Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

High Court And Congress Taking On PTAB Trials

Law360, New York (February 29, 2016, 11:14 AM ET) --


Richard Torczon

In the still-new era of post-grant trials at the Patent Trial and Appeal Board, Cuozzo Speed Technologies LLC v. Lee is a prodigy of firsts: the first-filed inter partes review petition;[1] the first final written decision of the PTAB to be reviewed by the U.S. Court of Appeals for the Federal Circuit;[2] the first such decision denied rehearing en banc;[3] and the first such decision to reach the U.S. Supreme Court.[4] Along the way, the original petitioner, Garmin International, settled out of the case,[5] leaving a dispute between the patent owner, Cuozzo and the United States Patent and Trademark Office (embodied by its director, Michelle Lee) over two fundamental questions regarding PTAB trials: (1) whether the PTAB may use the broadest reasonable interpretation standard for claim construction rather than the standard used in courts; and (2) whether a USPTO decision to institute a trial is unreviewable, even if the USPTO exceeds its authority. The Supreme Court granted certiorari on these two questions, but not on the related (but poorly preserved) question of PTAB claim amendment practice. Meanwhile, Congress is contemplating legislation that would eliminate the BRI standard without addressing claim amendment practice.[6]

Cuozzo started with a petition from Garmin seeking to cancel the claims of a patent on a speed-limit indicator. Garmin offered 43 separate grounds of unpatentability for 20 claims.[7] When the PTAB instituted the IPR, it reformulated the case as set out in Garmin's petition. First, it restated Garmin's petition in terms of 10 distinct grounds rather than the 43 grounds presented in the petition.[8] Second, the PTAB actually instituted on two obviousness grounds (for just three claims) using prior art references Garman had identified, but using combinations of the references that Garmin had not proposed.[9] In effect, Garmin never actually proposed the grounds on which trial was instituted; instead, the PTAB independently created and instituted new grounds of rejection. During the trial, Cuozzo attempted to amend its claims, but the PTAB denied the amendments for impermissibly broadening the claims.[10] Ultimately, the PTAB canceled the three claims.[11]

On appeal to the Federal Circuit, Cuozzo challenged the PTAB's power to institute on new grounds, its use of BRI to construe the claims and its refusal to permit amendment of the claims. Cuozzo also challenged the PTAB's claim constructions and obviousness determinations.[12] By a 2-1 vote, the Federal Circuit affirmed. The majority explained that the statutory prohibition on reviewing institution decisions extended to all aspects of the decision, including whether the USPTO exceeded its own statutory authority.[13] The majority held that BRI was a reasonable standard for the PTAB to use because the patent owner could amend claims, while summarily discounting arguments that PTAB claim amendment practice was prohibitively restrictive.[14] The court agreed with the PTAB that issued claims

were unpatentable and that the amended claims were improperly broadened.[15]

The dissent expressed the view that PTAB trials are a substitute for district court litigation and thus should use the same standards as district courts rather than BRI.[16] The dissent also noted that the court's reading of the statutory bar on review was broader than necessary and inconsistent with presumptions of review for agency action.[17] After a request for rehearing en banc failed, the original Federal Circuit panel reissued their majority and dissenting opinions with some modifications.[18]

The Supreme Court's decision to review Cuozzo reflects its recent tendency to review the Federal Circuit more actively after a quarter-century of relatively infrequent guidance following the Federal Circuit's creation. The court's active interest in the first PTAB review also contrasts with the Federal Circuit's largely deferential approach to reviewing PTAB trials. Moreover, the court is acting while three separate bills that would eliminate the BRI standard are pending in Congress. What do the tea leaves portend?

Justices have expressed surprise about the application of different standards to the same claims for assessing patentability at the USPTO and validity in district courts.[19] A broad decision rejecting BRI could have profound, pro-patent effects throughout USPTO processes, including the basic examination of every patent application.

The current BRI practice is grounded on a defense of the notice function of claims: When an applicant (or patentee) can amend its claim to clarify the intended meaning, it should do so to help others interpret the claim, instead of leaving doubt until some later court says what the claim mean.[20] The USPTO has recognized the link between BRI and amendment to the point of not using BRI in the rare instances when it is reviewing a patent claim that can no longer be amended (e.g., in a re-examination of an expired patent).[21] The Supreme Court has expressed the importance of the notice function of claims, for example, in adopting a fairly restrictive view of the doctrine of equivalents for infringement purposes.[22] Cuozzo places these concerns in tension: Is it more important for a claim to always have the same meaning regardless of forum, or is it more important to maintain an incentive to clarify the claims whenever they can be amended? Given that BRI is linked to claim amendment, but claim amendment is not an issue in the writ of certiorari, is Cuozzo even the right case to resolve the question?

The second issue for certiorari is whether institution decisions are unreviewable even when the PTAB (acting on the director's behalf) exceeds its authority. The statutes say that "[t]he determination by the Director whether to institute ... review under this section shall be final and nonappealable."[23] The question for the Supreme Court is just how far immunity from review extends. The court has generally been reluctant to find agency action to be unreviewable unless statutory language clearly bars review.[24] Facially, the statutory language is clear, but as Cuozzo shows, it leaves open whether the bar extends beyond the decision on the merits (e.g., is the claim likely unpatentable on the grounds in the petition?) to encompass all aspects related to the institution, such as whether the USPTO even has power to act. Indeed, the Federal Circuit has held (in another 2-1 decision) that it can review whether the PTAB has the power to invalidate a patent claim as long as the issue bears on the correctness of the PTAB's final written decision.[25]

The PTAB has taken a broad view of its own ability to revisit its institution decision, even long into the trial, and the Federal Circuit has affirmed this practice.[26] In Cuozzo and other decisions, however, the Federal Circuit has rejected the ability of courts to review any aspect of the institution decision per se, even non-merits questions like jurisdiction or due process.[27] The consequence has been unchecked liberty in PTAB institution decisions, with different panels reaching seemingly irreconcilable outcomes

on similar facts. Although the institution decision is statutorily a decision of the director,[28] neither the director nor PTAB management has acted to encourage more uniform outcomes.[29] In the absence of meaningful review, institution has become an expensive process that lacks reasonable predictability, particularly for questions like redundancy between proceedings and joinder of proceedings. A Supreme Court decision that opens the door to review of process-related issues in institution decisions (such as jurisdiction or joinder) could serve as a welcome prod to encourage the USPTO to address such problems systematically.

As with BRI, however, claim amendment also informs the institution question in Cuozzo. The part of the Cuozzo institution decision that putatively exceeded the PTAB's authority was its institution on grounds that the petition did not raise. While the USPTO has defended its ability to institute on its own theory of unpatentability, it has also argued that its restrictive amendment practice is necessary because the PTAB is unable to examine claims.[30] The result is a process in which the PTAB can examine original claims at institution (which arguably helps the petitioner), but cannot examine substitute claims during the trial (which would arguably help the patent owner).[31]

At the heart of both the Cuozzo writ of certiorari and the legislative proposals is the question of whether PTAB trials are substitutes for district court invalidity contests or enhanced inter partes re-examinations. Either view is defensible, but with different outcomes.

A district court substitute would not use BRI, but would also not permit claim amendment. An enhanced re-examination would use BRI, but would also permit freer claim amendment. Without some clarification, the current PTAB practice is an awkward hybrid in which BRI is used, but claim amendment is rarely successful to the point of being unattainable, practically speaking. The pending congressional proposals would result in the opposite — yet equally problematic — outcome of banning BRI but leaving in place the possibility of amendment. The questions posed in the writ of certiorari suggest that the court might decide the BRI issue along the lines of the congressional proposals, but might require more judicial review of PTAB institution decisions. However, an outcome that fails to account for the proper scope of claim amendment in PTAB trials will be — at best — incomplete.

—By Richard Torczon, Wilson Sonsini Goodrich & Rosati PC

Richard Torczon is of counsel in Wilson Sonsini's Washington, D.C., office.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] Garmin Int'l, Inc. v. Cuozzo Speed Techs., LLC, IPR2012-00001, Paper 1, filed September 16, 2012.

[2] In re Cuozzo Speed Techs., LLC, 778 F.3d 1271 (Fed. Cir. 2015).

[3] In re Cuozzo Speed Techs., LLC, 793 F.3d 1297 (Fed. Cir. 2015) (order denying en banc rehearing).

[4] Cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee, No. 15-446 (Jan. 15, 2016).

[5] In re Cuozzo Speed Techs., LLC, 793 F.3d 1268, 1272 n.2 (Fed. Cir. 2015) (decision on rehearing).

[6] Innovation Act, H.R. 9, 114th Cong. §9 (2015); STRONG Patents Act of 2015, S. 632, 114th Cong.

§§102(a) & 103(a) (2015); PATENT Act, S. 1137, 114th Cong. §§11(a)(4)(A)(vii) & 11(b)(4)(A)(vi) (2015).

[7] IPR2012-00001, Paper 1 at 5–6.

[8] Garmin Int'l, Inc. v. Cuozzo Speed Techs., LLC, IPR2012-00001, Paper 15 at 2-3 (PTAB 2013).

[9] Id. at 26.

[10] Garmin Int'l, Inc. v. Cuozzo Speed Techs., LLC, IPR2012-00001, Paper 59 at 2-3 & 48–49 (PTAB 2013).

[11] Id. at 49.

[12] Cuozzo Speed Techs., 778 F.3d at 1276, 1278 & 1286–87.

[13] Id. at 1277–78.

[14] Id. at 1278–82.

[15] Id. at 1286.

[16] Id. at 1288.

[17] Id. at 1292.

[18] Cuozzo Speed Techs., LLC, 793 F.3d 1268.

[19] E.g., Nautilus, Inc. v. Biosig Instruments, Inc., No. 13-369, transcript at 51–53 (April 28, 2014).

[20] E.g., In re Bigio, 381 F.3d 1320, 1324 (Fed. Cir. 2004).

[21] E.g., Rambus Inc. v. Rea, 731 F.3d 1248, 1252 (Fed. Cir. 2013).

[22] Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co., 520 U.S. 17, 29, 33 (1997).

[23] 35 U.S.C. §§314(d) & 324(e).

[24] E.g., Mach Mining, LLC v. Equal Employment Opportunity Comm'n, 575 U.S. _, 135 S. Ct. 1645, 1651 (2015).

[25] Versata Dev. Grp., Inc. v. SAP Am., Inc., 793 F.3d 1306, 1319 (Fed. Cir. 2015).

[26] GTNX, Inc. v. INTTRA, Inc., 789 F.3d 1309, 1312–13 (Fed. Cir. 2015).

[27] E.g., Achates Reference Publ'g, Inc. v. Apple Inc., 803 F.3d 652, 658 (Fed. Cir. 2015).

[28] 35 U.S.C. §§314(a) & 324(a).

[29] Cf. PTAB, Boardside Chat webinar, "Ask the Judges Questions" (August 4, 2015) (available at http://helix-1.uspto.gov/player/20150804_PTABBoardside.html) at 19:48-20:25:

Q. Does the board plan to deal with inconsistencies such as the joiner issue or will joinder remain a panel dependent issue?

A. I would say that for now it is going to be panel dependent. Possibly the Federal Circuit will get a case that will be decided and that's the way situations like that normally get resolved. . . . I think for the foreseeable future it is going to remain panel dependent.

[30] E.g., Microsoft Corp. v. Proxyconn, Inc., 789 F.3d 1292, 1307–08 (Fed. Cir. 2015).

[31] For example, recently the PTAB added a new ground for several claims. The petitioner had briefed anticipation (35 U.S.C. §102) for claims 1–7 and 12–17 and obviousness (§103) for claims 10 and 11. At institution, the PTAB ordered trial on the anticipation ground and for claims 1–7 and 10–17 on the obviousness ground. 10X Genomics, Inc. v. RainDance Techs., Inc., IPR2015-01558, Paper 13 at 3 & 21 (PTAB 2016). In essence, the PTAB added a new ground of unpatentability for claims 1–7 and 12–17.