

Implications of SCOTUS Opinions on Constitutionality, Scope of Inter Partes Reviews

Written by DeAnn F. Smith, Peter A. Sullivan, Philip C. Swain, Rajesh Vallabh

May 2, 2018

The Supreme Court recently handed down two highly anticipated decisions concerning *inter partes* review (IPR) challenge proceedings in the Patent Trial and Appeal Board (PTAB). In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. 16-712, 584 U.S. ___ (2018) ("Oil States"), the Court rejected Oil States' argument that revoking patent claims as a result of IPR proceedings is unconstitutional under Article III and the Seventh Amendment. On the same day, in *SAS Institute Inc. v. Iancu*, No. 16-969, 584 U.S. ___ (2018) ("SAS"), the Court held that, if the PTAB decides to institute a trial proceeding in response to an IPR petition, the PTAB must address the patentability of every challenged claim, overturning the PTAB's existing partial institution procedures.

The net result of the two decisions is that IPR challenges will be preserved and expanded in scope. However, there are still unanswered questions as to the constitutionality of IPR proceedings, especially with respect to pre-America Invents Act ("AIA") patents, as well as how these two decisions will influence the PTAB, the district courts, and the Federal Circuit.

The *Oil States* Decision – IPRs are Constitutional

In a 7-2 decision, the Supreme Court held that AIA reviews do not violate the U.S. Constitution by depriving patent holders of their property rights without providing them a jury and an Article III forum, and that PTAB has the authority to invalidate patents, leaving intact a system that has been used to challenge thousands of patents.

If the Court had agreed with *Oil States*, the very existence of IPR proceedings (and other post grant challenges) and the entire AIA trial scheme would have been in question. All other prior post-grant challenge decisions may even have been in jeopardy. The Court has concluded though, at least for now, that the PTAB has the constitutional authority to conduct IPR proceedings (and other AIA post grant challenges, including post grant reviews and covered business method reviews).

While IPRs live to fight another day, challenges remain on the horizon. Short-term implications of the *Oil States* decision include the following:

- **PTAB surplus.** To the extent that would-be petitioners held some IPR and other post-grant patent challenges awaiting the outcome of the *Oil States* decision, they likely will now file them over the next few months.
- **Further Constitutional challenges.** It is possible that further such challenges could be raised at the PTAB and in the Federal Circuit in the near future. Both the majority and dissenting opinion deliberately appeared to indicate that they were not resolving all Constitutional challenges that could be raised to the application of AIA post-grant challenges.
- **Retroactivity challenges.** In stressing the narrow nature of the opinion, the Court suggested a potential challenge to IPRs for pre-AIA patents—retroactivity. To determine if a statute should be applied retroactively, courts will first look to the statute to determine if Congress intended retroactive application. Absent clear legislative intent, retroactive application of a law that affects private rights will be disfavored. On this point, the Court referred to patent rights as private rights for Due Process and Takings Clause purposes, indicating that it would consider patent rights to be private rights for purposes of determining retroactivity. Perhaps the Court's reference to these doctrines is an indication that the AIA should not be applied retroactively to patents already issued under the prior reexamination regimes. We should note, however, that procedural rules, even those rules conferring or ousting jurisdiction, normally are applied retroactively. We would expect patent challengers to argue that the change from the prior regime to IPR was procedural in nature and thus should be applied retroactively. We should expect patent holders to raise retroactivity arguments in petitions wending their way through the appeal process.

SAS Decision – PTAB Must Address All Challenged Claims in an IPR Trial

In *SAS*, in a 5-4 decision with the majority opinion written by Justice Gorsuch, the Court held that when the PTAB institutes an IPR trial proceeding, it must decide the patentability of all patent claims being challenged. The PTAB institutes an IPR trial proceeding if it determines there is a reasonable likelihood that the petitioner would prevail on at least one of the challenged claims. The PTAB issues a final written decision at the end of the trial.

We foresee several implications of the Court's ruling in *SAS* in the PTAB, the district courts, and in the Federal Circuit, and of course, on patent owners and potential patent challengers. We anticipate the following:

- **More work for the PTAB.** The PTAB's workload will now likely increase somewhat, because when it decides to institute a trial proceeding, it will have to render a final decision on all challenged claims. The PTAB's final decision on all challenged claims is likely to include more detailed explanations of the PTAB's rationale for upholding the patentability of claims over a challenge than its explanation in deciding not to institute a trial on some claims during the prior partial institution practice. In fact, two days after the *SAS* decision came down, the PTAB released a guidance memo announcing new procedures for handling trial proceedings in accordance with the decision. The memo suggested that additional time, briefing, and discovery may be needed to enable the PTAB to consider all challenges raised in a petition for IPR review when a trial proceeding is instituted.
- **Increase in split decisions at the PTAB.** The *SAS* decision will likely lead to the PTAB issuing more split final decisions, upholding the patentability of some claims and canceling or revoking others.
- **More motions to stay in district courts.** Stays pending IPR review will likely increase in the district courts. District court judges may be more willing to entertain motions seeking stays of litigation pending IPR review since it is now certain the PTAB will address each claim whose validity is challenged by defendants.
- **Increase in estoppel holdings in district court.** District courts had previously held that when the PTAB did not institute an IPR proceeding on a challenged claim, the statutory estoppel under 35 U.S.C. §315(e) did not apply. Now that the PTAB will have to render a final decision on all challenged claims, this line of cases will probably not be relevant.
- **Uptick in Federal Circuit workload.** The Federal Circuit's workload, which already increased substantially when PTAB appeals first began to hit the court in 2012, will likely swell. Since there will now be final decisions of the PTAB on more claims, it is likely that there will be decisions on more claims appealed to the Federal Circuit, and now, more appeals from patent challengers as well as patent owners seeking review.
- **Decline in filing serial petitions.** Petitioners have employed the tactic of filing petitions on some but not all claims, and then following up with petitions on different, but overlapping claims and on different grounds. The PTAB has recently issued decisions providing guidance on the circumstances under which the PTAB will accept follow-on petitions. The *SAS* decision, with its likely result of increased PTAB workload, may provide greater urgency to limit these petitions.
- **Higher PTAB trial proceeding price tag.** The costs for patent owners and challengers will likely be higher as more claims are contested and the PTAB trial proceedings are expanded to focus on all challenged claims.
- **Increased stakes for both sides.** Now that the PTAB may choose to simplify the institution decision, parties may have to devote resources to all challenged claims during the entire trial proceeding.

A special thanks to technology specialist Erin Daly, Ph.D. for contributing to this alert.

RELATED PRACTICES

- [PTAB Proceedings](#)

This communication is intended for general information purposes and as a service to clients and friends of Foley Hoag LLP. This communication should not be construed as legal advice or a legal opinion on any specific facts or circumstances, and does not create an attorney-client relationship.

United States Treasury Regulations require us to disclose the following: Any tax advice included in this document was not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.

Attorney advertising. Prior results do not guarantee a similar outcome. © 2017 Foley Hoag LLP. All rights reserved.

