

Lawyers Weigh In On PTAB Cases At The High Court

Law360 (April 24, 2018, 8:06 PM EDT) -- The U.S. Supreme Court on Tuesday decided two patent cases: In *Oil States Energy Services LLC v. Greene's Energy Group LLC* the justices upheld the constitutionality of America Invents Act reviews and in *SAS Institute Inc. v. Iancu* the court ruled the Patent Trial and Appeal Board must decide the validity of every challenged claim when it agrees to institute AIA reviews. Here, attorneys tell Law360 how these decisions will impact practicing before the PTAB.

Ronald Abramson, Lewis Baach Kaufmann Middlemiss PLLC

"Oil States is as widely expected. One collateral effect of the decision is that it further strengthens the 'public law' aspect of patents, which could make a difference in cases that require consideration of the public interest, such as forum disputes and injunctions. Oil States would have been monumental had it gone the other way, but it was not expected to, and did not. SAS on the other hand — a 5-4 decision with sharp dissents — truly creates a mess. ... This decision requires the Patent Trial and Appeal Board to rule ... on each and every claim challenged, whether the challenge is initially seen as having merit or not. It is a rigid application of the statute, and indeed one not necessarily mandated by the literal statutory language. It threatens to create a massive amount of needless work. ... SAS, the less publicized of these two cases, is the game changer in today's mix, in that it threatens to change the entire strategy and manner in which IPR proceedings are conducted. What the PTAB will do in response to it is unknown."

Christopher Bruno, Schiff Hardin LP

"The Supreme Court's reaffirmation of the constitutionality of the streamlined administrative Patent Office process will reassure, if not embolden, patent challengers. Since their inception, IPRs changed the strategic landscape by serving as a significant tool to seek quick resolution of patent validity challenges. Though Oil States preserves the status quo, I expect that patent owners will aggressively petition the Supreme Court to scrutinize the procedures governing inter partes review — for example, panel selection."

James Day, Farella Braun & Martel LLP

"The Oil States decision resolves an open question about the very existence of inter partes review proceedings — and existing decisions invalidating patents under this procedure — that has had many patent lawyers and their clients on edge for much of the past year. Now that the uncertainty is resolved, we may see some uptick in IPR petition filings but otherwise it should be essentially business as usual. The court did leave open several constitutional challenges, almost as an invitation to patent holders, so I

would also expect to see new challenges to the IPR process in the Federal Circuit almost immediately and we will have the Supreme Court weighing in again before long.”

Q. Todd Dickinson, Polsinelli PC

“In Oil States, the money quote in the majority opinion is, 'We emphasize the narrowness of our holding.' While they upheld the historical power of Congress to legislate the basic scheme, they note that they're not deciding all possible schemes, nor due process or retroactivity. Validation of the process itself may, among other effects, lead to more stays from the district courts. On the other hand, the Gorsuch opinion in SAS and his dissent in Oil States clearly indicate that they're not wild about the abuses they're hearing about in PTO process, nor Chevron deference generally, which is where the action is anyway. I would expect Director [Andrei] Iancu's apparent initiative to change PTAB processes, coupled with things like Sen. [Chris] Coons' STRONGER Patents Act, would be where the focus of the debate shifts even more than it has.”

Kia Freeman, McCarter & English LLP

“The primary effect of SAS is that petitioners will have to be more careful selecting which claims to challenge in reviews. Before SAS, the board was likely to leave inadequate claim challenges out of a review proceeding. Now, inadequate challenges are likely to result in affirmation of a claim's validity — theoretically strengthening the value of patents in general. This seems beneficial to patent owners generally in that any claim that previously wouldn't be instituted but is now likely to be affirmed will benefit from some estoppel that will bar some validity challenges.”

Joshua Goldberg, Finnegan Henderson Farabow Garrett & Dunner LLP

“This morning is about Oil States. This afternoon and the coming months will be about SAS. Not only did the Supreme Court reverse the Federal Circuit and hold that SAS is entitled to a final written decision addressing all of the claims it has challenged, the Supreme Court also telegraphed that petitioners are entitled to final written decisions addressing all of the grounds in their petitions. The Supreme Court's decision thus has the potential to upend the entire patent challenge process. The board, petitioners, and patent owners will need to figure out what to do with cases in which the board only instituted review for some of the claims.”

David A. Gosse, Fitch Even Tabin & Flannery LLP

“Avoiding institution after SAS Institute now requires patent owners to show that petitioners failed to show a reasonable likelihood that any challenged claim is invalid. More patent owners might strategically disclaim borderline claims before preliminary response, and submit preliminary response on the petition's weakest arguments. In pending, partially instituted IPRs, the PTAB will have to decide how to resolve issues that were not originally instituted, even where the parties have already taken depositions, filed responses or replies, or conducted oral hearings. The Federal Circuit will have to address IPRs in which final decisions were issued on partially instituted petitions.”

Jim Heintz, DLA Piper

“[Oil States] went pretty much as most people had expected, for the reasons that were expected. It was interesting that [Justice Clarence] Thomas' opinion cabined in the extent of the opinion and left open the possibility of other challenges, including due process and retroactive application. Thus, we might see still other constitutional challenges.”

Adam Hess, Venable LLP

“In SAS Institute ... the court found that the America Invents Act was clear on its face and did not believe it was necessary to resort to the Chevron doctrine to interpret the statute. This decision likely will result in fewer settlements and more work for all parties, including the board, as there will remain more uncertainty throughout the entire process as to whether any claims will survive review. Although the Oil States decision will have little impact on day-to-day practice before the PTAB, the decision left open the possibility of future challenges to the constitutionality of America Invents Act reviews. The court specifically emphasized the narrowness of its holding and noted that 'Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when the patent issued. Nor has Oil States raised a due process challenge.' We can expect that both of these issues likely will be raised in future challenges to the constitutionality of America Invents Act reviews.”

Scott Kamholz, Covington & Burling LLP

“The Oil States decision has no significance at all on practicing before the PTAB. It concerned a constitutionality question based on the property status of patents and had nothing to do with merits or procedural issues before the PTAB. Those issues might be considered in subsequent cases, but until that happens, the PTAB remains open for trial business.”

Matthew I. Kreeger, Morrison & Foerster LLP

“The PTAB is still in business. By upholding the constitutionality of inter partes review procedures, the court has left intact this powerful tool that can be used to challenge patents. The court rejected the argument that patent validity disputes have to be adjudicated by a federal court. Instead, the court ruled that these disputes can be heard by administrative patent judges who work for the patent office. PTAB challenges have become a crucial part of patent litigation. Frequently, after a patent infringement lawsuit is filed, the case is stayed while a PTAB challenge is resolved. This has resulted in a lower-cost way for those accused of infringing a patent to win the case or drive it to an early settlement. By rejecting the constitutional challenge in Oil States, the Supreme Court kept this important option open for accused infringers.”

Van Lindberg, Dykema Cox Smith

“Much of the commentary and argument associated with Oil States focused on the idea that because patents have the attributes of private property, they must be 'private rights' protected by the Constitution. The majority opinion in Oil States says otherwise, that a patent is a 'public right' that only arises out of government action. This firmly entrenches the idea that inter partes reviews are just a second look at an earlier grant. The other takeaway from Oil States is that this is really a maintenance of the status quo. To decide that inter partes reviews were not constitutional would have led to major disruptions. ... SAS Institute, on the other hand, is more likely to significantly change IPR and patent trial practice. On one hand, a 'reasonable likelihood that the petitioner will prevail on at least 1 of the claims' can be used to justify review of all claims in the patent. On the other hand, this decision will make the estoppel provisions of the IPR statute have much greater teeth.”

Christopher Loh, Fitzpatrick Cella Harper & Scinto

“The majority’s reasoning essentially is that, because the executive arm of the U.S. government has been given the constitutional power to grant a patent, it also has the constitutional power to take it away. The majority rejected Oil States’s argument that patents are entitled to special status after they

issue; the majority explained that patents are issued subject to the qualification that they subsequently can be reexamined or canceled by the PTO. While the majority disagreed with the dissent over the import of historical practice to this case, the majority nevertheless found a historical analogue to IPRs in the practice of the Privy Council, an 18th century arm of the English Crown that until 1753 had the exclusive authority to revoke patents. In upholding the constitutionality of IPRs, the Supreme Court avoided a number of subsidiary issues that would have arisen had it ruled the other way, including what to do about patents previously invalidated in IPRs.”

Fabio E. Marino, Polsinelli PC

“Today the Supreme Court brought clarity to the IPR practice, affirming its constitutionality, but also requiring the PTAB to fully resolve the invalidity grounds raised in the petition. This raises new issues for lower courts to address, namely, clarifying the scope of estoppel in both previously decided, as well as future IPRs.”

Christopher McWhinney, Sullivan & Worcester LLP

“Administrative reviews of granted patents will continue to be a strong vehicle to attack bad patents and we may see a short-term increase in the number of administrative challenges, accounting for instances where a patent challenger had been reluctant to risk the Oil States decision coming out the other way. As between patent litigants, the decision removes a bit of uncertainty surrounding administrative reviews that patent owners might otherwise have tried to leverage for more favorable settlement. Patent owners will likely conclude this is yet another court decision weakening patent rights. ... [SAS] is a significant change for patent owners because it means prior practice where only weaker patent claims were reviewed may end. While an increase in the number of claims upon which proceedings are instituted is naturally predicted, patent challengers may seek institution on a larger number of claims at the outset. If this does become the trend, we would see the PTAB reviews take on even greater importance and possibly even an increase in stays of parallel district court litigation, where previously a court would likely deny a stay if there was a claim that was not subject to PTAB review.”

Laura Beth Miller, Brinks Gilson & Lione

“In limiting its decision that a patent is a 'public right' to the precise circumstances presented by the Oil States appeal, the Supreme Court’s decision preserves the substantial value that obtaining and enforcing patent rights provides a patent owner.”

Cyrus Morton, Robins Kaplan LLP

“[Oil States] expressly did not resolve the retroactive applicability of IPRs. That issue had the attention of several justices at oral argument, and further challenges on this issue are sure to follow. If you filed for a patent without knowing that IPRs would later take it away, maybe you would have kept it a trade secret. The underlying question the decision leaves unresolved is whether or not IPRs are a good idea. The dissent by Justice [Neil] Gorsuch, and joined by Chief Justice [John] Roberts, provides the argument that they are not. In essence, Gorsuch argues that in England before the Constitution, and for nearly 200 years in America, it was clear that patent rights deserved the protections provided by an Article III court. Now, it is up to Congress to make that choice, and they have said the executive branch giveth, and the executive branch can taketh away. IPRs won’t be going anywhere anytime soon.”

Douglas Sharrott, Fitzpatrick Cella Harper & Scinto

“The Supreme Court held 5-4 that when the USPTO institutes an inter partes review, it must decide the patentability of all of the claims the petitioner challenged ... The decision, however, appears to be silent on whether the USPTO must also address all grounds raised by the petitioner (if there are multiple grounds) for a given claim. Since the final written decision must address all claims, the IPR’s determination of their patentability, vel non, is subject to appellate review by the Federal Circuit. IPR estoppel should now attach to all challenged claims on any ground of invalidity that the petitioner ‘raised or reasonably could have raised.’”

Nathan Speed, Wolf Greenfield & Sacks PC

“The SAS decision will likely cause the PTAB to issue partial institution decisions (and later final written decisions) that more thoroughly set forth its basis for denying institution as to certain claims. Whereas previously it could comfortably know that its decisions denying institution for certain claims would be insulated from appellate review, now such insulation no longer exists. Moreover, PTAB panels may now be more inclined to either fully grant or fully deny institution on all challenged claims.”

Dustin Weeks, Troutman Sanders LLP

“After Oil States, petitioners should feel relatively confident that IPRs provide an effective means to challenge the validity of patents. The limitations on the scope of the court’s decision, however, leave open the possibility for patent owners to challenge the constitutionality of IPRs on other grounds. For patents issuing prior to the passage of the AIA, patent owners should argue that Congress lacked the authority to create this new IPR process to review the PTO’s prior grant of a public right. ... The court’s decision also left the door open for patent owners to challenge the revocation of these public rights as violating the Due Process Clause or Takings Clause. ... Patent owners should use the court’s holding in SAS Institute to broaden the scope of estoppel to a petitioner. ... With the PTAB’s partial institution decisions now forbidden, petitioners should now be estopped from rearguing the patentability of non-instituted claims in a district court litigation. Petitioners should use the IPR trial as a second chance to convince the PTAB that claims are unpatentable.”

--Editing by Kelly Duncan.