

ONE-OFF OR A SIGN OF THINGS TO COME?  
*IN RE CUOZZO* AND THE SCOPE OF THE UNITED  
STATES PATENT AND TRADEMARK OFFICE'S  
RULEMAKING AUTHORITY

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INTRODUCTION

The America Invents Act<sup>1</sup> (AIA) provided the first comprehensive reform of patent law since the modern patent act was passed in 1952.<sup>2</sup> It was the product of many compromises, and its effect on the balance of power between the United States Patent and Trademark Office (USPTO) and the courts will be an issue for many years to come. The Federal Circuit is beginning to address the USPTO's authority under the AIA, and *In re Cuozzo Speed Technologies* may be the first recognition of a shift in the balance.<sup>3</sup>

The USPTO is an agency with limited rulemaking authority. The Federal Circuit has policed expansion of this authority and has traditionally maintained that the USPTO only has authority to promulgate procedural rules for practice before the agency, not substantive rules.<sup>4</sup> Many commentators believe that the AIA expanded the USPTO's rulemaking authority,<sup>5</sup> and that the Federal Circuit's decision in *In re Cuozzo* reaffirmed this conclusion.<sup>6</sup> One of the questions in *In re Cuozzo* was whether the USPTO could promulgate a rule establishing the claim-construction standard used to interpret patent meaning during inter

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1. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at 35 U.S.C.) [hereinafter America Invents Act].

2. H.R. Rep. No. 112-98, at 38 (2011), reprinted in 2011 U.S.C.C.A.N. 67, 68 (reporting passage of AIA in House and remarking "Congress has not enacted comprehensive patent law reform in nearly 60 years").

3. 778 F.3d 1271 (Fed. Cir. 2015).

4. See, e.g., *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) ("[T]he broadest of the [USPTO's] rulemaking powers—35 U.S.C. § 6(a)—authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [USPTO]'; it does NOT grant the Commissioner the authority to issue substantive rules."); see also *infra* notes 9–14 and accompanying text (tracing expansion of USPTO's authority). 35 U.S.C. § 6(a) is now § 2.

5. See, e.g., Sarah Tran, Patent Powers, 25 Harv. J.L. & Tech. 608, 613 (2012) (arguing "USPTO's new powers conflict irreconcilably with the Federal Circuit's traditional view of USPTO authority").

6. 778 F.3d at 1281–82 ("[T]he AIA granted new rulemaking authority to the PTO.").

partes review, one of the new agency proceedings under the AIA.<sup>7</sup> The new grants of rulemaking authority under the AIA were ambiguous, and the USPTO took advantage of the ambiguity to promulgate an arguably substantive rule. This Comment reviews the traditional approach to USPTO rulemaking and argues that the panel majority in *In re Cuozzo* ignores the procedural–substantive distinction formerly applied to USPTO rulemakings in upholding the claim-construction standard.

Part I of this Comment reviews the history of the procedural–substantive distinction and the rulemaking provisions of the AIA. Part II discusses the Federal Circuit’s decision in *In re Cuozzo* and argues that the majority rejects the procedural–substantive distinction. Part III suggests that, under *In re Cuozzo*, the USPTO may have rulemaking authority beyond merely procedural rules.

### I. THE USPTO’S RULEMAKING AUTHORITY

Historically, the USPTO’s rulemaking authority was embodied in 35 U.S.C. § 2(b)(2).<sup>8</sup> Although it is not explicit within the statutory grant, the Federal Circuit has interpreted § 2(b)(2) to confer only procedural rulemaking authority.<sup>9</sup> The scope of this authority is significant because the USPTO only receives *Chevron* deference in areas where Congress has conferred rulemaking authority.<sup>10</sup> Therefore, traditionally the USPTO

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7. For more information about the AIA and inter partes review, see *infra* notes 18–21 and accompanying text.

8. 35 U.S.C. § 2(b)(2)(A)–(D) (2012) (“The Office . . . may establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office[,] . . . shall facilitate and expedite the processing of patent applications[,] [and] . . . may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office.”). Note that § 132 grants the USPTO additional rulemaking authority to “prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant.” *Id.* § 132(b).

9. *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920 (Fed. Cir. 1991), is often cited as the first case to suggest that the USPTO’s rulemaking authority is limited to procedural rules. See, e.g., Tran, *supra* note 5, at 618–19 (discussing USPTO’s rulemaking authority). In *Animal Legal Defense Fund*, the Federal Circuit noted that “[a] substantive declaration with regard to the Commissioner’s interpretation of the patent statutes . . . does not fall within the usual interpretation” of what is now § 2(b)(2). 932 F.2d at 930.

10. *United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001) (“[A]dministrative implementation of a particular statutory provision qualifies for *Chevron* deference when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority.”); *Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984) (“When a court reviews an agency’s construction of [a] statute . . . it is confronted with two questions. First . . . whether Congress has directly spoken to the precise question at issue . . . . [I]f the statute is silent or ambiguous . . . the question . . . is whether the agency’s answer is based on a permissible [statutory] construction.”). See generally Melissa S. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 *Wm. & Mary L. Rev.* 1959, 1984–94 (2013) (summarizing *Chevron* and *Mead* and their bearing on USPTO interpretative and rulemaking authority).

receives *Chevron* deference for its procedural rules but not its substantive interpretations of the patent law.<sup>11</sup> When the Federal Circuit polices the procedural–substantive distinction, it is reserving to the courts the power to interpret the most important questions in patent law, and thereby limiting the USPTO's political importance.<sup>12</sup> Although the line between “substantive” and “procedural” is at times unclear,<sup>13</sup> the Federal Circuit has indicated it is that distinction that is significant, not whether the rule at issue is within the language of § 2(b)(2).<sup>14</sup>

Reform to the Patent Act was long in coming.<sup>15</sup> Against this background, the USPTO expressed its desire for substantive rulemaking authority.<sup>16</sup> In 2007, the House of Representatives passed a bill that would have granted this wish, but no statute was ever enacted.<sup>17</sup> The AIA, enacted in 2011, does not explicitly grant the USPTO broad rulemaking authority. It does, however, provide additional grants of rulemaking authority outside of § 2(b)(2).

Most notably, the AIA gives the USPTO authority to promulgate rules implementing new trial-like proceedings before the agency,

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11. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) (refusing to grant *Chevron* deference to substantive rulemaking because “the broadest of the [USPTO’s] rulemaking powers—35 U.S.C. § 6(a) [now § 2(b)]—authorizes the Commissioner to promulgate regulations directed only to the conduct of proceedings in the [USPTO]; it does NOT grant the Commissioner the authority to issue substantive rules.” (internal quotation marks omitted)); see also *Cooper Techs. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (concluding interpretation of statute is valid if it “governs the conduct of proceedings in the Patent Office” rather than “matters of substantive patent law”).

12. See generally Arti K. Rai, Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development, 61 *Duke L.J.* 1237 (2012) (discussing balance of power in setting patent policy among courts, USPTO, and other agencies).

13. Jonathan Masur, et al., Who Defines the Law? USPTO Rulemaking Authority, 8 *Nw. J. Tech. & Intell. Prop.* 410, 423 (2010) (noting that “how broad the PTO’s procedural rulemaking authority is remains unsettled” (Jonathan Masur speaking)).

14. In *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009), the members of the Federal Circuit panel clashed as to whether the rule at issue was substantive or procedural but concluded that the USPTO has rulemaking authority only as to procedural rules, not all rules that are arguably within the language of § 2(b)(2). *Id.* at 1353–54. The force of the opinion in *Tafas v. Doll* is clouded by the fact that, while the case was pending rehearing en banc, the USPTO withdrew the litigated rules and rendered the case moot. *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009) (dismissing appeal). Therefore, the vacated panel opinion carries no precedential weight.

15. See Tran, *supra* note 5, at 627 n.106 (listing patent reform proposals from last ten years).

16. John M. Golden, Patentable Subject Matter and Institutional Choice, 89 *Tex. L. Rev.* 1041, 1051–53 (2011) (describing USPTO’s efforts to gain broader rulemaking authority and congressional responses).

17. Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 14 (as passed by House, Sept. 7, 2007) (“[T]he Director may promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions of this title or any other law applicable to the [USPTO] or that the Director determines necessary to govern the operation and organization of the Office.”).

particularly inter partes review and post-grant review.<sup>18</sup> As codified in the patent law, 35 U.S.C. §§ 316 and 326 enumerate categories of regulations the USPTO must promulgate to implement inter partes review and post-grant review, respectively.<sup>19</sup> The purpose of inter partes review and post-grant review is to provide an agency determination of patent validity, as a cost- and time-efficient alternative to litigation in district court. The USPTO's rulemaking duties include "setting forth the standards for the showing of sufficient grounds to institute a review"<sup>20</sup> and "establishing and governing" the review.<sup>21</sup> Additionally, the AIA gives the USPTO the authority to set its own fees<sup>22</sup> and permits the agency to make certain policy judgments about the prioritization of patent applications.<sup>23</sup>

There is some debate as to whether these provisions simply give the USPTO specific duties within § 2(b)(2) and thus are constrained by the § 2(b)(2) procedural-substantive distinction, or whether they are separate grants, giving rulemaking authority beyond § 2(b)(2).<sup>24</sup> The question is essentially whether the judicial interpretations imposing the procedural-substantive distinction on the earlier-enacted § 2(b)(2) also

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18. America Invents Act, § 6(a) (codified at 35 U.S.C. §§ 311–319) (2012) (directing USPTO to issue regulations implementing inter partes review); id. § 6(d) (codified at 35 U.S.C. §§ 321–329) (directing USPTO to issue regulations implementing post-grant review); id. § 18 (directing USPTO to issue regulations implementing transitional program for covered business method patents). The critical differences between inter partes review and post-grant review are the timing and grounds for institution. Post-grant review is available in the first nine months following patent grant, and challenges may be made on any grounds of patentability (except the best mode requirement). 35 U.S.C. § 321. A petition for inter partes review can only be filed after the window for post-grant review has closed, and may only attack the patent using prior printed publications or patents. Id. § 311. While post-grant review will be instituted where petitioner shows "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable," id. § 324, inter partes review is available where "there is a reasonable likelihood that the petitioner would prevail." Id. § 314.

19. 35 U.S.C. §§ 316(a), 326(a).

20. Id. § 316(a)(2) (for inter partes review); id. § 326(a)(2) (post-grant review).

21. Id. § 316(a)(4) (for inter partes review); id. § 326(a)(4) (post-grant review).

22. America Invents Act, § 10.

23. Id. § 25 (codified at 35 U.S.C. § 2(b)(2)(G)).

24. Some have argued that because § 2(b)(2)(A), which grants the USPTO rulemaking authority to "govern the conduct of proceedings," has been interpreted to only grant procedural rulemaking authority, §§ 316 and 326, which fall under the chapters of "Conduct of inter partes review" and "Conduct of post-grant review," respectively, are similarly limited. *Petition for Rehearing En Banc at 15, In re Cuozzo Speed Techs.*, 778 F.3d 1271 (Fed. Cir. 2015) (No. 14-1301). On the contrary, prior patent reform bills proposed language explicitly constraining §§ 316 and 326 by § 2(b)(2), but that language is absent in the AIA, suggesting that Congress intended no such constraint. Patent Reform Act of 2007, S. 1145, 110th Cong. (2007) (stating in §§ 316(a) and 326(a) that "[t]he Director shall prescribe regulations, in accordance with section 2(b)(2)"); see also *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001 (MPT), 107 U.S.P.Q. 2d 1097, 2013 WL 3167735, at \*7 (P.T.A.B. June 11, 2013) (holding these bills "would have limited the Office's new rulemaking authority to that provided in section 2(b)(2)," but AIA does not).

constrain the new rulemaking grants under the AIA, including §§ 316 and 326. In the wake of the AIA, many commentators expressed their belief that the USPTO's authority had been expanded, warranting greater judicial deference to its interpretations of patent laws.<sup>25</sup> Particularly, some thought that §§ 316 and 326 broadened the USPTO's rulemaking authority with respect to inter partes and post-grant review.<sup>26</sup> Others disbelieved that Congress could have intended to broaden the USPTO's authority with anything other than express language.<sup>27</sup> The stage was set for the Federal Circuit to decide whether or not the procedural-substantive distinction remained the critical question.

## II. *IN RE CUOZZO SPEED TECHNOLOGIES*

The Federal Circuit was recently confronted with the task of interpreting the scope of the AIA's rulemaking grants. *In re Cuozzo* was the first appeal from a final determination of an inter partes review.<sup>28</sup> *Cuozzo Speed Technologies* is the assignee of a patent on a visual speed and speed limit display for a vehicle navigation system.<sup>29</sup> Garmin USA petitioned the USPTO for inter partes review, arguing that certain patent claims were invalid as anticipated and obvious.<sup>30</sup> The USPTO instituted the inter partes review, and the Patent Trial and Appeal Board (the Board) invalidated the claims.<sup>31</sup> The Board applied the "broadest

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25. See Wasserman, *supra* note 10, at 1983–84, 1990 (arguing transformation of USPTO proceedings from examination-type proceedings to adjudicative-type proceedings implies Congress intended USPTO's substantive legal interpretations of patent laws to carry force of law). Many of these arguments are undercut by the fact that Congress considered, but did not enact, full substantive rulemaking authority for the USPTO. The USPTO lobbied for substantive rulemaking prior to the AIA, and a reform proposal was made to grant that request, but it never passed. Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 14 (as passed by House, Sept. 7, 2007) (proposing the following language: "[I]n addition to the authority conferred by other provisions of this title, the Director may promulgate such rules, regulations, and orders . . . [as are] appropriate to carry out the provisions of this title or any other law applicable to the [USPTO] or . . . necessary to govern the [Office's] operation and organization.").

26. See generally Tran, *supra* note 5, at 631–35 ("The creation of post-grant review provides the USPTO with a key opportunity to set substantive patent law standards and make patent policy."). Some also argued that the addition of § 2(b)(2)(G), providing the USPTO with discretion in prioritizing applications, was evidence that Congress rejected the procedural-substantive distinction even within § 2(b)(2). See *id.* at 639 (arguing that "policy-focused nature" of § 2(b)(2)(G) "empower[s] the Agency to make patent policy," thus implying USPTO now has substantive rulemaking authority).

27. John M. Golden, *The USPTO's Soft Power: Who Needs Chevron Deference?*, 66 *SMU L. Rev.* 541, 545 (2013) ("I am skeptical that the [AIA] has worked such a sea change through implicit, rather than express, provision.").

28. 778 F.3d 1271 (Fed. Cir. 2015).

29. *Id.* at 1274–75.

30. *Id.* at 1275.

31. *Id.*

reasonable interpretation” standard<sup>32</sup> to construe Cuozzo’s patent claims, pursuant to rules promulgated by the USPTO under § 316.<sup>33</sup> At the Federal Circuit, the panel majority upheld the USPTO’s rule, over a dissent by Judge Newman. The Federal Circuit declined to rehear the case en banc, so the panel opinion will stand unless the Supreme Court grants certiorari.<sup>34</sup> The logic of the panel majority’s opinion appears to reject the procedural–substantive distinction embedded in the Federal Circuit’s previous case law.

A. *The Panel Majority Upholds the USPTO’s Rule*

Cuozzo appealed to the Federal Circuit on several grounds, including that the adoption of broadest reasonable interpretation as the claim-construction standard for inter partes review exceeded the USPTO’s rulemaking authority.<sup>35</sup> Without addressing the issue of whether the USPTO’s rulemaking was authorized (and therefore without reaching the issue of *Chevron* deference for the USPTO’s rule), the majority first concluded that legislative intent indicated that the broadest reasonable interpretation standard should be applied in inter partes review.<sup>36</sup>

In dicta, the majority found that § 316 did give the USPTO rulemaking authority to establish “standards for instituting . . . and regulating” inter partes review.<sup>37</sup> Noting that the AIA expanded rule-

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32. The broadest reasonable interpretation standard is the standard applied by the USPTO during the examination of patent applications. In re Morris, 127 F.3d 1048, 1054 (Fed. Cir. 1997) (“[A]s an initial matter, the PTO applies to the verbiage of the proposed claims the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art . . .”). When a court reviews a claim for validity, it applies a different claim-construction standard: The “meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention.” Phillips v. AWH Corp., 415 F.3d 1303, 1313 (Fed. Cir. 2005).

33. 37 C.F.R. § 42.100(b) (2014). The adoption of broadest reasonable interpretation as the claim-construction standard for inter partes review was hotly contested during the formal rulemaking. See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,690, 48,697–99 (Aug. 14, 2012) [hereinafter Final Rulemaking] (summarizing comments objecting to broadest reasonable interpretation standard). The USPTO’s adoption of broadest reasonable interpretation in inter partes review was not unprecedented, given that it had similarly been applied in other proceedings before the USPTO. See infra note 54 (discussing the expansion of broadest reasonable interpretation beyond examination).

34. In re Cuozzo Speed Techs., No. 14-1301, 2015 WL 4097949 (Fed. Cir. July 8, 2015).

35. Reply Brief of Appellant at 30–32, In re Cuozzo Speed Techs., 778 F.3d 1271 (Fed. Cir. 2015) (No. 14-1301), 2014 WL 3055159, at \*18–20.

36. 778 F.3d at 1280 (“There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years.”).

37. Id. at 1282 (internal quotation marks omitted).

making authority,<sup>38</sup> the majority concluded that the broadest reasonable interpretation standard bears on the decision to institute inter partes review and that the rulemaking was authorized.<sup>39</sup> Assuming that the legislative intent did not dispositively answer the question, the majority concluded that the statutory provisions were ambiguous as to the standard of claim construction for inter partes review. Therefore, the majority gave *Chevron* deference to the USPTO's reasonable interpretation.<sup>40</sup> Notably, the panel majority did not attempt to classify the rule of claim construction as "substantive" or "procedural," but concluded that it fell within the statutory grant of power in § 316 and was therefore an authorized rulemaking.<sup>41</sup>

B. *Does In re Cuozzo Reject the Procedural-Substantive Distinction?*

The majority's conclusion that the AIA "granted new rulemaking authority" to the USPTO may be an express recognition that the USPTO now has at least some substantive rulemaking authority.<sup>42</sup> Yet, the statement can be interpreted in three different ways. Most narrowly, it may simply be stating that § 316 is a new rulemaking provision, without commenting on whether § 316 is constrained by the procedural-substantive distinction of § 2(b)(2). Alternatively, the majority juxtaposes § 316 against § 2(b)(2), and the statement may instead mean that the rulemaking power conveyed by § 316 is not limited by prior interpretations of § 2(b)(2). Most broadly, it may be a proclamation that the AIA gives substantive rulemaking authority to the USPTO when it exercises its new rulemaking powers. Because of this ambiguity, it is not explicit within the majority's opinion whether the court would recognize

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38. *Id.* at 1281–82 ("Although we have previously held that 35 U.S.C. § 2(b) does not grant substantive rulemaking authority to the PTO . . . the AIA granted new rulemaking authority to the PTO.").

39. 35 U.S.C. § 316(a)(2) directs the USPTO to establish regulations "setting forth the standards for the showing of sufficient grounds to institute a review." 35 U.S.C. § 316(a)(2) (2012). The statutory standard for instituting review is whether "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged." *Id.* § 314(a). The majority concluded that claim construction is a necessary step in determining this threshold issue and that it was within the USPTO's authority to declare the standard for claim construction. *In re Cuozzo*, 778 F.3d at 1282.

40. *In re Cuozzo*, 778 F.3d at 1281–82.

41. *Id.* at 1282 (finding permissible construction of § 316). Judge Newman, who dissented, would have struck down the USPTO's rule, although not on the basis that the rule is substantive. Instead, Judge Newman argued that the adoption of broadest reasonable interpretation is *contrary* to legislative intent because inter partes review was intended to be an alternative to litigation; to that end, both administrative and judicial proceedings should apply the same claim-construction standard so as to produce the same results. *Id.* at 1288 (Newman, J., dissenting). Judge Newman did not quibble with whether the USPTO was authorized to define a claim-construction standard (and therefore whether it should receive *Chevron* deference for this rule). *Id.* at 1291 (Newman, J., dissenting).

42. *Id.* at 1281–82 (majority opinion).

any substantive rulemaking authority, but because the majority contrasts the new AIA provisions with § 2(b)(2), it seems to say that substantive rulemaking authority, if any, still cannot be found within § 2(b)(2).

The logic of the majority's dicta, however, seems to implicitly recognize substantive rulemaking power under § 316.<sup>43</sup> There is much debate over whether the broadest reasonable interpretation standard is substantive or procedural. During notice and comment, several participants expressed belief that the rule was substantive and exceeded the USPTO's rulemaking authority, but the USPTO asserted its authority to promulgate the rule without commenting on its characterization.<sup>44</sup> Before the Federal Circuit, *Cuozzo* argued that "it is hard to imagine a more substantive consideration than the scope of the claims, which defines the boundaries of the monopoly right granted to the patentee."<sup>45</sup> In its response, the USPTO asserted that broadest reasonable interpretation is "simply 'an examination expedient'" that "prescribes a procedure for the Board to employ in applying the requirements of the Patent Act to the claims before it."<sup>46</sup> Previously, however, the Patent Trial and Appeal Board, in *SAP America, Inc. v. Versata Development Group, Inc.*, justified the broadest reasonable interpretation standard by asserting that the AIA "provides the Office with authority exceeding that of merely setting forth 'procedures.'"<sup>47</sup> In that opinion, the Board assumed that

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43. A counterargument is that this interpretation contradicts the conclusion of the majority's holding that broadest reasonable interpretation is the applicable standard because of legislative intent. In other words, even if the dicta recognize a substantive rulemaking power, that power would be empty if the USPTO were obligated to adopt broadest reasonable interpretation, and in effect had no discretion as to this substantive rule, even if empowered to adopt it. Nonetheless, this Comment focuses on the USPTO's *power to adopt* a substantive rule, not whether it could have adopted a standard other than broadest reasonable interpretation through this particular rulemaking.

44. See, e.g., Am. Intellectual Prop. Law Ass'n, Comments on Proposed Rulemaking "Changes to Implement *Inter Partes* Review Proceedings" 2–3 (Apr. 10, 2012) (on file with the *Columbia Law Review*) [hereinafter AIPLA Comment], [http://www.uspto.gov/sites/default/files/aia\\_implementation/comment-aipla6.pdf](http://www.uspto.gov/sites/default/files/aia_implementation/comment-aipla6.pdf) ("Although proposed Section 42.100(b) appears under the section head '42.100 Procedure; pendency,' it is clearly a substantive rule. It purports to establish the substantive law of claim construction to be applied in IPR."). The USPTO's response did not squarely address the substantive-versus-procedural issue, but rather claimed its rule was within the statutory grant of rulemaking authority. Final Rulemaking, *supra* note 33, at 48,697 (noting that because AIA instructs that "the Director shall prescribe regulations setting forth the standards for the showing of sufficient grounds to institute, establish and govern *inter partes* review . . . the Office, at a minimum, has the authority to prescribe the claim construction standard").

45. Reply Brief of Appellant at 20, *In re Cuozzo*, 778 F.3d 1271 (No. 14-1301), 2014 WL 3055159.

46. Brief of Intervenor—Director of the United States Patent and Trademark Office at 45, *In re Cuozzo*, 778 F.3d 1271 (No. 14-1301), 2014 WL 2738339 (quoting *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009)).

47. No. CBM2012-00001 (MPT), 107 U.S.P.Q. 2d 1097, 2013 WL 3167735, at \*7 (P.T.A.B. June 11, 2013).



broadest reasonable interpretation was substantive in nature and could only be supported by a broad interpretation of the USPTO's rulemaking authority.<sup>48</sup>

Broadest reasonable interpretation is more like a substantive legal standard than a procedure because the ultimate meaning of a patent claim is a matter of law<sup>49</sup> and claim construction “is a substantive step of validity analysis and, indeed, determines the outcome in many cases.”<sup>50</sup> The Federal Circuit has said that a USPTO rule is substantive when it “effects a change in existing law or policy which affects individual rights and obligations.”<sup>51</sup> The USPTO's implementation of inter partes review is carrying out a new law, and its claim-construction standard bears directly on a patentee's right to a patent, which itself confers the right to exclude. In her dissent from the Federal Circuit's denial of *Cuozzo's* petition for rehearing en banc, Chief Judge Prost implies that the regulation adopting the broadest reasonable interpretation standard is substantive. She first notes that the grants of authority under § 316 “are consistent with Congress's previous grants of authority to prescribe procedural regulations.”<sup>52</sup> Chief Judge Prost then goes on to conclude that the regulation is not within those merely procedural grants.<sup>53</sup> To the extent the panel majority is granting *Chevron* deference to the USPTO's application of the broadest reasonable interpretation standard, it is recognizing that the agency has rulemaking authority to promulgate that rule. If broadest reasonable interpretation is a substantive legal standard, then the Federal Circuit is recognizing that the USPTO may promulgate substantive rules.

Ultimately, the Federal Circuit, because of the particular history and issues surrounding the broadest reasonable interpretation standard, was stuck between a rock and a hard place. The application of broadest reasonable interpretation to inter partes review is a particularly thorny issue because the USPTO has slowly extended the use of the standard from patent examination to other, more adversarial agency proceedings,

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48. See Thomas King & Jeffrey A. Wolfson, *PTAB Rearranging the Face of Patent Litigation*, *Landslide* November/December 2013, at 18, 20 (stating that the Board in *Versata* “assert[s] the PTAB's adoption of the [broadest reasonable interpretation] standard as an exercise of the USPTO's substantive rulemaking authority”).

49. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 837 (2015) (“[I]t was proper to treat the ultimate question of the proper construction of the patent as a question of law . . .”).

50. AIPLA Comment, *supra* note 44, at 2.

51. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (internal quotation marks omitted).

52. *In re Cuozzo Speed Techs.*, No. 14-1301, 2015 WL 4100060, at \*5 (Fed. Cir. July 8, 2015) (Prost, C.J., dissenting) (emphasis omitted).

53. *Id.* at \*15 (“But § 316 does not provide the authority to prescribe regulations on any issue that ‘affects’ decisions to institute or later proceedings . . . [and] the [USPTO's] authority to prescribe a regulation must first be rooted in statute.”).

with the Federal Circuit ratifying each successive expansion.<sup>54</sup> Because the critical policy rationale underlying broadest reasonable interpretation is that, during examination, the applicant has a nearly unlimited opportunity to amend patent claims,<sup>55</sup> the extension of the broadest reasonable interpretation standard outside of the examination context has been heavily critiqued, and many have suggested that the claim-construction standard applied in district court should be applied in all proceedings after the patent is granted.<sup>56</sup> The bottom line is that the Federal Circuit had already upheld broadest reasonable interpretation in several other patent proceedings, and the majority could find no principled way of distinguishing those contexts from inter partes review.<sup>57</sup>

Unless the court was willing to overrule the USPTO's adoption of broadest reasonable interpretation, it had no choice but to recognize an expansion in the USPTO's rulemaking authority. To be consistent with its precedent, the Federal Circuit had only two choices: It had to either fit the broadest reasonable interpretation into its procedural box, or

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54. The use of the broadest reasonable interpretation standard has been approved by the Federal Circuit for reissue proceedings, *In re Sneed*, 710 F.2d 1544, 1548 (Fed. Cir. 1983), and reexaminations, *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). The USPTO also uses broadest reasonable interpretation during interferences, whether between copending or non-copending applications, but the Federal Circuit has not directly spoken on this issue. A predecessor court and the USPTO have upheld broadest reasonable interpretation in both types of interferences, although many have argued that interferences between non-copending applications should receive the district court standard. *Andrews v. Nilson*, 27 App. D.C. 451, 454–55 (1906) (upholding broadest reasonable interpretation for copending applications); *Bamberger v. Cheruvu*, Int. No. 103,844, 1998 WL 1669308, at \*4–5 (B.P.A.I. Feb. 18, 1998) (non-precedential decision) (upholding broadest reasonable interpretation for non-copending applications); cf. *Bruning v. Hirose*, 161 F.3d 681, 685–86 (Fed. Cir. 1998) (drawing copending versus non-copending distinction in determining whether or not to apply presumption of validity during interferences); William J. Blonigan, *Road Under Construction: Administrative Claim Interpretations and the Path of Greater Deference from the Federal Circuit to the Patent Office*, 35 *AIPLA Q.J.* 415, 434–36 (2007) (arguing policy rationales behind broadest reasonable interpretation fail in context of interferences between non-copending applications).

55. Therefore, applying an overly broad standard to the patent claims forces the applicant to narrow claims and ultimately results in a more precise patent monopoly when the patent is granted. See generally Dawn-Marie Bey & Christopher Cotropia, *The Unreasonableness of the Patent Office's "Broadest Reasonable Interpretation" Standard*, 37 *AIPLA Q.J.* 285, 291–93 (2009) (describing history and rationales behind broadest reasonable interpretation standard).

56. *Id.* at 294–95 (criticizing broadest reasonable interpretation standard after patent grant because it makes interpretation of patent scope depend on forum, in violation of “unitary” concept of invention); see generally Blonigan, *supra* note 54, at 426–36 (describing history of expansion of broadest reasonable interpretation standard and questioning its validity in certain post-grant proceedings).

57. *In re Cuozzo Speed Techs.*, 778 F.3d 1271, 1280–81 (2015) (stating “[inter partes review] proceedings are not materially different” than other proceedings in which broadest reasonable interpretation is used).

recognize that the USPTO had at least limited substantive rulemaking authority under the new provisions added by the AIA. The former enlarges the USPTO's rulemaking authority by significantly broadening the court's definition of "procedural"; the latter expands the USPTO's rulemaking authority into the realm of substantive rules. The majority's opinion does not specify which of these routes it chose, but to simultaneously comply with prior decisions regarding broadest reasonable interpretation and its procedural-substantive distinction, it had to follow one. By attempting to skirt the issue of the validity of broadest reasonable interpretation, the Federal Circuit implicitly expands the USPTO's rulemaking authority because it was the necessary result, regardless of the path followed. Nonetheless, because of its unique circumstances, *In re Cuozzo* is unlikely to be applied broadly in the future, although it does suggest that the USPTO is now empowered to take a piecemeal approach to broadening its authority.

### III. THE USPTO'S RULEMAKING AUTHORITY AFTER *IN RE CUOZZO*

If *In re Cuozzo* teaches anything, it is that Congress's delegation of authority under the AIA, and its potential reach to substantive rulemaking, is unclear. What is clear is that Congress did not intend to give the USPTO broad substantive rulemaking authority.<sup>58</sup> Furthermore, employing the tools of statutory interpretation leads to the conclusion that the new provisions under the AIA did not grant any substantive rulemaking authority. Section 2(b)(2) grants the USPTO rulemaking authority to "govern the conduct of proceedings"<sup>59</sup> and § 316 falls under the statutory chapter entitled "Conduct of inter partes review,"<sup>60</sup> suggesting that § 316 is limited by the prior interpretation of § 2(b)(2). Additionally, one would expect any congressional rejection of the long-standing procedural-substantive distinction to be explicit. If Congress ever should decide to overhaul the current balance and give the USPTO broad substantive rulemaking authority, it will need to do so clearly and conclusively.

If the majority abandoned the procedural-substantive distinction by granting *Chevron* deference to a substantive rule, the USPTO's policymaking authority is significantly expanded. Nevertheless, even under a broad reading, *In re Cuozzo* does not mean that the USPTO has full substantive rulemaking authority because it still cannot promulgate substantive rules under the § 2(b)(2) grants of authority.<sup>61</sup> The majority's opinion suggests that, in order to promulgate a substantive rule, the USPTO must point to a grant of authority outside of § 2(b)(2), such as

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58. See supra notes 15–17 and accompanying text (discussing passage of AIA).

59. 35 U.S.C. § 2 (2012).

60. *Id.* § 316.

61. See supra Part II.B (discussing *In re Cuzzo's* impact on procedural-substantive distinction).

§ 316.<sup>62</sup> This requirement means that, for now, the USPTO can only rely on the new AIA provisions for any substantive rulemaking authority and that the new authority does not extend broadly to all of the USPTO's duties. If the USPTO were to assert broader rulemaking authority under § 2(b)(2), the Federal Circuit could rely on its previous precedent.<sup>63</sup>

*In re Cuozzo* is the first step to expanding the USPTO's rulemaking authority and, at least incrementally, increases the agency's power. The USPTO may continue to capitalize on this expansion by promulgating increasingly substantive rules that arguably fall within new AIA rule-making grants. If the USPTO can continue to get favorable results from the Federal Circuit, it can chip away at the procedural-substantive distinction, either by broadening the definition of "procedural" or by achieving increased recognition of substantive rulemaking authority.<sup>64</sup>

It is understandable that the panel opinion in *In re Cuozzo* avoided characterizing the broadest reasonable interpretation standard as substantive or procedural. Not only is it a difficult characterization, but the particular history surrounding the use of broadest reasonable interpretation at the USPTO suggests that it may be the proper claim-construction standard for inter partes review after all.<sup>65</sup> Nonetheless, because the majority opinion does not classify the claim-construction standard, it fails to make clear whether it interprets the AIA as extending the USPTO's substantive rulemaking authority or simply adding to its procedural rulemaking duties. This is a very important question, bearing broadly on the USPTO's influence over patent policy under the AIA. The Federal Circuit was sharply divided in its denial of *Cuozzo*'s petition for rehearing en banc, with five judges voting to review the case. When the Federal Circuit confronts another case presenting similar issues, it should clarify the scope of the USPTO's rulemaking authority, and particularly

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62. *In re Cuozzo*, 778 F.3d at 1281–82 (recognizing that although court previously said "§ 2(b) does not grant substantive rulemaking authority," USPTO may rely on AIA provisions, particularly § 316 to support its promulgation of broadest reasonable interpretation standard).

63. E.g., *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) (refusing to grant *Chevron* deference to a substantive rulemaking because "the broadest of the PTO's rulemaking powers—35 U.S.C. § 6(a) [now § 2(b)]—authorizes the Commissioner to promulgate regulations directed only to the conduct of proceedings in the [USPTO]" (internal quotation marks omitted)).

64. Outside the scope of this Comment, but relevant to this point, is whether the USPTO's designation of a rule as "substantive" or "procedural" should itself receive *Chevron* deference, or whether the Supreme Court's recent decision in *City of Arlington v. FCC* means that the USPTO's interpretation of its legislative grant of rulemaking authority must receive *Chevron* deference. 133 S. Ct. 1863, 1868 (2013) (holding that "a court must defer under *Chevron* to an agency's interpretation of a statutory ambiguity that concerns the scope of the agency's statutory authority").

65. See *supra* note 32 (discussing USPTO's adoption of broadest reasonable interpretation in inter partes review); see also *In re Cuozzo*, 778 F.3d at 1280 (quoting statements made in legislative history indicating Congress's intent that broadest reasonable interpretation should apply in inter partes review).

whether the procedural–substantive distinction, which has been grafted onto § 2(b)(2) by the court's case law,<sup>66</sup> similarly constrains the new AIA provisions.<sup>67</sup>

#### CONCLUSION

*In re Cuozzo* represents an expansion of the USPTO's rulemaking authority. Indeed, the majority recognized that the AIA granted the USPTO new rulemaking powers.<sup>68</sup> Because the USPTO's rule adopting the broadest reasonable interpretation standard into inter partes review is likely substantive in nature, *In re Cuozzo*, by upholding the rule, implicitly recognizes that the USPTO has substantive rulemaking authority. Alternatively, if the majority meant that the rule is procedural, that significantly broadens the definition of what is considered “procedural.”<sup>69</sup> The majority's opinion appears to eliminate the strict procedural–substantive distinction traditionally applied to USPTO rulemakings, by at least recognizing a limited substantive rulemaking authority under the new provisions of the AIA.<sup>70</sup> This substantive rulemaking authority will likely remain very narrow, but it is a first step for the USPTO in expanding its political power.

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66. See *supra* notes 9–14 and accompanying text (discussing typical deference given to USPTO).

67. Chief Judge Prost, at least, seems to believe that the AIA provisions are constrained in the same way as § 2(b)(2). *In re Cuozzo Speed Techs.*, No. 14-1301, 2015 WL 4100060, at \*5 (Fed. Cir. July 8, 2015) (Prost, C.J., dissenting) (asserting § 316 is “consistent with Congress's previous grants of authority to prescribe procedural regulations” (emphasis omitted)).

68. 778 F.3d at 1281–82 (“[T]he AIA granted new rulemaking authority to the PTO.”).

69. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (stating that a rule is “procedural” if it “effects a change in existing law or policy which affects individual rights and obligations” (internal quotation marks omitted)).

70. See *supra* Part II.B (discussing majority opinion). Judge Dyk's concurrence with the denial of *Cuozzo*'s petition for rehearing en banc also seems to reject a strict procedural–substantive distinction, looking instead to the language of the AIA grants. *In re Cuozzo*, 2015 WL 4100060, at \*1 (Fed. Cir. July 8, 2015) (Dyk, J., concurring in the judgment) (quoting language of § 316 as statutory authorization for adopting broadest reasonable interpretation standard).