



Federal Circuit Issues Foundational Decision in First IPR Appeal: *In re Cuozzo Speed Technologies, LLC*

February 2015

On February 4, 2015, in a 2–1 decision addressing two novel and foundational issues arising under the newly created *inter partes* review ("IPR") proceedings of the America Invents Act of 2011 ("AIA"), the Federal Circuit held that (i) institution decisions by the Patent Trial and Appeal Board ("PTAB") are almost never reviewable on appeal, and (ii) the PTAB is entitled to apply the "broadest reasonable interpretation" standard for claim constructions in IPRs. Both holdings, as well as the court's affirmance of the PTAB's decision on the merits, are a decisive victory for the United States Patent and Trademark Office, which participated as the sole party defending the PTAB's decision after the two private parties settled their dispute during the pendency of the appeal. Judge Dyk, joined by Senior Judge Clevenger, authored the majority opinion, which was the first to address a final written decision from an IPR.

On reviewing PTAB institution decisions, at issue was the proper construction of 35 U.S.C. § 314(d), which states that "[t]he determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable." The patentee argued on appeal that the PTAB had erred in instituting an IPR on grounds not expressly set forth in the petition seeking review. Although the Federal Circuit had decided in prior cases that it would not address institution decisions before a final written decision, the patentee argued that the institution decision could be reviewed *after* a final written decision by the PTAB. The Federal Circuit disagreed. Pointing to other provisions that prohibit all interlocutory appeals, the court concluded that § 314(d) must have been intended to do more than prevent interlocutory appeals of institution decisions. The court thus declined to review the PTAB's decision to institute an IPR on grounds not expressly set forth in the petition.

The court acknowledged the possibility that its rule was not without exception. In certain unspecified circumstances, mandamus relief could be available, although only if the party sought such relief after the IPR trial is conducted and the PTAB issues its final written decision. But, the court concluded that the standard for mandamus relief was not met in this case.

On the claim construction standard, the court emphasized the lengthy history of use of the broadest reasonable interpretation standard in proceedings at the PTO. Finding "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years," the court concluded that Congress implicitly adopted in the AIA the broadest reasonable interpretation standard for IPR proceedings. The court further held that, even if that standard were not codified by statute, the PTO was entitled to establish the standard under its rule-making authority and the deference to be accorded the agency under a *Chevron* analysis.

Finally, applying the standard of review for claim construction set forth by the U.S. Supreme Court in its recent decision in *Teva Pharmaceuticals U.S.A. v. Sandoz, Inc.*, the court found no issue with the Board's construction of the claims, its determination that the claims were obvious, or its determination that the patentee was not entitled to amend its claims.

In dissent, Judge Newman took issue with the majority's opinion as a departure from the "fundamental rule of



administrative action, that agency decisions must be reviewable on appeal." With respect to application of the broadest reasonable interpretation standard, Judge Newman would have applied the claim construction standard applicable in district court, on the view that Congress intended to "convert *inter partes* reexamination from an examinational proceeding to an adjudicative proceeding," akin to district court proceedings.

This decision, which has been long awaited by the patent bar, will have wide effect given the numerous IPR appeals already in the pipeline, proceedings pending before the PTO, and those to come. Further review of these rulings, either by the *en banc* Federal Circuit or by the U.S. Supreme Court, may be in the cards given the fundamental nature of these rules to IPRs. Further Jones Day commentary on the decision will follow.

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