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Supreme Court Upholds the BRI Standard and Provides Guidance on Judicial Review

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On June 20th, in *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ____ (2016), the Supreme Court issued a highly anticipated decision concerning the appropriate claim construction standard for post-grant *inter partes* review (“IPR”) proceedings, and the judicial reviewability of certain decisions by the Patent Trial and Appeal Board (“PTAB”). The Court held that (1) the PTAB may apply the broadest reasonable interpretation (“BRI”) as the claim construction standard in IPR proceedings; and (2) the PTAB’s decision to institute an IPR is not reviewable where the decision does not implicate constitutional questions, is not in excess of statutory jurisdiction, or is not arbitrary and capricious. These two rulings, and their potential implications, are summarized below.

Claim Construction Standard

At issue in this case was the U.S. Patent and Trademark Office (“USPTO”) rule requiring the PTAB to give a challenged patent claim “its broadest reasonable construction” in an IPR proceeding. *Slip op.* at 12. The Court began by acknowledging that the America Invents Act (“AIA”), which established *inter partes* review, does not set forth a particular claim construction standard. *Id.* at 13. But the Court also noted that 35 U.S.C. § 316(a)(4) “grants the Patent Office authority to issue ‘regulations . . . establishing and governing inter partes review’” and held that the USPTO regulation at issue “is a reasonable exercise” of this “rulemaking authority.” *Id.* at 12, 13, 17. The Court observed that, under the principles of *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), where there is “an express delegation [by Congress] of rulemaking authority” with respect to a statutory gap or ambiguity, the Court interprets the statute “as granting the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute.” *Slip op.* at 13, 17 (citations omitted).

After examining the AIA, the Court concluded that “neither the statutory language, its purpose, or its history suggest that Congress considered what standard the agency should apply when reviewing a patent claim in inter partes review.” *Id.* at 16. The Court then deferred to the USPTO’s choice of the claim construction standard. In its reasoning, the Court stated that the USPTO has applied BRI “standard for more than 100 years” and application of this standard “helps prevent a patent from tying up too much knowledge.” *Id.* at 17. The Court also viewed the IPR proceedings as sufficiently different from the district court patent litigation, where a different standard applies. *Id.* at 15-16. Finally, the Court was unpersuaded by the argument that applying the BRI standard is “unfair” to patent holders because of the limited opportunity to amend claims in an IPR and relatively low success rate for motions to amend in an IPR. *Id.* at 18-19. According to the Court, this low success rate “may



reflect the fact that no amendment could save the inventions at issue, *i.e.*, that the patent should have never issued at all." *Id.* at 19.

Judicial Reviewability of an Institution Decision

Cuozzo had challenged the PTAB's institution decision as running afoul of the "particularity" requirement of 35 U.S.C. § 312(a)(3) because the PTAB instituted an IPR on grounds not explicitly stated in the IPR petition. *Id.* at 5, 6. The Court rejected this challenge, holding that the plain language of 35 U.S.C. § 314(d), which states that a decision "to institute an inter partes review under this section shall be final and nonappealable," bars judicial review of the PTAB's institution decision, at least where the challenge to the institution decision "consist[s] of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review." *Id.* at 7, 8, 11. The Court concluded that in this case, the traditional presumption in favor of judicial review has been overcome by "clear and convincing" indication that "Congress intended to bar review." *Id.* at 9-10 (internal quotation marks and citation omitted).

The Court stressed, however, that it was not deciding whether judicial review of the Board's institution decisions is categorically foreclosed in all cases. Focusing on the phrase "under this section" in § 314(d), the Court emphasized that § 314(d) does not necessarily bar all judicial review of institution decisions, and that judicial review may still be available where the institution decision implicates "constitutional questions," the agency action is "in excess of statutory jurisdiction," or the agency action is "arbitrary [and] capricious." *Id.* at 11-12 (internal quotation marks omitted). The Court left open how such review would be procedurally pursued, such as through mandamus or on final appeal.

Justice Alito (joined by Justice Sotomayor) dissented from the reviewability holding. The dissenting justices were concerned that without any judicial review, patent owners would be left without any remedy even if the PTAB failed to enforce the prohibitions against instituting an IPR (e.g., time limit or permissible grounds). Dissent at 11-12. Accordingly, the dissent would have limited the scope of § 314(d) to prohibiting interlocutory appeal of an institution decision. *Id.* at 5, 6. The dissent argued that "[t]his approach is consistent with the normal rule that a party may challenge earlier agency rulings that are themselves 'not directly reviewable' when seeking review of a final, appealable decision." *Id.* at 6.

Conclusion and Implications

The Court's decision settles, at least for now, the question of what claim construction standard will be applied by the PTAB in IPR proceedings and other post-grant proceedings, including post-grant review (PGR) and covered business method (CBM) review. The Court's unanimous decision on that issue is best explained by the continuing vitality of the *Chevron* doctrine, which mandates judicial deference to administrative agencies' interpretation of the statutes they are charged with administering. In the aftermath of the Court's decision, the attention will now be further focused on how the PTAB and the Federal Circuit define and apply the BRI standard in post-grant proceedings.

On the reviewability, while the Court reaffirmed the statutory bar on judicial review of the PTAB's institution decisions, it noted the limited nature of its ruling. The Court emphasized that it was not necessarily precluding review of the institution decisions where the decision implicates constitutional questions, is in excess of statutory jurisdiction, or is arbitrary and capricious. The precise parameters of this potential exemption from the bar on judicial review are also likely to be fleshed out in future cases.



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