

MICROSOFT CORP. v. PROXYCONN, INC., Appeal No. 2014-1542, -1543 (Fed. Cir. June 16, 2015). Before Prost, Lourie and Gilstrap (E.D. Tex.). Appealed from USPTO PTAB.

Background:

This appeal arose from an inter partes review (IPR) of Proxyconn's patent. The patent claims a system for reducing redundant transmission using a "digital digest" between computers (i.e., sender and receiver).

During the IPR proceedings, Proxyconn filed a motion to amend claims 1 and 3 with substitute claims 35 and 36, respectively. Proxyconn demonstrated patentability of the claims over the references relied upon to challenge claims 1 and 3, but did not demonstrate patentability over another reference (the "DRP" reference) relied upon to challenge other claims. Microsoft opposed, arguing that the substitute claims were anticipated by DRP. Proxyconn, in its reply, argued that the PTAB exceeded its authority under § 42.121(a)(2)(i) for denying substitute claims 35 and 36 for failure to "respond to a ground of unpatentability involved in the trial." The PTAB denied the motion and rejected Proxyconn's argument.

The PTAB concluded that all claims with the exception of claim 24 were unpatentable under 35 U.S.C. § 102 alone or additionally under 35 U.S.C. § 103. Both Microsoft and Proxyconn appealed the PTAB's decision, and the Director intervened in response to Proxyconn's challenges of the PTAB's use of the broadest reasonable interpretation standard and denial of Proxyconn's motion to amend.

Issues/Holdings:

Did the PTAB err in applying the broadest reasonable interpretation standard? No. Affirmed in part, reversed in part and remanded.

Did the PTAB err in denying Proxyconn's motion to amend? No. Vacated.

Discussion:

In construing the claims of the patent, the PTAB applied the broadest reasonable interpretation standard. Proxyconn argued that the PTAB erred in applying this standard, and that the USPTO exceeded its authority in promulgating 37 C.F.R. §42.100(b). The court disagreed, and held that the decision in *In re Cuzzo Speed Techs.* foreclosed Proxyconn's argument. However, the court explained that the PTAB must not construe claim terms in an unreasonable manner and must not give claim terms a legally incorrect interpretation. In this case, the court held that the PTAB properly construed some claim terms under the broadest reasonable interpretation standard, but impermissibly construed other terms too broadly.

Regarding its Motion to Amend, the PTAB held Proxyconn did not meet its burden of establishing that it was entitled to the amended claims, and rejected Proxyconn's argument that it did not need to establish patentability over a reference that was not part of the original bases for patentability for which review was instituted. The court agreed. The Federal Circuit held that although DRP was not an original reference for which review of claims 1 and 3 was instituted, it was part of the entire proceedings and Proxyconn had the opportunity to distinguish the proposed claims from DRP in its reply brief, but chose not to do so. Therefore, the Federal Circuit affirmed the Board's denial of Proxyconn's motion to amend claims 1 and 3.