

Justices May Throw Lifeline To Patents Facing AIA Reviews

By Ryan Davis

Law360, New York (January 19, 2016, 10:03 PM ET) -- By agreeing to review the claim construction standard used in America Invents Act proceedings, the U.S. Supreme Court could make it considerably easier for patents to survive the Patent Trial and Appeal Board, attorneys say, reshaping a process that detractors have described as “surprisingly lethal” for patents.

The high court decided Friday to hear an appeal by Cuozzo Speed Technologies LLC, which argues that the PTAB is wrong to construe the claims of the patents by giving them their “broadest reasonable interpretation,” and should be required to use the narrower standard used in district court, where claims are given the “plain and ordinary meaning.”

If the justices agree with that argument and order the PTAB to change its claim construction standard, it would likely be a boon to patent owners and could change the outcome of many reviews, attorneys say.

Interpreting patents broadly means that more prior art is available to be used against a patent, making it more likely to be found invalid. A sizable percentage of the patent claims reviewed by the PTAB to date have been found invalid, but altering the claim construction standard could cause those numbers to drop.

If the PTAB were to use the district court claim construction standard, “in general, it would make it more likely that patents will survive these post-issuance proceedings,” said Scott McBride of McAndrews Held & Malloy Ltd.

It is difficult to tell how many PTAB cases hinge on the claim construction standard and would be decided differently if it were changed, attorneys say. But there is no question that claim construction is a fundamental issue in every patent case.

“Apart from patent eligibility, I can’t think of an issue where there is so much riding on the outcome of litigation and inter partes review as claim construction,” said Baldassare Vinti of Proskauer Rose LLP. “It goes right to the heart of what patent attorneys do when they assess claims.”

Differing Standards

As of the end of 2015, the PTAB has received more than 4,300 petitions challenging patents under the AIA, drawn by what appear to be strong odds for challengers. Cuozzo was the first company to have a patent invalidated under the proceedings, when the PTAB found its speedometer patent invalid as

obvious.

After the Federal Circuit upheld that decision, Cuozzo urged the Supreme Court to review the claim construction standard used by the board, writing in its petition for a writ of certiorari that having different claim constructions in the PTAB than in court "introduces tremendous uncertainty into claim construction [and] allows for conflicting invalidity decisions."

It cited statistics that it said showed that 85 percent of PTAB decisions invalidated some or all of the claims under review, and described AIA reviews as "surprisingly lethal."

The U.S. Patent and Trademark Office, of which the PTAB is a part, has used the "broadest reasonable" interpretation standard, also known as BRI, in other types of proceedings for many years. The Supreme Court case turns on the office's decision to use it in AIA reviews, which were designed as a streamlined alternative to district court litigation.

The USPTO has defended its practice of reading claims broadly by noting that patent owners have a chance to amend their claims during AIA reviews, unlike in district court. Critics of having different claim construction standards at the PTAB and in court, including several Federal Circuit judges, have argued that since the board very rarely grants amendments in AIA reviews, it should use the district court claim construction standard.

At the most basic level, the question for the Supreme Court is whether it makes sense for patents to be construed differently at the PTAB and in district courts. Many companies struggle with the concept that the same patent can have different meanings based solely on who is reviewing it, said Eley Thompson of Foley & Lardner LLP.

"There are a number of stakeholder groups out there who believe that the Supreme Court is not likely to endorse multiple meanings of a patent, and are more likely to endorse an approach where the claim means what it means," he said.

Since patents can have a different construction at the PTAB and in district court, it is possible for a court to find a patent valid and the PTAB to find it invalid, which is a "fundamental problem" for patent owners, said Robert Greene Sterne of Sterne Kessler Goldstein & Fox PLLC.

"People have been disturbed by this since day one," he said, adding that patent owners are "getting whipsawed" between the two different claim construction standards.

Patents now operate in a global environment, and people in countries where the standards in litigation and post-grant review proceedings are more aligned are baffled by what is happening in the U.S., Sterne said.

"The fact that the U.S. system has this quiriness to it has been noticed around the world," he said. "People in Europe are looking at this system and it doesn't make sense to them."

Appellate Review

In addition to claim construction, the Supreme Court will also take up a second question in the Cuozzo case, delving into the somewhat lower-profile, but also contentious, question of what aspects of the PTAB's decisions the Federal Circuit can review on appeal.

The AIA states that the board's decisions to institute a review are "final and nonappealable." The Federal Circuit has interpreted that to mean that not only can institution decisions themselves not be appealed, even after the PTAB issues a final written decision, most aspects of the decision that began the process are not subject to judicial review.

Cuozzo said that allows the board to exceed its statutory authority to invalidate patents with no judicial oversight, and argues that Congress could not have intended such a system. If that argument finds favor with the justices, they could hold that certain aspects of institution decisions can be reviewed on appeal, opening the door for patent owners to make a wider range of appellate arguments challenging adverse decisions.

In some cases, the PTAB has decided to review patents on grounds that were not raised in the petition and the Federal Circuit has shot down challenges to those decisions by saying institution decisions can't be appealed.

"That's pretty extreme," said Erika Arner of Finnegan Henderson Farabow Garrett & Dunner LLP. "The general presumption, not just in patent law, but in all law, that there is some sort of judicial review available."

As with changing the claim construction standard, loosening the Federal Circuit's limits on appellate review of institution decisions would be good news for patent owners, Vinti said.

"It would certainly benefit patent owners, but it's more of a question of fundamental fairness to them, not giving them an advantage they shouldn't have," he said.

The case is *Cuozzo Speed Technologies LLC v. Lee*, case number 15-446, in the U.S. Supreme Court.

--Editing by John Quinn and Kelly Duncan.

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