

Supreme Court Holds *Inter Partes* Reviews Are Constitutional, but Requires Review of Every Challenged Claim

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In a pair of decisions issued last week, the Supreme Court upheld the constitutionality of *inter partes* review under the America Invents Act (“AIA”), but held that the Patent Trial and Appeal Board (“PTAB”) must review and rule on the validity of *all* challenged claims, rather than just those with a reasonable likelihood of success.

Since the AIA was enacted in 2011, *inter partes* review (IPR) has provided an attractive forum for parties (including defendants in infringement suits) to challenge the validity of patents, with a lower standard of proof than in litigation in federal court (preponderance of the evidence versus clear and convincing evidence), adjudication by a panel of experts rather than a jury, and a faster and cheaper procedure than in litigation in court. Conversely, many patent owners would like to avoid IPRs. In *Oil States Energy Services LLC v. Greene’s Energy Group, LLC*,¹ the Supreme Court rejected a patent owner’s argument that IPRs unconstitutionally divest authority to adjudicate patent disputes from Article III courts. In a separate decision issued the same day, *SAS Institute, Inc. v. Iancu*,² the Court held that if the PTAB chooses to institute review, it is required to address *every* claim challenged by a petitioner. We discuss below these decisions and their implications.

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¹ *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 584 U.S. ___, 2018 WL 1914662 at *6 (Apr. 24, 2018).

² *SAS Inst., Inc. v. Iancu*, 2018 WL 1914661 (U.S. Apr. 24, 2018).



Background

As part of the AIA enacted in 2011, Congress created the IPR procedure in which panels of the PTAB can review and cancel issued patents based on a finding that prior art anticipates or renders obvious the claimed invention.³

The Constitutionality of *Inter Partes* Review

In 2012, Oil States Energy sued Greene’s Energy Group for allegedly infringing its patent for hydraulic fracturing. Greene successfully petitioned for *inter partes* review and the PTAB ultimately invalidated the Oil States patent.⁴ Oil States appealed to the Federal Circuit, which affirmed without a written opinion, and then to the Supreme Court. Oil States argued that the IPR procedure is unconstitutional because patents are private property rights, which can only be revoked by a federal court under Article III of the U.S. Constitution, and not public rights, which can be revoked by a government agency.⁵

In a 7-2 decision authored by Justice Thomas, the Court rejected Oil States’ arguments, holding that the Court had “long recognized” that the grant of a patent “involve[s] public rights” and that Congress can assign adjudication of public rights to non-Article III entities.⁶ The Court also determined that, even though *inter partes* review is a “second look” at a patent grant, it involves the same interests as the original grant and thus also “falls on the public-rights side of the line.”⁷

The Permissibility of Partial Review

Section 318(a) of the AIA requires the PTAB to issue a “final written decision with respect to the patentability of any patent claim challenged by the petitioner.”⁸ In

Synopsys, Inc. v. Mentor Graphics Corp., the Federal Circuit held in a divided opinion that, under Section 318(a), the PTAB’s final decision need not address every claim challenged by the petitioner, but only those in which the petitioner demonstrates a reasonable chance of success.⁹

In *SAS Institute Inc. v. Complementsoft, LLC*,¹⁰ the petitioner raised the same issue in the Supreme Court, arguing that the pick-and-choose approach permitted under *Synopsys, Inc.* contradicts the statutory framework and purpose of *inter partes* review, which is to provide an alternative forum where the validity of a patent can be adjudicated in a single proceeding. In opposition, the respondent, joined by the Solicitor General, contended that the PTAB should have the flexibility to decide whether a petition need be reviewed at all and, if so, to address only selected claims that are most representative or most likely to be dispositive of validity issues.¹¹

Rejecting the arguments of the Solicitor General, Justice Gorsuch delivered a 5-4 opinion reversing the Federal Circuit and holding that the PTAB must decide the patentability of *all* claims challenged in *inter partes* review petitions so long as a petitioner meets the threshold requirement of establishing that a single claim has a reasonable likelihood of success.¹² According to the majority, the plain language of the statute makes clear that the PTAB “shall issue a final written decision with respect to the patentability of *any* patent claim challenged by the petitioner.”¹³ In this context, “shall” imposes a “nondiscretionary duty” and “any” means “every.”¹⁴

³ 35 U.S.C. §§ 102, 103, 311.

⁴ *Greene’s Energy Grp., LLC v. Oil States Energy Servs., LLC*, IPR2014-00216, 2015 WL 2089371, at *1 (P.T.A.B. May 1, 2015).

⁵ Br. Pet’r at 27, 50, *Oil States Energy Servs. LLC v. Greene’s Energy Group, LLC*, 2017 WL 3713059 (U.S. Aug. 24, 2017).

⁶ *Oil States*, 584 U.S. ___, 2018 WL 1914662, at *6. The Court also held that *inter partes* review is constitutional under the 7th Amendment because it is properly assigned to a non-Article III tribunal, and the 7th Amendment poses no

independent bar to adjudication by “a nonjury factfinder.” *Id.* at *11.

⁷ *Id.* at *7.

⁸ 35 U.S.C. § 318(a).

⁹ 814 F.3d 1309, 1314–17 (Fed. Cir. 2016).

¹⁰ 825 F.3d 1341 (Fed. Cir. 2016).

¹¹ Br. Fed. Resp’t. at 6, *SAS Inst., Inc. v. Iancu*, 2018 WL 1914661 (2018) (No. 16-969).

¹² *SAS Inst., Inc.*, 2018 WL 1914661, at *1

¹³ 35 U.S.C. § 318(a) (emphasis added).

¹⁴ *SAS Inst., Inc.*, 2018 WL 1914661, at *4.

The Court opined that the scope of the review, much like in civil litigation, is determined by the petitioner, who is the “master of its complaint.”¹⁵ Had Congress intended the PTAB to have partial review power, it would have explicitly granted such a power as it has in other re-examination procedures.¹⁶

Justice Breyer, writing for the dissenting Justices, stated that § 318(a) is ambiguous as to whether the PTAB is required to rule on every claim in the original petition—a position that aligned with the partial review system endorsed by the Solicitor General. Justice Breyer also questioned why, as a practical matter, Congress would intend for the PTAB to engage in *inter partes* review proceedings for claims determined at the outset to have no likelihood of success on the merits.

Key Impacts

A decision finding *inter partes* review to be unconstitutional would not only have eliminated IPRs going forward, but also potentially called into question all of the IPR decisions issued by the PTAB going back to 2011. The *Oil States Energy* ruling allows the PTAB to continue largely as it has done for the past seven years, allaying the concerns of those who feared IPRs might be eliminated and dashing the hopes of those who hoped for that result. However, the *SAS Institute* decision will require the PTAB to make some adjustments to its procedures. On April 26, 2018, promptly following the Supreme Court’s ruling, the PTAB released guidance on how IPRs will be conducted going forward now that all challenged claims must be reviewed when an IPR is instituted.¹⁷ Among other things, for pending cases in which the PTAB has instituted review on only some of the challenges raised in the petition, the PTAB may issue an order to supplement so as to address all of the challenged claims.

Assuming the number of IPRs instituted remains the same, the requirement that the PTAB review all challenged claims will of course increase its workload. Previously, the PTAB could decline to review those

claims as to which it found the petitioner had not established a likelihood of success. Now, if the petitioner meets the threshold requirement to establish a reasonable likelihood of a successful validity challenge as to at least one claim, the PTAB must review and issue a final decision on all the challenged claims – even those for which the PTAB finds the petitioner has no likelihood of success. As a result, the review process may become somewhat slower and more burdensome. While the PTAB generally must issue decisions within one year of instituting a review, extensions up to six months are permitted with a showing of good cause. The requirement that the PTAB review all challenged claims may well increase the number of reviews with a six month extension.

Patent owners will similarly face heavier burdens, as they will be required to *defend* every claim challenged by the petitioner. This increase in workload presumably will carry over to the Federal Circuit, when it reviews the PTAB decisions that now must address all challenged claims.

On the other hand, the requirement that the PTAB review all challenged claims may lead petitioners to be more selective about the claims they choose to include in their petition. One reason to do so is to avoid potential estoppel in subsequent litigation as to claims that the PTAB upholds. Under the PTAB’s prior regime, a decision by the PTAB not to review a particular challenged claim meant that the petitioner was not estopped from raising the same validity challenges to that claim in a separate federal court proceeding, such as an infringement suit. Now that the PTAB must address all claims in a petition, a finding by the PTAB that a petitioner has failed to establish the invalidity of a claim will result in estoppel as to that claim rather than, under the prior regime, a decision not to review that claim at all.

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¹⁵ *Id.* at *4.

¹⁶ *Id.* at *6.

¹⁷ Press Release, USPTO, Guidance on the Impact of *SAS* on AIA Trial Proceedings, (Apr. 26, 2018)

<https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>.