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Reading Cuozzo Tea Leaves: Best Practices for IPR Proceedings Pending Supreme Court's Decision

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The ***Supreme Court*** of the United States heard oral argument today on claim construction in inter parte review (IPR) proceedings and the reviewability of institution decisions (a copy of the petition for certiorari is reported at "Supreme Court Accepts 1st IPR Appeal: Cuozzo Could Mark Turning Point for Patent Owners"). On the claim construction issue, the Justices seemed to struggle with the tension between IPRs being consistent with validity determinations in district court litigation, or patentability determinations in USPTO proceedings, referencing them several times as "hybrid" proceedings. Given the uncertainty of the outcome on both appealed questions (whether broadest reasonable interpretation will be retained and whether decisions to institute can be appealed), practitioners should take steps in pending proceedings to protect their rights under the different outcomes.

Comments from the Justices

As Justice Kennedy noted, "if the patent is invalid under its broadest, reasonable interpretation doesn't – doesn't that mean that the PTO should never have issued the patent in the first place..?" Tr. 11. The implication of the question was that applying a district court standard would require the USPTO to put its stamp of approval on patents it would not have issued.

In the context of litigation where IPRs often arise, Chief Justice Roberts observed that "it's a very extraordinary animal in legal culture to have two different proceedings addressing the same question that lead to different results." Tr. 32. Chief Justice Roberts further commented that "[i]t just seems to me that that's a bizarre way to conduct legal – decide a legal question." Tr. 41.

Justice Alito did not seem to be as troubled about differences between IPRs and district court proceedings when he asked "is the standard of proof for invalidity the same in an infringement action in the district court as it is in inter partes review?" Tr. 6-7. The answer of course is that the standards are different by statute. Justice Breyer drew the contrast characterizing IPRs potentially as "a partial-Ground-Day statute" or a "little district court proceeding." Tr. 37-38.

Justice Ginsburg observed that IPRs were a "[k]ind of hybrid. It has – in certain respects it resembles

administrative proceedings and other district court proceedings." Tr. 23. Attempting to bring the two interpretation standards together, Justice Sotomayer observed, "[s]o how different at the end of that [examination] process is the ordinary meaning from a continuing broad meaning? You've already had all these chances to amend, to make things as precise and as narrow as the Patent Office thinks it needs to be." Tr. 27.

Justice Kagan took the approach of looking at the issue from the perspective of Congress noting, "if I'm trying to put myself in Congress's position, I'm – I'm looking at the PTO, and it does pretty much everything by this broadest-construction standard. And if I had the clear intent that you're suggesting, given the backdrop of how the PTO generally operates, wouldn't I say so?" Tr. 22.

Justice Breyer commented that "[i]f it's ambiguous between those two purposes, I would begin to think, well, maybe they [USPTO] should have the power themselves under Chevron, Meade, or whatever, to decide which to do." Tr. 15.

While it was unclear how the court will ultimately rule, it was rather clear that the biggest proponent for consistency with the district court proceedings was Chief Justice Roberts and the biggest proponent of the USPTO being able to recall patents under their own BRI standard was debatable because several Justices seemed to support the notion.

Less Time Spent on Appealability Of Institution Decisions

Very little time was spend on the reviewability issue. Justice Sotomayor observed about legal precedent that "we don't easily think that Congress is intending to prevent courts from enforcing its directives to Federal agencies, okay?" Tr. 49 Justice Sotomayor asked, "[w]hy would Congress tell the PTO don't do it except in these limited circumstances, but nobody's going to ever watch you to make sure that's what you're doing?" Tr. 50

Best Practices While Awaiting The Decision

Given the uncertainty, parties should lay out their positions in their filings to reflect possible outcomes for both issues. Indeed, at recent oral hearings, some AJPs have asked the parties to explain if elimination of BRI would change the outcome, so the Board is already seeking to have the record clear in the event of a change in the standard for claim construction. See, e.g., final hearing transcript in IPR2015-00291. Parties should prepare for such lines of questioning and be ready to articulate their claim construction under either broadest reasonable interpretation or ordinary construction, and explain how they would prevail under both standards. Alternatively, if they have a case where they believe the same construction applies under both standards, they can be prepared to respond in that way.

For appealability, if a party believes there is an incorrect decision to institute, they have the option of setting forth their position in their patent owner response. However, absent a reversal on this issue, the only available option for challenging an institution decision appears to be a mandamus petition to the Federal Circuit immediately after an institution decision, which is a request for extraordinary relief. This route is very difficult because it requires a showing by a petitioner "(1) that it has a clear legal right to relief; (2) that there are no adequate alternative legal channels through which petitioner may obtain that relief; and (3) that the grant of mandamus is appropriate under the circumstances." See In re MCM Portfolio (Fed. Cir. 2014).

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