

INSIGHTS

Partes On! Survival of Inter Partes Review May Signal an SOS for Parties Entering the Uncharted Waters of Inter Partes Review in the Post-SAS World

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The Supreme Court issued decisions in the cases of *Oil States v. Greene's Energy* and *SAS v. Iancu*, addressing the constitutionality of *inter partes* review ("IPR") and determining whether the Patent Trial and Appeal Board ("PTAB") must decide the patentability of all claims challenged by an IPR petitioner. The decisions held that IPR proceedings are constitutional and 35 U.S.C. § 318(a) requires the PTAB to issue a final written decision addressing the patentability of all claims challenged in the petition if instituted, putting an end to "partial institution" decisions. Although the Court has clarified the constitutionality of IPR, its decision in *SAS* will significantly impact the role of the petitioner, patent owner, and PTAB, creating less certainty for parties during IPR proceedings.

In *Oil States*, the Court held 7-2 that IPR, an adjudicative procedure before the PTAB at the United States Patent & Trademark Office ("USPTO") to reconsider patentability of issued patents, does not violate Article III of the Constitution nor the Seventh Amendment. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, No. 16-712, slip op. (U.S. Apr. 24, 2018). Patent owner and petitioner Oil States sued Greene's Energy in federal court for infringing Oil States' patent, encompassing protections for wellhead equipment used in fracking. Greene's Energy countersued asserting invalidity of the patent and also filed an IPR petition before the PTAB. Pending litigation, the PTAB, after institution, invalidated challenged claims in the patent. On appeal, the Federal Circuit upheld the constitutionality of IPR and ultimately affirmed the PTAB's decision.

Justice Thomas delivered the opinion of the Court, affirming that IPR is constitutional. In ruling that IPR does not violate Article III, the Court held "IPR falls squarely within the public-rights doctrine. The decision to grant a patent is a matter involving public rights. IPR is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration" in an IPR proceeding.

The Court further noted: (a) precedents recognizing patent rights as patent owner's private property neither contradict the ruling nor prohibit congressionally authorized post-issuance administrative review; (b) the fact that courts historically adjudicated patent validity does not foreclose Congress from assigning matters within the public-rights doctrine to the USPTO; and

(c) procedural similarities between IPR and court proceedings do not render IPR unconstitutional. In ruling that IPR does not violate the Seventh Amendment, the Court held the Seventh Amendment does not bar a nonjury factfinder's adjudication in a tribunal outside of Article III.

Justice Gorsuch and Chief Justice Roberts dissented and found an issued patent a personal right, where government revocation of that right should be allowed only through an Article III tribunal.

In *SAS*, the Court narrowly held 5-4 that, if the PTAB institutes an IPR, it must decide the patentability of all claims the petitioner has challenged. *SAS Inst. Inc. v. Iancu*, No. 16-969, slip op. (U.S. Apr. 24, 2018). In *SAS*, petitioner SAS filed an IPR petition to challenge all sixteen claims of a software patent. The PTAB, exercising assumed discretionary authority, instituted review on nine of the challenged claims and issued a decision invalidating eight claims. On appeal to the Federal Circuit, SAS asserted that 35 U.S.C. § 318(a) required the PTAB to decide the patentability of every claim challenged in the petition upon institution. The Federal Circuit rejected SAS's argument.

Justice Gorsuch, now writing for the majority, reversed the Federal Circuit decision and remanded the case. The Court held that the plain text of § 318(a), "[i]f an [IPR] is instituted and not dismissed . . . the [PTAB] *shall issue* a final written decision with respect to the patentability of *any patent claim challenged by the petitioner* . . ." (emphasis added by the Court), is both mandatory and comprehensive, leading to the decision that the Director must address patentability of all claims challenged if an IPR is instituted.

According to the majority and its textualist approach, the word "shall" imposes a nondiscretionary duty and the word "any" implies every member of a group; hence, the PTAB *must* address *every* claim the petitioner has challenged. The Court noted unlike the *ex parte* reexamination statute where Congress embraced an inquisitorial approach providing the Director discretionary power, Congress enacted the IPR statute to provide a party-directed, adversarial process such that the petitioner, not the Director, defines the contours of the proceeding. Accordingly, if the Director finds a reasonable likelihood of success on even a single claim, the Director must review all claims the petitioner has challenged.

The Court further noted: (a) administrative efficiency issues should be addressed to Congress; (b) the Director's "partial institution" power has no statutory support and is not subject to *Chevron* deference; and (c) seeking judicial review on whether the USPTO has exceeded its statutory power is still available despite the final and nonappealable nature of instituting an IPR.

Justices Breyer, Ginsburg, Sotomayor, and Kagan dissented and found the Director's "partial institution" power subject to *Chevron* deference because § 318(a) has ambiguity and the USPTO's interpretation of that ambiguity is reasonable.

Through *Oil States*, the Supreme Court settled the constitutionality issue of IPR, "righting the ship" of IPR proceedings before the PTAB for petitioners and patent owners. The *SAS* decision, however, steers the ship into "uncharted waters," creating uncertainty for petitioners and patent owners as to the institution of IPRs and the thinking of the PTAB in developing final written decisions. The USPTO has traditionally utilized "partial decisions" to streamline IPR

proceedings, however, in light of *SAS*, the PTAB is likely to see a considerable increase in IPR petitions, many of which have not been filed pending the outcome of these cases, which may affect the PTAB's IPR efficiency and caseload. The PTAB may exercise more discretion in declining to institute IPRs, or may institute an IPR and only address a single claim in its remarks, which adds uncertainty to petitioners and patent owners as to the PTAB's consideration of the merits of patentability of the non-addressed claims until the rendering of the final written decision.

Petitioners will need to reconsider the claims which are presented for institution because the effect of estoppel on any unsuccessful grounds resulting from the final written decision of the PTAB may impact any pending district court litigation.

Patent owners may have a more difficult time avoiding IPR institution as they will need to demonstrate that *no* claims of the challenged patent have a "reasonable likelihood" of being invalidated. To avoid institution, patent owners will need to reconsider the importance of filing an optional preliminary response to a challenger's petition. What many have referred to as the "Patent Death Squad" appears to be alive and well, and the number of issued patent claims will certainly be less than if *Oil States* had found IPR to be unconstitutional.