



MBHB *snippets* Alert

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Cuozzo Speed Technologies, LLC v. Lee. – Supreme Court Holds Status Quo

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In its first pronouncement regarding the post-grant reviewing proceedings established by the America Invents Act (“AIA”), the Supreme Court ruled that the Patent and Trademark Office’s positions on two of the law’s provisions regarding *inter partes* review (“IPR”) were correct. First, the Court held unanimously that the PTO properly applied the “broadest reasonable interpretation” standard for claim construction for IPRs. Second, six members of the Court also agreed that the statute mandated that the decision to institute an IPR was not subject to judicial review. Justice Breyer authored the decision of the Court, with Justice Thomas authoring a concurring opinion to voice his continued displeasure with judicial deference to administrative agencies under *Chevron USA Inc. v. Nat’l Defense Council, Inc.* On the second question Justice Alito penned a dissent, which was joined by Justice Sotomayor.

With regard to the question of the proper claim construction standard, Justice Breyer held that Congress had authorized the Patent Office to promulgate regulations that would govern IPR proceedings, including the appropriate claim construction standard. Moreover, the Court concluded that the promulgated “regulation represent[ed] a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office.” Justice Breyer interpreted the AIA in view of *Chevron*, finding both a statutory gap that did not unambiguously direct the use of one standard over another, and specific statutory authorization allowing the Patent Office to issue rules governing these new proceedings. Justice Thomas’s concurrence found “an express and clear conferral of authority to the Patent Office to promulgate rules governing its own proceedings,” and that the rulemaking was not “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law,” despite Justice Breyer’s reliance on *Chevron* as the basis for his decision.

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In reaching its conclusion, the Court rejected the argument made by Cuozzo and a large number of *amici* that because these proceedings were to act as a surrogate for district court proceedings, the same standards for claim construction should be used in both. Instead, the Court found these new AIA proceedings to be “less like a judicial proceeding and more like a specialized agency proceeding.” Moreover, the Court noted that the Patent Office uses this standard in other contexts, including *ex parte* reexamination and interferences, so the inconsistencies created between the Office and district courts are offset by the consistencies gained among the other agency proceedings. The Court was also not convinced that the low number of granted motions to amend claims in IPR proceedings represented an unfairness of the system. In Justice Breyer’s view, the difficulty in amending claims “may reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all.”

With regard to the question about whether review of the Board’s decision to institute the proceeding was barred by 35 U.S.C. § 314(d) (“*No appeal.* – The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.”), Justice Breyer rested his opinion on the congressional objective in passing the AIA – to give “the Patent Office significant power to revisit and revise earlier patent grants.” He concluded that Congress intended to bar review of whether a petition met the “reasonable likelihood” standard of ultimately prevailing, and cases “where a patent holder grounds its claim in a statute closely related to that decision to institute” the IPR proceedings. Justice Breyer did not believe, however, that all questions related to institution should be unreviewable. For example, the decision states that the Justices “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.’” Therefore, according to the Court, constitutional questions related to due process could still be appealed. In addition, if the Patent Office were to partake in “shenanigans,” the Federal Circuit could set aside the decision as “contrary to constitutional right,’ ‘in excess of statutory jurisdiction,’ or ‘arbitrary [and] capricious.’” Justice Breyer used as an example the invalidation of a claim as indefinite under §112, which would be a clear violation of statutory authority for IPR proceedings. Justice Alito’s dissent-in-part disagreed with the majority, based on the strong presumption favoring judicial review that dictated his conclusion that this statutory provision merely channeled any appeal through the Board’s final written decision.

While the majority appears to have drawn a bright line between what is and is not reviewable, it is less than clear how the Court would handle a case like *Achates Reference Publ'g, Inc. v. Apple Inc.*, in which the Federal Circuit concluded it could not review a decision related to a statutory time-bar – whether a petitioner was barred from filing an IPR petition because it had been sued in district court more than one year beforehand. Perhaps Justice Breyer's judicial lodestar would determine this situation to fall within its "shenanigans" standard and thus allow review of such cases, but the broad language of this decision means that only time will tell if the Federal Circuit agrees.

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The opinion can be found at http://www.supremecourt.gov/opinions/15pdf/15-446_ihdk.pdf.

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