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Patents/Post-Grant Opposition

Stakeholders Review PTO Counter Arguments In High Court Review *Cuozzo AIA* Questions

■ **Takeaway:** *Different views drive stakeholder comments on Cuozzo cert. grant.*

The Patent and Trademark Office is fighting battles that may not be worth it, according to stakeholders commenting on the U.S. Supreme Court's decision to review how post-grant proceedings under the America Invents Act are being handled and reviewed.

The high court granted two questions in *Cuozzo Speed Technologies' petition for review Jan. 15. Cuozzo Speed Techs., LLC v. Lee*, No. 15-446 (U.S., cert. granted Jan. 19, 2016) (91 PTCJ 788, 1/22/16).

Comments in e-mails to Bloomberg BNA Jan. 22 and 25 discussed the difference between patent claim interpretation standards as to the first question, and the government's insistence that the U.S. Court of Appeals for the Federal Circuit should leave untouched every decision by the Patent Trial and Appeal Board to institute a trial, as to the second.

Is BRI an Issue 'Not Worth Fighting'? The first question presented for Supreme Court review is

1. Can the Patent Trial and Appeal Board construe claims in a patent challenge under the AIA according to their broadest reasonable interpretation (BRI) rather than their plain and ordinary meaning, as would be the case if a federal court was handling the case?

The question addresses the likelihood a reviewing body will find that a patent claim is invalid as either anticipated by or an obvious combination of prior art patents and publications. The federal courts' so-called *Phillips* standard—the “plain and ordinary meaning” reference is shorthand—begins with the presumption of a patent's validity, per 35 U.S.C. § 282. The standard is, thus, difficult for a challenger—an alleged infringer—to overcome in court.

The PTO justified its choice of BRI—which patent owners argue is more challenger-friendly—to be consistent with other examination procedures in the office. Patent owners in AIA proceedings have an opportunity to amend claims, and those amended claims would have to be treated as new applications for patent coverage, the PTO has argued.

“If the Supreme Court rules that PTAB must apply the *Phillips* standard, it would remove a great deal of uncertainty, but I don't think it will result in a larger

number of denials,” James Wodarski of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo P.C., said.

Bernard J. Knight, Jr. of McDermott Will & Emery, Washington, who was general counsel at the PTO when the office was devising its post-grant opposition rules and procedures, took that thought a step further.

“The USPTO should change the claim construction standard in the new amended PTAB regulations for post-grant proceedings from BRI to the district court standard and moot this issue for the Supreme Court,” he told Bloomberg BNA. “This is an issue not worth fighting. Very few cases turn on the distinction and the policy reason behind using BRI has not proven true because the PTAB does not allow claim amendments.”

But Baldassare Vinti of Proskauer Rose LLP said there's not “much data” to provide a meaningful analysis of the difference between BRI and *Phillips*. “While there are certainly cases in which the claims have been construed by both the PTAB and a district court, the sample size is too small to draw any meaningful conclusion,” Vinti said.

James D. Stein of Finnegan, Henderson, Farabow, Garrett & Dunner LLP, Atlanta, countered that there is a significant difference between the standards— independent of lack of proof.

“The BRI standard focuses on the words of the claims in light of the specification; nothing else matters,” he said. “It does not take into account the patent's prosecution history, disclaimers or disavowals, claim differentiation, agreements between parties litigating the patent and extrinsic evidence. All of this can have a big impact under the *Phillips* standard, resulting in a narrower construction for infringement and validity in district court than would result in the Patent Office under the BRI.”

Effect of Few Amendments Allowed. As Knight noted, the PTAB has rarely approved requests to amend claims, putting the PTO's justification for BRI into question. At the least, it suggests that *Cuozzo* will argue that claim construction before trial is instituted—before the patent owner even has the opportunity to amend—might follow *Phillips*, with a change to BRI only after claims are actually amended.

The commenters disagreed on whether that argument presents the Supreme Court with a compelling reason to force a change.

Joseph E. Palys of Paul Hastings LLP, Washington, said that the PTAB re-construes claims after trial institution for many reasons, with the board likely to argue that it needs to stick with a consistent standard from petition filing to final decision.

Palys—listed as lead attorney in over 75 cases before the PTAB—identified a number of existing circum-

stances where claim amendment doesn't affect the board's approach.

"Patent owners can waive their right to amend their claims pre-institution or disclaim one or more claims at issue," he said. "Also, after institution, the board may ask whether the patent owner intends to amend its claims during preliminary scheduling calls, and parties sometimes negotiate similar types of representations to accommodate adjustments to the case schedule. In each instance, under current practice, the Board will likely continue to apply the BRI standard for unexpired patents regardless of whether any such waiver occurs before or after institution."

Wodarski, though, allowed that "PTAB judges are exceptionally talented, and should be able to easily switch between standards. To the extent the board is "tasked with making the final decision, it makes sense that they apply the well-developed law articulated in *Phillips*, which provides the legal framework for giving claims their legal meaning."

Vinti rejected the idea of a possible mid-case switch of standards because, "It would not make sense to put the patent holder between a rock and a hard place by forcing it to choose between having the opportunity to amend its claim and having the claim construed under *Phillips*."

Federal Circuit Review of PTAB Institution Decisions.

The second question presented in the case is:

2. Is the U.S. Court of Appeals for the Federal Circuit correct when it says it cannot review a losing party's appeal of the PTAB's decision to institute an AIA-enabled inter partes review (IPR) proceeding?

The question addresses the appeals court's rulings, with one exception, that the PTAB's first-stage "trial institution" decisions are not reviewable, even after the board completes the second-stage "final written decision."

"So far, the Federal Circuit has shown extraordinary deference to what I call 'institution-related' determinations—the many different issues decided at the time of institution," said Erika H. Arner of Finnegan, Henderson, Farabow, Garrett & Dunner LLP, Reston, Va. "While that may be appropriate for some things like the application of prior art, it seems odd in cases where the board's jurisdiction is questioned, like

when the one-year time bar is violated. Denying review of these types of issues runs against the general presumption that judicial review should be available to provide a check on agency actions."

The exception was in the case *Arner won, Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 115 U.S.P.Q.2d 1681 (Fed. Cir. 2015) (90 PTCJ 2626, 7/17/15). The court reviewed the PTAB's decision of what qualifies as a "covered business method" (CBM), which invokes a special post-grant challenge.

But the government's response in opposition to *Cuozzo's* petition, in fact, contended that the Federal Circuit overstepped its bounds with even that exception.

"The Justice Department has taken an overly broad view of the authority of the Federal Circuit to review PTAB institution decisions," said McDermott's Knight. "Although the statute can be read broadly, my view, when I was working on implementing the post-grant proceedings, was that the inability to appeal the institution decision was limited to whether the evidentiary burden was met or stated differently, whether, for example, in an IPR there was a reasonable likelihood that at least one claim is unpatentable.

"I never thought that the inability to appeal the institution decision extended to other issues, such as whether a patent is a CBM patent or whether a party is a real party in interest and missed the 1-year deadline for filing an IPR," he said.

Noting "some tension between the decisions," Vinti said, "We will know whether this is a true distinction or mere semantics shortly when the Supreme Court has the final word in *Cuozzo*."

Jeffrey B. Wall of Sullivan & Cromwell LLP, Washington, filed *Cuozzo's* cert. petition. *Cuozzo's* opening brief on the merits is due Feb. 29.

A response from the U.S. government is due March 30. Argument is not yet scheduled but is likely to be held in late April.

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