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PATENT WATCH

Supreme Court decision impacts the strength of US patents

A recent US Supreme Court decision on a patent involving speedometer technology may have substantial implications for the strength of US patents, including those covering biomedical intellectual property. The Court's decision addressed how the US Patent and Trademark Office (USPTO) should conduct proceedings when it has been asked to review the validity of a granted patent. One part of the Court's decision held that the USPTO should interpret patents in accordance with their "broadest reasonable construction", increasing the risk of invalidation. The decision also held that a patent owner cannot challenge the USPTO's decision to review a patent, except in very limited circumstances. Patent owners may be concerned by these rulings and the Court's somewhat negative view of patents generally.

The Leahy-Smith America Invents Act changed the US patent system and created new ways to challenge granted patents in trial proceedings (called *inter partes* review (IPR)), conducted by the Patent Trial and Appeal Board (PTAB) of the USPTO. The Supreme Court provided its first interpretations of important aspects of the IPR statutes in *Cuozzo Speed Technologies, LLC. v. Lee* (Michelle K. Lee is a USPTO Director). The Court held that the PTAB's decision to institute an IPR proceeding cannot be reviewed by a court except under limited circumstances, and upheld the USPTO rule providing that claims are interpreted in accordance with their "broadest reasonable construction" during IPR proceedings (see Further information).

Is institution of IPR proceedings reviewable?

The first issue addressed by the Court is whether *Cuozzo* could challenge the PTAB's decision to institute IPR proceedings. In accordance with the IPR statutes, the PTAB will institute IPR proceedings if "the information presented in the petition ... shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." The IPR statutes also state that "[t]he determination ... whether to institute an *inter partes* review under this section shall be final and nonappealable." However, *Cuozzo*

questioned whether that prohibition applies "even if the [PTAB] exceeds its statutory authority in instituting an IPR proceeding."

In a non-unanimous (6:2) part of the decision, the Supreme Court held that the IPR statutes indeed prevent a court from reviewing a PTAB decision to institute an IPR proceeding, except under limited circumstances. The Court left open the possibility for review on grounds "that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions ... that reach ... well beyond 'this section.'" The Justices who disagreed with this part of the decision outlined ways in which the PTAB could misapply its authority within these rules.

Although the Court's decision on this issue may preclude review of most decisions to institute IPR proceedings, it may not substantially weaken patents because it leaves room to challenge some institution decisions. Perhaps more importantly, if the PTAB invalidates a patent, the patent owner can still ask a court to review that final decision.

"Broadest reasonable construction"

In a unanimous section of the decision, the Court upheld the USPTO's authority to mandate use of the "broadest reasonable [claim] construction" during IPR proceedings. The Court noted that the IPR statutes give the USPTO authority to issue "regulations ... establishing and governing *inter partes* review". The Court also found that Congress left a 'gap' in the IPR statutes when it failed to specify the claim construction standard to be used. The Court rejected *Cuozzo's* arguments that Congress must have intended the "plain and ordinary" claim construction used by district courts to apply, because it intended IPR proceedings to be trial-like proceedings. Instead of being swayed by this line of argumentation, the Court noted many ways in which IPR proceedings differ from district court proceedings. For example, a challenger does not have to satisfy the standing requirement, the challenger can invalidate the patent on only a preponderance of the evidence (instead of the clear and convincing evidence required to invalidate a patent in a district court proceeding), the USPTO can continue an

IPR proceeding after the challenger has settled and the USPTO can intervene on appeal to defend its decisions (as it did here).

The Court's decision on this issue may be seen as unfavourable to patent holders, because broadly construed claims may be more likely to be unpatentable. However, when asked about this issue, administrative patent judges are hard-pressed to identify cases in which using a different claim construction standard would lead to a different outcome. Moreover, the US Court of Appeals for the Federal Circuit has been carefully reviewing PTAB claim construction decisions embodied in their final IPR decisions, and has reversed and remanded final decisions based on claim constructions that were found to be so broad as to be unreasonable. Thus, this aspect of the Court's decision may not substantially weaken patents.

Cause for concern

Even though the specific issues decided in *Cuozzo v. Lee* may not substantially weaken US patents, patent owners may find cause for concern in the Court's overall view of patents. For example, the Court emphasized that "one important congressional objective" in creating IPR proceedings was to "giv[e] the Patent Office significant power to revisit and revise earlier patent grants." Similarly, when approving the "broadest reasonable construction," the Court emphasized the importance of protecting the public from "unlawfully broad" claims. This view seems to be consistent with other Supreme Court decisions that have "balanced" the rights of patent holders and the incentives provided by the patent system against the public interest, rather than recognizing that patents serve the public interest by promoting innovation and the disclosure of new inventions. Until the Supreme Court, Congress and the public are convinced of the value of patents, patent owners may continue to see statutory schemes and Supreme Court decisions that undermine patent rights. That is the real threat to the strength of US patents and the US patent system.

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FURTHER INFORMATION

Supreme Court decision in *Cuozzo Speed Technologies, LLC v. Lee*: http://www.supremecourt.gov/opinions/15pdf/15-446_1hdk.pdf

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