissent's suggestion, we do not categorically preclude review of a final decision where a petition fails to give "sufficient notice" such that there is a due process problem with the entire proceeding, nor does our interpretation enable the agency to act outside its statutory limits by, for example, canceling a patent claim for "indefiniteness under §112" in inter partes review.

Id. (citation omitted).

The Dissent on Appealability

The Dissent, written by Justice Alito and joined by Justice Sotomayor, joined the Opinion except as to Part II, the section concerning the appeal question. *Id.* at 1 (Alito, J., dissenting in part). Justice Alito stressed the long-standing presumption of judicial review of administrative actions, and argued that § 314(d) was only intended to preclude any



interlocutory appeal of the decision to institute, but not a review of that decision once a final judgment has been issued. *Id.* He reviewed similar statutes that had been examined by the courts, and concluded that the Act was best read to prohibit interlocutory appeal, but not final review. *Id.* at 3-5.

Justice Alito acknowledged that facts of this matter did not present a strong case favoring appeals of decisions to institute. *Id.* at 10-12. However, he pointed out that prohibiting all review of the decision to institute allows the PTO to exceed statutory limitations constraining that decision with no fear of appellate review, leaving dissatisfied parties with few remedies. *Id.* at 13. This last argument was a central point in the New York Intellectual Property Law Association's *amicus* brief in *Cuozzo*, written in part by the first author of this Alert.

Practical Impact

For now, *Cuozzo* has confirmed the PTAB's ability to apply the BRI standard in IPRs. It is also likely to limit challenges to decisions to institute or not to institute IPRs by the PTAB. However, the Court has left open the possibility that a challenge based on a violation of the U.S. Constitution (e.g., of due process) or the Administrative Procedures Act may be successful. This means that both the PTAB and parties involved in IPRs in the future will likely focus on procedural violations as a means of reversing adverse PTAB decisions.

We will continue to monitor developments in this area and report on them. In the meantime, if you have questions, please feel free to contact one of our attorneys.

* Charles R. Macedo is a partner, Jung S. Hahm is a senior counsel, and Trevor O'Neill is a summer law clerk at Amster, Rothstein and Ebenstein LLP. Mr. Macedo was the co-chair of the NYIPLA *amicus* brief committee at the time of the submission of the association's *amicus* brief in *Cuozzo* and was an author on the brief.

Their practice specializes in intellectual property issues, including litigating patent, trademark and other intellectual property disputes.

Messrs. Macedo and Hahm may be reached at cmacedo@arelaw.com and jhahm@arelaw.com.