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Cuozzo Puts to Rest Doubts Regarding IPR Claim Construction Standards, Leaves Narrow Scope of Appeal of Institution Decisions

In *Cuozzo Speed Technologies v. Lee*, 579 U.S. ___ (2016), the Supreme Court unanimously permitted the Patent Office to continue to construe patent claims according to their broadest reasonable construction (BRC) in inter partes review (IPR) proceedings and, by a 6-2 majority, affirmed that the Leahy-Smith America Invents Act (AIA) ordinarily bars judicial review of preliminary decisions by the Patent Office whether to institute IPR proceedings. A narrow path for appellate review remains open to prevent "shenanigans," the precise scope of which remains to be determined in future cases. The decision, which thus maintains the status quo, largely puts to rest two issues that have frequently been raised by IPR litigants.

Cuozzo arose from an IPR in which petitioner Garmin International Inc. had challenged claim 17 of Cuozzo Speed Technologies' patent as obvious in light of three references. The Patent Office decided also to review claims 10 and 14 based on the same references, concluding that, because claim 17 depended from these claims, Garmin had implicitly challenged them as well. After the Patent Office invalidated all three claims in its final decision, Cuozzo challenged the Patent Office's preliminary decision to review claims 10 and 14 on the grounds that Garmin's petition had not challenged these claims "with particularity," as required. 35 U.S.C. 312. Cuozzo also challenged the Patent Office's authority to use its BRC standard in IPR proceedings. The Solicitor General defended the Patent Office before the Supreme Court, and Garmin did not participate.

The court unanimously concluded that 35 U.S.C. 316 expressly granted the Patent Office sufficient rule-making authority to fill a "gap" in the AIA concerning the claim-construction standard applicable to IPR proceedings. The Patent Office's policy decision to construe a claim in accordance with the "broadest reasonable construction in light of the specification of the patent in which it appears," 37 CFR 42.100(b), was therefore permissible, notwithstanding departure from the ordinary meaning standard used in court litigation. Writing for the court, Justice Breyer responded to Cuozzo's argument that IPR replaced inter partes reexamination with "a trial adjudicatory in nature" by noting that in "significant respects, [IPR] is less like a judicial proceeding and more like a specialized agency proceeding." Slip op. at 15 (observing, for example, that unlike court litigants, IPR participants do not require legal standing and that the Patent Office had defended Cuozzo's appeal without Garmin participating). Accepting the Patent Office's position that the BRC standard is consistent with the right of patent owners to seek leave to amend patent claims during an IPR, the court dismissed Cuozzo's statistical argument that this right is rarely borne out in practice with the bromide that "the manner in which the Patent Office has exercised its authority … is not before us." Slip op. at 19. Rather, in light of plausible rationales for employing the BRC standard, including protecting the public from unduly broad patent claims and maintaining consistency with the construction standard used by the Patent Office in other proceedings (including proceedings that may be consolidated with an IPR proceeding), the court concluded that §42.100(b) "represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office." Slip op. at 17.

The court struggled somewhat more with the AIA's provision that "determination [by the Patent Office] whether to institute an [IPR] under this section shall be final and nonappealable." 35 U.S.C. 314(d). While recognizing a strong presumption of judicial review, Justice Breyer observed, "This presumption, however, may be overcome by clear and convincing indications, drawing from specific language, specific legislative history, and inferences of intent drawn from the statutory scheme as a whole, that Congress intended to bar review." Slip op. at 9-10 (internal quotations and citation omitted). The court concluded the statutory text and other indicia "all point in favor of precluding review of the Patent Office's institution decisions." Slip op. at 11. It went on, however, to add the significant caveat that its holding does *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.* Thus, *Cuozzo* does 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 … enable the agency to act outside its statutory limits by, for example, canceling a patent claim for 'indefiniteness under §112' in [IPR]." Slip op. at 11. The court observed that "[s]uch 'shenanigans' may be properly reviewable in the context of §319 and under the Administrative Procedure Act …." *Id.* at 11-12.

Dissenting with Justice Sotomayor, Justice Alito concluded that §314(d) "is fairly interpreted to bar only an *appeal* from the institution decision itself, while allowing *review* of institution-related issues in an appeal from the Patent Office's final written decision." Slip op. at 1, 5 (Alito, J., concurring in part and dissenting in part) (emphasis in original). Though Justice Alito would have remanded to the Federal Circuit for review of the Patent Office institution decision, he conceded that institution was likely appropriate in this case. Because a dependent claim includes all of the elements of claims from which it depends, the recognition that claim 17 was likely obvious necessarily implies the same for both claims 10 and 14.

Though Justices Alito and Sotomayor were troubled that "how to determine which 'statutory limits' we should enforce and which we should not ... remains a mystery," slip op. at 1, 14 (Alito, J.), all eight justices appear to agree that the door to appellate review of IPR institution decisions remains at least slightly ajar. The precise limits on the scope of review remains to be seen.

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