

In First Appeal Decision from a PTAB Final Written Decision, Federal Circuit Holds PTAB IPR Institution Decisions Not Appealable, Broadest Reasonable Interpretation Standard Proper for IPR Proceedings

On February 4, 2015, the Federal Circuit issued its first opinion addressing an appeal from a final written decision of the new Patent Trial and Appeal Board (“PTAB” or “Board”) in post-grant proceedings under the America Invents Act (“AIA”). In affirming the PTAB’s determination that the challenged claims were obvious, the Federal Circuit held that it had no jurisdiction to review on appeal the PTAB’s decision instituting the underlying *Inter Partes* Review (“IPR”) trial and that the PTAB properly employed the “broadest reasonable interpretation” (“BRI”) standard in construing the reviewed claims.

The challenged claims of the patent at issue, U.S. Patent No. 6,778,074 (“the ’074 patent”), owned by Appellant Cuozzo Speed Technologies, concern a device having a GPS receiver and a “display controller” that is “integrally attached” to a vehicle’s speedometer, displays the vehicle’s current speed as well as the current speed limit, and indicates whether the current speed exceeds the limit. Slip Op. at 2-3. Garmin International, Inc. (who, as a result of settlement, did not participate on appeal) challenged independent claim 10 and dependent claims 14 and 17 in the first IPR petition filed at the PTAB. *Id.* at 2.

In granting Garmin’s IPR petition for each challenged claim, the PTAB did not institute the specific grounds asserted in the petition for anticipation and obviousness of claim 10 or the specific grounds asserted for obviousness of claim 14. *Id.* at 3-4. However, the PTAB did institute the grounds asserted for obviousness of claim 17 in the petition for specific combinations of references, and—while Garmin did not specifically assert those combinations against claims 10 or 14—the PTAB also used those combinations in instituting grounds for obviousness of claims 10 and 14. *Id.* at 4.

The PTAB ultimately issued a final written decision in which it interpreted the term “integrally attached” pursuant to the BRI standard to mean “discrete parts physically joined together as a unit without each part losing its own separate identity,” denied Cuozzo’s motion to amend claims 10, 14, and 17, and held that the claims were obvious over the combinations on which the PTAB decided to institute trial. *Id.* Cuozzo appealed, challenging (1) the PTAB’s decision to institute the IPR based on grounds not specifically raised in the petition for claims 10 and 14, (2) the PTAB’s decision to employ the BRI standard for claim construction, (3) the PTAB’s ultimate decision on obviousness, and (4) the PTAB’s denial of Cuozzo’s motion to amend the claims. The PTO intervened on appeal.

Judge Dyk, writing for the majority, and joined by Judge Clevenger, first held that the Federal Circuit does not have jurisdiction to review the PTAB’s institution decision, even after the PTAB issues a final written decision. *Id.* at 5-6. The Court relied primarily on 35 U.S.C. § 314(d), which is entitled “No appeal,” and provides that “[t]he determination by the Director [of the PTO] whether to institute an *inter partes* review under this section shall be final and nonappealable.” *Id.* at 5-6. The Court also noted that § 319 allows appeals to the Federal Circuit only from “the final written decision of the” PTAB. *Id.* at 6. The Court explained that § 314(d) thus “must be read to bar review of all institution decisions, even after the Board issues a final decision,” because interlocutory decisions are already generally nonappealable. *Id.* at 7. The Court further noted that the AIA does not “limit the Board’s authority at the final decision stage to the

grounds alleged in the IPR petition” because it only requires “a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added.” *Id.* (quoting § 318(a)). Thus, the Court stated, “[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted. . . . The failure to cite [the specific combination for claims 10 and 14] in the petition provides no ground for setting aside the final decision.” *Id.* at 8.

The Federal Circuit majority went on to state that “mandamus may be available to challenge the PTO’s decision to grant a petition to institute IPR after the Board’s final decision in situations where the PTO has clearly and indisputably exceeded its authority”—“for example, on grounds of prior public use where the IPR statute permits petitions only on the basis of ‘prior art consisting of patents or printed publications.’” *Id.* Though the Court stated its opinion did not “decide the question of whether the decision to institute review is reviewable by mandamus after the Board issues a final decision,” it noted that, at a minimum, the mandamus requirement to show that there is “no other adequate means to attain the relief” desired would in this case have been “satisfied since review by appeal is unavailable.” *Id.* at 9. However, “even if [the Court] were to treat [this] appeal as a request for mandamus,” there was no “clear and indisputable right that preclude[d] institution of the IPR” on grounds not specifically asserted in the petition. *Id.* at 10.

For the second issue on appeal, the Federal Circuit held that it was appropriate for the PTAB to apply the BRI standard for claim construction. The Court explained that the PTO has applied, and courts have upheld the use of, the BRI standard for more than a century. *Id.* at 11-13. Accordingly, because “Congress is presumed to legislate against the background of existing law,” the Court “conclude[d] that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.” *Id.* at 13-16. Further, Congress granted the PTO rulemaking authority under § 316(a), which allows the PTO to prescribe regulations for IPR procedures. *Id.* at 11. And, even if Congress had not adopted the BRI standard, such that the rulemaking statute is ambiguous, the Court concluded that the PTO’s interpretation of the statute to employ the BRI standard was permissible under the *Chevron* deference standard. *Id.* at 16-19. As to the PTAB’s specific construction at issue for “integrally attached,” the Court upheld it, agreeing that “it would be illogical to regard one unit as being “attached” to itself.” *Id.* at 19-21.

The Federal Circuit further found no error in the PTAB’s obviousness determination for the challenged claims, indicating that, on appeal, it was reviewing factual findings under a “substantial evidence” standard, and legal conclusions *de novo*. *Id.* at 21-22. The Court upheld the PTAB’s factual findings that the disputed combination of references discloses the challenged claim limitations and that it would have been obvious to combine the references, one of which dealt with automatic devices and the other with manual devices, because “[a]pplying modern electronics to older mechanical devices has been commonplace in recent years.” *Id.* at 22-24 (quoting *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007)). The Court also noted that, in response to the obviousness challenge, Cuozzo did “not contend that any secondary considerations argue against a finding of obviousness.” *Id.* at 24. Finally, the Court affirmed the PTAB’s denial of Cuozzo’s motion to amend its claims because the proposed amendments improperly broadened the claims in light of the upheld claim construction for “integrally attached.” *Id.* at 24-26.

Judge Newman dissented from the majority, arguing that “several of the panel majority’s rulings are contrary to the legislative purpose of the [AIA],” which was meant to provide “quick and cost effective alternatives to litigation.” Slip. Op. Dissent at 1 (quoting H.R. Rep. No. 112-98, pt. 1, at 48 (2011)). Much of the dissent

rests on the view that PTAB proceedings are meant to be “a surrogate for district court litigation,” and thus should “apply the same legal and evidentiary standards as would apply in the district court.” *See id.* at 1-11. Judge Newman did not dissent to the specific claim construction upheld by the majority or the majority’s obviousness findings. Judge Newman was also, however, critical of the majority’s holding that an institution decision is never appealable “even if contrary to law, even if material to the final appealed judgment,” *id.* at 3, taking the view instead that “[t]he 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.* at 12.

Although decided in the context of an IPR, this first Federal Circuit opinion from the final disposition of a post-AIA validity proceeding addresses some fundamental questions that are pertinent to post-grant proceedings more generally, and both patent challengers and patent owners are likely to find in its pages significant guidance to employ in their PTAB strategies going forward.

A copy of the Federal Circuit’s decision is available [here](#). To further discuss the potential impact of this decision, please contact your usual Ropes & Gray attorney or one of the Ropes & Gray attorneys listed below.

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