

# Kluwer Patent Blog

## The Future of Inter Partes Review In The Balance

Brian Slater (Kramer Levin Naftalis & Frankel LLP) · Thursday, November 23rd, 2017

Three pending cases have the potential to reshape – or even eliminate – inter partes review, a procedure for challenging patent validity introduced by the 2011 America Invents Act (“AIA”). On November 27, the Supreme Court will hear oral argument in two of those cases. In *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, the Court will hear whether IPRs before administrative law judges of the USPTO’s Patent Trial and Appeal Board (PTAB) are unconstitutional. In the second case, *SAS Institute v. Matal*, the Court will hear whether the PTAB must issue a final written decision on all claims challenged in an IPR petition or whether it may rule on only those claims as to which review was instituted. In the third case – yet to reach the Supreme Court – the Court of Appeals for the Federal Circuit recently decided en banc in *Aqua Products* that the burden in IPRs is on the petitioner to oppose claim amendments, not on the patent owner to justify them. We address these cases in turn.

Are IPRs Unconstitutional?

In *Oil States*, the petitioner argues that IPRs violate the U.S. Constitution by extinguishing private property rights and that the validity of a patent can only be decided by an Article III forum, such as a federal district court, with a right to a jury. The argument is based largely on language taken from old Supreme Court cases including the 1898 decision in *McCormick Harvesting Mach. Co. v. C. Aultman & Co.* There, the patent owner had previously sought to reissue its patent, but withdrew that request after the examiner had rejected both the original and new claims. The Supreme Court decided that, in light of the withdrawal of the reissue request, the examiner’s rejections of the original claims did not impact the validity of the patent in a patent infringement action. In so deciding, the Supreme Court stated that “upon the issue of the original patent, the patent office had no power to revoke, cancel, or annul it. It had lost jurisdiction over it, and did not regain such jurisdiction by the application for a reissue.” The *Oil States* respondents, for their part, argue that patents are a “public right,” and that *McCormick* did not address Article III and did not forbid Congress from granting to the USPTO the authority to correct or cancel an issued patent.

Many commentators have wondered why the Supreme Court decided to hear both *Oil States* and *SAS Institute*. After all, *SAS Institute* would be moot if the Court were to deem IPRs unconstitutional. On the flip side, if the IPR procedure at issue in *SAS Institute* is worthy of reconsideration, why did the Court take up the constitutional challenge raised in *Oil States*? Regardless of the Court’s rationale, the mere possibility that IPRs might be held unconstitutional has the patent bar paying close attention to the upcoming oral argument. Interest is high because of the Supreme Court’s predilection in recent years for overturning the Federal Circuit in patent cases,

and the recent addition of Judge Gorsuch to the Court. Nevertheless, it appears that most commentators think it is unlikely the Supreme Court will strike down IPRs. If the Court were to do so, the consequences would be tremendous. Not only for the numerous pending IPRs but for all those accused of infringement in the future who would then have only the district courts as a venue to challenge the validity of issued patents.

#### Are Partial IPR Final Decisions Proper?

In about a quarter of all IPR petitions, the PTAB institutes an IPR on only a subset of the patent claims challenged in the petition. The PTAB's practice in such cases is to limit its final written decision to the claims as to which review was instituted. Under the AIA, the decision not to institute an IPR as to one or more claims is generally not appealable. Moreover, estoppel applies only to those claims that are subject to a final written decision. Thus, claims that are challenged, but not instituted in an IPR, may be subject to further validity challenges in the district courts and PTAB, and the associated appeals.

Patentees have repeatedly criticized the PTAB's practice of partial institution as subjecting patents to piecemeal litigation that the AIA's estoppel provisions were designed to prevent. SAS Institute argues in its petition that the PTAB's partial-decision practice violates the AIA's "overall language, structure, and manifest purpose," including the alleged "plain" language of 35 U.S.C. § 318(a). The respondents argue that the AIA's prohibition on appeals from institution decisions bars the Court from considering this issue, but that if the Court were to take up the issue, the PTO's rules and practice are in accordance with the AIA and, at a minimum, are based upon a reasonable interpretation of the statute and thus entitled to deference.

If IPRs survive the constitutionality challenge in *Oil States*, a decision in SAS Institute's favor could yet reduce the number of IPRs. By forcing the PTAB to issue a final decision on all challenged claims, it would allow a successful patentee to enjoy broader estoppel in the district courts and in subsequent proceedings before the PTAB. This in turn may reduce the incentive to file IPRs, although the reduced cost of IPRs compared to district court litigation would still make IPRs attractive to many.

#### Motions to Amend Claims During IPRs – Whose Burden is it Anyway?

Another aspect of IPR procedure that has come under attack is the perceived difficulty for a patent owner to make claim amendments during an IPR. Under the AIA, a patent owner is allowed to offer a reasonable number of substitute claims during an IPR provided there is support for them in the specification. The USPTO's rules placed the burden of proving the suitability of an amendment on the patent owner. In practice, this made amendments very difficult to obtain, with the PTAB completely denying 112 of 118 motions to amend made by patent owners in IPRs through April of last year.

On October 4, the Federal Circuit decided en banc in *Aqua Products, Inc. v. Joseph Metal* that the burden is on the petitioner to oppose amendments, not on the patent owner to justify them. Judge Moore, writing for the majority in a lengthy, fractured opinion, stated: "We believe Congress explicitly placed the burden of persuasion to prove propositions of unpatentability on the petitioner for all claims, including amended claims." The new, lower bar for a patent owner may lead more accused infringers to take their chances in district court, where there is no ability for the patent owner to amend its claims.

The deadline for the government to file a cert petition in *Aqua Products* is early January of next year. Whether the government chooses to file will likely depend on how this Monday's Supreme Court argument goes.

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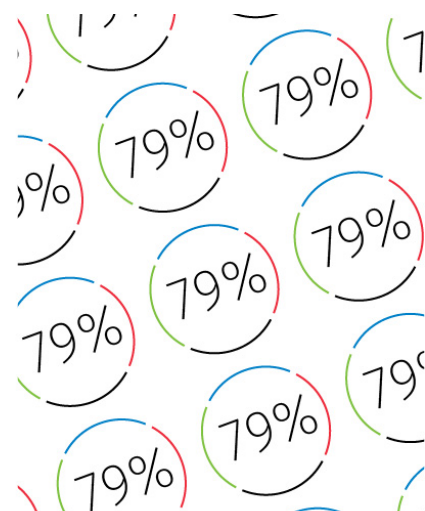
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