

June 22, 2016

Supreme Court Maintains Status Quo on Broadest Reasonable Claim Interpretation Test and Non-Appealability of Institution Decisions



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On June 20, 2016, the Supreme Court decided *Cuozzo Speed Technologies LLC v. Lee*, No. 15-446, an appeal from the first-ever *inter partes* review ("IPR") petition. The Court retained the status quo in two areas by holding that: (1) Cuozzo's appeal of the PTAB's decision to institute IPR was barred by 35 U.S.C. § 314(d); and (2) the PTAB can use the broadest reasonable interpretation ("BRI") standard to review patent claims in IPRs, instead of the narrower *Phillips* standard used in district courts. The Court was unanimous as to the BRI standard. But, Justices Alito and Sotomayor dissented from the "no-appeal" ruling – they would have interpreted the statute as precluding only interlocutory appeals.

Non-appealability. The Court found the text of 35 U.S.C. § 314(d) ("whether to institute an *inter partes* review . . . shall be *final and non-appealable*.") was plain on its face. The Court determined that the "No Appeal" provision of the statute, the overall statutory scheme, the role of the Administrative Procedure Act ("APA"), prior interpretations of similar statutes, and Congress's purpose in crafting IPRs "all point in favor of precluding review of the Patent Office's institution decisions." The Court emphasized that its ruling applies only where the grounds for attacking the decision to institute consist of questions that are "closely tied" to the application of the statutes related to the PTAB's decision to initiate IPR, and does "not categorically preclude review of a final decision" when a petition raises a due process problem or when an agency acted outside its statutory limits in instituting IPR.

BRI claim construction. The Court held that the BRI regulation is a reasonable exercise of the rulemaking authority granted to the PTAB by statute. Applying *Chevron*, the Court found that the America Invents Act ("AIA") leaves a "gap" because there is "no statutory provision unambiguously" requiring "a particular claim construction standard," and that the statute grants the PTO the authority to address the "gap" by creating regulations "governing [IPRs]." That authority, the Court held, includes enacting rules that are reasonable in light of the statutory text, including the BRI rule. In finding the BRI test reasonable, the Court considered the public-interest and ruled that BRI assists in providing stronger patent scope boundaries. Further, the Court reasoned that the BRI standard prevents a patent from tying up too much knowledge from the public domain, and noted that the PTO has used this standard for more than 100 years. Notably, the Court rejected Cuozzo's argument that the right to amend in IPR is illusory in light of the tiny fraction of motions to amend that have previously been granted in IPR proceedings.

What to Watch for After Cuozzo

First, "questions of interpretation that reach, in terms of scope and impact, **well beyond** [35 U.S.C. §§ 314 or 324]" (*i.e.* the post issuance review proceeding statutory provisions) would still be open to review on appeal to the Federal Circuit under § 706 of the APA. Thus, *Cuozzo* does not appear to preclude the appeal of *Versata*, thus permitting review of questions on Covered Business Method eligibility under AIA § 18. **Second**, the Court made clear that reviewability of proceedings with constitutional issues remain reviewable. **Third**, regarding the Court's affirmation of the PTO's use of BRI, *Cuozzo* will have little-to-no impact on pending or future IPRs. Litigants will continue to deal with the differing claim construction standards between the PTAB and the district court.

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