

## CLIENT MEMORANDUM

# *In re Cuozzo Speed Technologies*: Federal Circuit Decides Appeal Jurisdiction and Standard of Review Issues for AIA Reviews

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### **THE FEDERAL CIRCUIT HOLDS THAT IT LACKED JURISDICTION TO REVIEW THE PTAB'S DECISION TO INSTITUTE IPR AND THAT THE PTAB IS CORRECT TO APPLY THE BROADEST REASONABLE INTERPRETATION OF CLAIMS DURING CONSTRUCTION**

On February 4, 2015, the Federal Circuit issued its opinion in *In re Cuozzo Speed Technologies, LLC*, the first Federal Circuit decision reviewing the final written decision from an Inter Partes Review (“IPR”) before the Patent Trial and Appeal Board (“PTAB”). The Federal Circuit (1) held that the Federal Circuit lacked jurisdiction to review the decision of the PTAB to institute IPR; (2) found that the PTAB did not err in using the broadest reasonable interpretation standard; and (3) affirmed the PTAB’s claim construction, denial of Cuozzo’s request to amend the claims, and its determination of obviousness. Appeal No. 2014-1301 (Fed. Cir. Feb. 4, 2015).

#### **Background**

Cuozzo Speed Technologies, LLC (“Cuozzo”) is the assignee of U.S. Patent No. 6,778,074 (the “’074 patent”), which is directed toward an interface that displays a vehicle’s current speed concurrently with the speed limit. *Id.* (slip op. at 2). In one embodiment, a red filter is superimposed upon the speedometer when the vehicle is travelling faster than the speed limit. The specification also noted that the display may be a color liquid crystal display. *Id.* Claim 10 of the ’074 patent is

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directed to a speed limit indicator with a colored display “integrally attached” to a speedometer. *Id.* (slip op. at 3). Claim 14 further defined the “colored display” as a “colored filter.” *Id.* Claim 17 further defined the “colored filter” of claim 14 in that the “display controller rotates said colored filter independently of said speedometer. . .” *Id.*

On September 16, 2012, Garmin International Inc. and Garmin USA, Inc. filed a petition with the PTO to institute IPR of claims 10, 14, and 17, arguing that claim 10 was anticipated under 102(e) or obvious under 103(a) while claims 14 and 17 were obvious under 103(a). *Id.* The PTAB instituted IPR, finding that there was a reasonable likelihood that the three challenged claims were obvious under 103(a) in light of two different combinations of prior art. *Id.* (slip op. at 3-4). Two U.S. patents, U.S. Pat. No. 2,711,153 (“Wendt”) and U.S. Pat. No. 3,980,041 (“Evans”), were cited as prior art in Garmin’s petition against claim 17 but not against claims 10 and 14. *Id.* When instituting IPR, however, the PTAB cited Evans and Wendt against all three challenged claims. *Id.*

In its final decision, the PTAB construed “integrally attached” using the broadest reasonable interpretation standard to mean “discrete parts physically joined together as a unit without each part losing its own separate identity.” *Id.* (slip op. at 4). The PTAB then found that claims 10, 14 and 17 were obvious in light of a combination of references, including Wendt and Evans. *Id.* Cuozzo appealed both the decision to institute IPR and the use of the broadest reasonable interpretation standard in claim construction. *Id.* (slip op. at 5).

### **No Appeal of the PTAB Decision to Institute IPR**

On appeal, Cuozzo argued that the PTAB improperly instituted IPR on claims 10 and 14 because the PTAB relied on obviousness grounds not presented in the IPR petition. *Id.* (slip op. at 5). In addition, Cuozzo argued that although 35 U.S.C. § 314(d) precludes interlocutory review of decisions to institute IPR, the statute still allows for review of the PTAB’s decision after the final written decision has issued. *Id.* (slip op. at 6).

The Federal Circuit disagreed with Cuozzo, concluding that 35 U.S.C. § 314(d) “prohibits review of the decision to institute IPR even after a final decision.” *Id.* The Federal Circuit noted that § 314(d) provides that a decision to institute IPR is both “nonappealable” and “final.” *Id.* Further, because § 319 and § 141(c) already preclude review of non-final decisions, the Federal Circuit found that § 314(d) “must be read to bar review of all institution decisions, even after the [PTAB] issues a final decision.” *Id.* (slip op. at 6-7).

This decision appears to greatly limit a party’s ability to appeal a decision to institute IPR. Notably, the Federal Circuit left open the possibility that a decision to institute IPR is reviewable by mandamus after the PTAB issues a final decision. *Id.* (slip op. at 9). However, the Federal Circuit noted in dicta that Cuozzo did not file a mandamus petition, and even if it had, Cuozzo likely would not meet the clear-and-indisputable requirement for mandamus. *Id.* (slip op. at 9-10).

### **No Error in Applying Broadest Reasonable Interpretation Standard to Claim Construction**

Cuozzo also argued on appeal that the PTAB erred in finding the challenged claims obvious because the PTAB should not have applied the broadest reasonable interpretation standard during claim construction. *Id.* (slip op. at 10-11).

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Specifically, Cuozzo argued that the PTO lacked the authority to promulgate 37 C.F.R. § 42.100(b), which states that a claim must “be given its broadest reasonable construction in light of the specification of the patent in which it appears.” *Id.* (slip op. at 11). The PTO argued that § 316 provides the PTO Director with the rulemaking authority to set standards of review in IPR proceedings and that the broadest reasonable interpretation is the correct standard to apply. *Id.*

Before addressing IPR standards, the Federal Circuit first discussed the history of the broadest reasonable interpretation standard. *Id.* (slip op. at 11-14). The Federal Circuit noted that although the patent statute does not explicitly provide for the broadest reasonable interpretation standard in PTO proceedings, this has been the standard for more than 100 years. *Id.* (slip op. at 11-12). Further, the Federal Circuit has approved the use of the broadest reasonable interpretation standard in other PTO proceedings such as examination, interferences and reissues. *Id.* (slip op. at 13). In addition, the Federal Circuit found no indication that the America Invents Act was intended to alter the claim construction standard used by the PTO, noting that “Congress is presumed to legislate against the background of existing law where Congress in enacting legislation is aware of the prevailing rule.” *Id.* (slip op. at 13-14).

Addressing IPR standards, the Federal Circuit found that it can be inferred that Congress impliedly adopted the existing rule of a broadest reasonable interpretation when enacting the AIA. *Id.* (slip op. at 14). Cuozzo argued that “judicial or congressional approval of the broadest reasonable interpretation standard for other proceedings is irrelevant here because the earlier judicial decisions relied on the availability of amendment, and the AIA limits amendments in IPR proceedings.” *Id.* The Federal Circuit did not find this argument persuasive, however, finding instead that IPR proceedings are not materially different from other PTO proceedings with respect to claim amendments. *Id.* (slip op. at 15-16). In dicta, the Federal Circuit also noted that even if Congress did not adopt the broadest reasonable interpretation standard, § 316 provides the PTO with the authority to conduct rule-making regarding IPR standards and that the broadest reasonable interpretation standard was properly adopted by the PTO under *Chevron*. *Id.* (slip op. at 16-19).

### **Federal Circuit Affirms Denial of Proposed Claim Amendments and Finding of Obviousness**

Finally, Cuozzo argued on appeal that the PTAB erred in finding the challenged claims obvious because Cuozzo should have been allowed to amend the challenged claims. *Id.* (slip op. at 19). During IPR proceedings, Cuozzo moved to amend claim 10 to be directed toward a speed limit indicator with a speedometer “comprising a liquid crystal display” and “wherein the colored display is the liquid crystal display.” *Id.* (slip op. at 24). Cuozzo argued that its claim amendments were narrowing because the claim would no longer encompass the mechanical embodiment. *Id.* (slip op. at 25, n.10).

Noting that the patent statute bars broadening amendments, the Federal Circuit stated that the broadening test applied in the reissue and reexamination context applies to IPR proceedings. *Id.* (slip op. at 25). Specifically, “a claim ‘is broader in scope than the original claim if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent.’” *Id.* Based on the PTAB construction of the claim using the broadest reasonable interpretation standard, the Federal Circuit affirmed the PTAB’s finding that the claim was broadening because the proposed claim “would encompass a single-LCD embodiment wherein both the speedometer and the colored display are LCDs, which was not within the original claims.” *Id.* (slip op. at 25-26).

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The Federal Circuit then went on to affirm the PTAB's claim construction determination and finding of obviousness, applying the Supreme Court's recent *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.* review standard. *Id.* (slip op. at 19-26). In applying *Teva*, the Federal Circuit noted that "[b]ecause there is no issue here as to extrinsic evidence, we review the claim construction de novo." *Id.* (slip op. at 19). Specifically, the Federal Circuit found no error in the PTAB's construction of "integrally attached" and the PTAB's finding of obviousness in light of the cited prior art references.

### **Dissent by Judge Newman Focused on Legislative Purpose**

In her dissent, Judge Newman focused on the legislative purposes of the AIA when disagreeing with the majority opinion. Appeal No. 2014-1301, dissenting opinion of Newman, J. (Fed. Cir. Feb. 4, 2015). First, Judge Newman notes that the AIA established a new IPR system that was intended to be a cost-effective alternative to litigation. *Id.* (dissenting op. at 1). Judge Newman also noted that, unlike the characterization of IPR proceedings by the majority, the legislative history of the AIA indicates that IPR was intended to be similar to litigation, not reexamination. *Id.* (dissenting op. at 5-6). Unlike reexamination, which allows iterative claim amendments, a patent owner's options for amending claims during IPR are limited. *Id.* (dissenting op. at 8-9). Specifically, Judge Newman noted that "[i]t is reported that the ability to amend claims in Inter Partes Review proceedings, as administered by the PTO, is almost entirely illusory . . . to date motions to amend have been granted in only two cases[.]" *Id.* (dissenting op. at 9). This is in contrast to the "fluid, back-and-forth process between an examiner and applicant[.]" *Id.*

Judge Newman concluded that:

Contrary to the panel majority's theory, the differences between reexamination and the new post-grant proceedings are very relevant to Inter Partes Review. The standard for adjudication of validity is set forth in *Phillips v. AWH Corp.*, where claims are given their correct construction as understood by a person of ordinary skill in the field of the invention. Adoption of a broadest interpretation renders the PTAB rulings legally unreliable, leaving the parties to district court proceedings, whatever the decision of the PTAB.

*Id.* (dissenting op. at 7). Judge Newman also disagreed with the majority's conclusions regarding the PTO rule-making authority to set forth review standards. *Id.* (dissenting op. at 8-10).

Second, Judge Newman disagreed with the majority's reading of § 314(d), arguing that "[t]he ultimate authority regarding what a statute says and how it applies is the judiciary. The purpose of the 'nonappealable' provision apparently is to bar interlocutory proceedings and harassing filings by those seeking to immobilize the patent or exhaust the patentee." *Id.* (dissenting op. at 12). Judge Newman concludes that "[t]he statute requires thoughtful adjustment to the legislative purpose, not heavy-handed foreclosure of all review of anything related to the petition." *Id.* (dissenting op. at 13).

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**Conclusions**

This decision provides important clarifications regarding the inability to appeal decisions to institute IPR and use of the broadest reasonable interpretation standard for claim construction in IPR proceedings. This decision also reaffirms potential benefits of challenging patent validity through IPR, since patent owners may potentially be foreclosed from appealing any decision instituting IPR, will be subject to the broadest reasonable interpretation of claims in defending an IPR, and may have limited options to amend claims in an IPR. In practice, petitioners and patent owners alike may not notice a change in IPR proceedings as a result of this decision, since the panel upheld the PTO approach to IPR's on the issues before it.

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