

## REPORT

**IN FIRST REVIEW, FEDERAL CIRCUIT  
AFFIRMS IPR INVALIDITY DECISION**

February 10, 2015

On February 4, the Federal Circuit issued a split decision in *In re Cuozzo Speed Techs., LLC*, Appeal No. 2014-1301, which is the first review of a Patent Office invalidity decision in an *Inter Partes* Review (IPR). In affirming the Patent Trial and Appeal Board's (PTAB) obviousness analysis, the 2-1 decision also confirms that (i) patent claims in an IPR are to be construed under the "broadest reasonable interpretation" (BRI) standard, not under the narrower standard that applies in district court litigation, and (ii) the Federal Circuit does not have appellate jurisdiction over the PTAB's decision to institute an IPR either as an interlocutory ruling or as part of a final decision.

**I. BACKGROUND**

Cuozzo is the owner of a patent directed to a speedometer that also displays a speed limit. Garmin petitioned for an IPR, contending that the patent was invalid as anticipated and having been obvious. The PTAB granted the petition and instituted the IPR on the challenged claims, albeit based on combinations of references that were different than the combinations asserted by Garmin in its petition.

During the IPR, Cuozzo proposed a substitute claim for one of the challenged claims in a motion to amend. The PTAB denied Cuozzo's motion, finding that the substitute claim was an impermissible broadening of the

challenged claim. In its final decision, the PTAB found the challenged claims invalid for obviousness based on its construction of the claim term "integrally attached."

Cuozzo appealed the PTAB's final decision, arguing that (i) the IPR should not have been instituted, (ii) the PTAB improperly construed the claims under the BRI standard instead of the narrower district court standard, and (iii) the PTAB erred in denying Cuozzo's motion to amend its claims.

**II. DECISION****A. Review of Decision  
to Institute an IPR**

Cuozzo argued that the PTAB's institution of the IPR was improper because it was based on prior art combinations that had not been asserted by Garmin, and IPRs should be limited to the grounds asserted in the petition. The panel majority did not directly address Cuozzo's argument because it determined that it has no authority to review the PTAB's decision to institute the IPR, even as part of reviewing a final decision on validity.

The panel majority initially noted that, in *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014), it had already determined that 35 U.S.C. §314(d) does not permit an interlocutory appeal of the PTAB's decision to institute an IPR. The panel majority

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then concluded that §314(d) also precludes review of the PTAB's decision to institute an IPR, even after a final decision on validity, for at least three reasons.

First, the panel majority reasoned that §314(d) is written to exclude any review of the decision whether to institute an IPR. Section 314(d), as amended by the America Invents Act (AIA), states that "[t]he determination by the Director whether to institute an [IPR] under this section shall be final and nonappealable." The panel majority opined that the statute's mandate that the decision to institute is "final" cannot reasonably be interpreted as simply postponing review until after issuance of a final decision on patentability.

Second, the panel majority determined that, because 35 U.S.C. §§ 319 and 141(c) already bar interlocutory appeals from Patent Office proceedings, §314(d) would have been unnecessary if it were intended to only preclude interlocutory review of institution decisions.

Third, the panel majority deemed this issue to be analogous to the issue addressed in *In re Hiniker Co.*, 150 F.3d 1362 (Fed. Cir. 1998), which held that appellate jurisdiction in the appeal of a reexamination existed only over the PTAB's final decision on patentability—not the decision to institute the reexamination.

The panel majority declined to directly decide whether the PTAB's decision to institute an IPR was reviewable on mandamus because Cuozzo did not file a mandamus petition. However, the panel majority opined that even if Cuozzo had filed a petition for mandamus in this case, it would not have met the difficult burden of establishing that "the PTO [had] clearly and indisputably exceeded its authority" in instituting the IPR. The panel majority did not, however, foreclose the possibility of mandamus in other instances, suggesting that mandamus might be

available when a party can satisfy the clear and indisputable standard.

## **B. Claim Construction Standard**

Cuozzo next challenged the PTAB's BRI standard in claim construction and its impact on the final obviousness determination. The panel majority determined that the PTAB properly construed the term "integrally attached" under the BRI standard.

Although the AIA is silent as to the claim construction standard to be used in IPRs, the panel majority recognized that the AIA provides broad authority for the Patent Office to issue regulations setting forth the standards for sufficient grounds to institute an IPR. Thus, in 37 C.F.R. §42.100(b), the Patent Office deemed that a claim shall be given its "broadest reasonable construction in light of the specification of the patent in which it appears." The panel majority further recognized that this is the same standard that has been applied in the Patent Office for more than 100 years and there is no indication that the AIA intended it to change. As such, Congress impliedly adopted the standard for IPRs.

The panel majority rejected Cuozzo's argument that the limited availability of amendments in an IPR proceeding should preclude the use of the BRI standard. In particular, Cuozzo argued that the ability to amend the claims in an IPR is so limited it cannot justify the use of a standard used in proceedings (*e.g.*, examination and reexaminations) where amendments were guaranteed. Although it acknowledged the limits on amending claims in an IPR, the panel majority concluded that even a limited ability to amend is enough to support the use of the BRI standard in an IPR.

The panel majority also dismissed Cuozzo's argument that the BRI standard shouldn't apply because IPRs are adjudicative in nature. In particular, the panel majority noted

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that the BRI standard has been applied in Patent Office interference proceedings, which are also adjudicative in nature.

For these reasons, the panel majority affirmed the PTAB's use of the BRI standard in IPRs.

### C. Construction of "Integrally Attached"

Having affirmed the BRI standard for construing claims, the panel majority turned to the PTAB's construction of the term "integrally attached" under that standard. First, applying the new standard of review espoused in *Teva Pharms. U.S.A., Inc. v. Sandoz, Inc.*, 574 U.S. \_\_\_\_ (January 20, 2015)<sup>1</sup>, the panel majority determined that the PTAB's claim construction should be reviewed *de novo* because there were no underlying factual determinations concerning extrinsic evidence.

The PTAB construed "integrally attached" to mean "discrete parts physically joined together as a unit without each part losing its own separate identity." Cuozzo argued that this construction was too narrow because it excludes a single-unit embodiment of the invention wherein the speedometer and the speed limit indicator are not different structures but are functionally provided in a single LCD unit. The panel majority found no error in the PTAB's construction because it gives the term "attached" meaning, *i.e.*, it would be illogical to consider a single unit to be attached to itself. Thus, the PTAB's construction properly excluded Cuozzo's single-unit embodiment.

### D. Obviousness

Cuozzo argued that the PTAB improperly found the challenged claims to have been obvious because (i) the PTAB had improperly construed

"integrally attached," and (ii) there was no motivation to combine the applied references.

Because the panel majority affirmed the PTAB's claim construction, it found Cuozzo's first argument unpersuasive. In fact, the panel majority further noted that the claims would also have been obvious under Cuozzo's asserted broader construction.

The panel majority was also unpersuaded by Cuozzo's second argument. Cuozzo argued that the skilled artisan would not have been motivated to combine a prior art automatic device with prior art manual devices. The majority panel disagreed because "applying modern electronics to older mechanical devices has been commonplace in recent years."

Thus, the panel majority affirmed the PTAB's finding that the challenged claims would have been obvious.

### E. Denial of Motion to Amend

The panel majority recognized that both the AIA and 37 C.F.R. §42.221(a)(2)(ii) bar broadening amendments in an IPR. Applying precedent related to narrowing reissues and reexaminations, the panel majority stated that a claim "is broader in scope than the original claims if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent."

Using this test, the panel majority agreed with the PTAB's finding. In particular, as properly construed by the PTAB, the originally challenged claim excluded Cuozzo's single-unit embodiment. Cuozzo's replacement claim, however, was written to encompass its disclosed single-unit embodiment. As such, the replacement claim improperly contained within its scope an apparatus that would not have infringed the originally challenged claim. The panel majority thus affirmed the PTAB's denial of Cuozzo's motion to amend.

<sup>1</sup> See our February 3, 2015 Special Report which is available on our website, <http://www.oliff.com>.

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## F. Dissent

Judge Newman dissented, disagreeing with two aspects of the panel majority's opinion that she believes to be contrary to the legislative purpose of the AIA.

First, Judge Newman disagreed with the panel majority's holding that the PTAB's decision to institute an IPR is non-appealable, even after a final decision. Judge Newman argued that the panel majority's ruling impedes full judicial review of a PTAB's final decision, which is contrary to a purpose of the AIA, *i.e.*, to achieve correct adjudication of patent validity through IPRs. Judge Newman agreed that the language of §314(d) plainly bars harassing interlocutory appeals, but found the language unclear with respect to appeal after a final decision. In Judge Newman's view, a complete bar on the appellate review of decisions to institute an IPR should be avoided unless Congress's intent was explicit. Thus, she argued that an appeal of a decision to institute an IPR after the final decision should be permitted.

Second, Judge Newman disagreed with the panel majority's claim construction standard. In particular, she argued that Congress's purpose in creating the IPR proceeding was to provide a new adjudicatory proceeding in the Patent Office as a substitute for district court litigation. To be a useful substitute, IPR requires the same claim construction standard as district court litigation.

Judge Newman distinguished the Federal Circuit's prior approval of the BRI standard in Patent Office examination and reexamination proceedings because its application in those proceedings was based on the "unfettered opportunity to amend." Judge Newman agreed with *Cuozzo* that IPRs do not provide the same opportunities to amend, because motions to amend require permission and are rarely granted. With limited opportunity to amend, Judge Newman reasoned that IPRs must be treated

differently than the other Patent Office proceedings, and therefore should not be bound by the broader claim construction standard of those other proceedings.

## III. RECOMMENDATIONS

Several important practice tips can be gleaned from this decision.

Unless the Supreme Court or Congress weighs in, claims will properly be construed during an IPR according to the BRI standard. Thus, when evaluating claims to prepare a Petition requesting IPR or defending a patent in an IPR, petitioners and patent owners should take care to use this standard. Arguing for a claim construction under a narrower standard will not be effective. Further, because Post Grant Review (PGR) proceedings were also promulgated under the AIA and are subject to the same Patent Office rule making authority as IPRs, it is reasonable to assume that the BRI standard is also properly applied in PGRs under 37 C.F.R. §42.200(b).

Similarly, unless the Supreme Court or Congress weighs in, the PTAB's decision to institute an IPR is not appealable—even after the PTAB has issued a final decision in the IPR. That means the only recourse for a petitioner or patent owner to challenge the PTAB's decision instituting or denying an IPR is filing a Request for Rehearing under 37 C.F.R. §42.71(d).

In rare circumstances, another option to challenge a PTAB decision instituting or denying an IPR might be filing a mandamus petition. The panel majority suggested that mandamus may be available for review of a PTAB decision instituting or denying an IPR when "the PTO has clearly and indisputably exceeded its authority." However, the panel majority indicated that the clear and indisputable requirements will be difficult to satisfy.

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