



Archetype IPSM

Federal Circuit Friday

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April 2018

When the US Supreme Court hands down a patent law decision, Federal Circuit Friday temporarily becomes “Supreme Court Friday.” In April, the Supreme Court issued decisions in two patent cases, both related to patent office *inter partes* review proceedings.

Oil States: Patent Office *inter partes* reviews do not violate Article III or the 7th Amendment.

In *Oil States Energy Services v. Greene's Energy Group* (April 24), Oil States lost an *inter partes* review (“IPR”) and appealed on the grounds that IPRs are an unconstitutional exercise of *judicial power* by an *administrative agency* (the PTO) in violation of allocation of federal judicial power under Article III and the right to trial by jury in civil suits under the Seventh Amendment.

This case is really about when and how the government can take away something that it previously granted to someone – specifically, whether an issued patent can be revoked by the executive branch (political appointees) or only by the judicial branch (independent decision-makers)?

The critical distinction was between so-called “public rights” and “private rights.” Public rights are “matters which arise between the Government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments.”¹ Public rights are not subject to Article III, and issues relating to public rights can, in general, be decided by whoever Congress says they can be decided by, including by federal administrative agencies like the PTO.

The Supreme Court determined that the granting of a patent was a “matter involving public rights” because it has the hallmarks of other recognized public rights, including (i) “tak[ing] from the public rights of immense value and bestow[ing] them upon the patentee,” thereby (ii) providing the patentee with a “public franchise” by which the it may “exclude others from making, using, offering for sale, or selling the invention throughout the United States,” (iv) which is a right that is a “creature of statute,” and (v) which “is one of the constitutional functions that can be carried out by the executive or legislative departments without judicial determination”² In these ways, granting patents is similar to granting rights to build and operate toll bridges, railroads, and telegraph lines (*i.e.*, the subjects of prior Supreme Court public rights cases).

Because an IPR is merely a reconsideration of the initial patent grant³ and Congress designated the PTO to perform that reconsideration, there is no violation of Article III. Because the Seventh Amendment applies only to cases in Article III courts, there is also no violation of the right to jury trial.⁴

Open issues after this decision include whether retroactive application of IPRs to patents issuing before the AIA are constitutional and whether the IPR process deprives patent owners of due process. More to come.

¹ *Oil States*, slip op. p. 6. The Supreme Court conceded that public rights (and how they differ from private rights) are not well-defined, but explained that clear definition was unnecessary because this case was not close to the line of demarcation between the two. *See id.*

² *Id.* pp. 7-8 (internal quotation marks and brackets omitted).

³ For example, it involves the “same statutory requirements that the PTO considered when granting the patent” and furthers the PTO’s interest in “seeing that patent monopolies are kept within their legitimate scope.” *Id.* pp. 8-9. Indeed, the grant of the patent can be viewed as conditioned on the potential for reconsideration by the PTO in an IPR, at least as to post-AIA patents. *Id.* pp. 10-11.

⁴ There is some interesting historical messiness that clouds the decision. The dissent asserts that only *courts* were allowed to invalidate patents at the time of the founding, indicating that Article III was intended to apply to the revocation of patents and patent holders are entitled to have revocation determined by an independent decision-maker rather than a political appointee. The majority acknowledged the role of courts in invalidation proceedings, but noted that at the time of the founding there was also a separate *administrative* revocation procedure involving the Privy Council, indicating that patent validity was not the exclusive province of the courts.

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SAS: Scope of *inter partes* reviews are defined by the petition - "partial" institution not allowed.

In *SAS Institute v. Iancu* (April 24), SAS petitioned for an IPR of all 16 claims of a patent owned by ComplementSoft but the PTO instituted the IPR on only 9 of the claims (ultimately finding 8 of those unpatentable). SAS appealed the "partial" institution, asserting that the IPR statute does not allow the PTO to institute on less than all claims set forth in the challenger's IPR petition.

The Supreme Court determined that the IPR statute requires the Board to address *every* claim the petitioner challenges. This case is really about whether a statute is sufficiently unclear to invoke a *Chevron* analysis (and potential deference to the PTO's interpretation of the statute). The Court found no ambiguity, basing its decision on two essential points:

First, the PTO's claimed "partial institution" power appears nowhere in the IPR statute. It cannot be found in the section regarding institution of IPRs (which only authorizes the PTO to decide, in its discretion, "whether" to institute an IPR), in the section requiring the PTO to determine that there is a reasonable likelihood that the petitioner will prevail on at least one claim, or in combinations of sections and minor differences in the language thereof.⁵ Further, whether partial institution is an efficient or desirable practice is a policy issue that should be addressed to Congress, not the courts.⁶

Second, the plain language of the IPR statute provides that the set of claims included in the petition defines the scope of the IPR. All sections addressing the issue focus on the claims that petitioner is challenging. As the prime example, section 318 states "the [PTO] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," which plainly means "the Board *must* address *every* claim the petitioner has challenged."⁷ No *Chevron* deference is due because "after applying traditional tools of interpretation here, we are left with no uncertainty that could warrant deference" and "[t]he statutory provisions before us deliver unmistakable commands."⁸

Some open issues after this decision:

- What happens to all the IPRs that have been "partially" instituted to date, including those for which the final decision is on appeal to the Federal Circuit?⁹
- Will Congress act to provide partial institution authority, and perhaps clean up other IPR issues such as making it easier to amend or add claims, confirming or changing the claim construction paradigm, expanding or clarifying the determinations/decisions subject to appeal, etc.?
- Should one be more selective as to the claims they challenge in a petition or should one challenge all claims and hope that the PTO either institutes or, per Ginsburg's dissent, declines to institute but reveals the claims upon which it would institute? Selectivity supports a petitioner that plans to seek a stay of pending litigation and avoids estoppel applying to claims the challenges to which the PTO views as weak but nevertheless institutes on and decides rather than weed out at the institution phase.

⁵ *SAS*, slip op. pp. 5-10.

⁶ *Id.* p. 10. Justice Ginsburg (joined by Breyer, Sotomayer, and Kagan) asserts in dissent that is inefficient to force the PTO to reject a petition (which it can do in its unfettered discretion) while noting which claims it would be amenable to reviewing as a hint to petitioner to refile on only that subset of claims.

⁷ *Id.* p. 5 (italics in original).

⁸ *Id.* p. 12. Justice Breyer (joined by Ginsburg, Sotomayer, and Kagan (in part)) asserts in dissent that the IPR statute is ambiguous or leaves a gap on the issue of partial institution and because the PTO's interpretation is reasonable it should be deferred to and upheld under *Chevron*.

⁹ The PTO has already issued guidance *allowing* panels to supplement the institution decision to bring all challenged claims into the proceeding, extending due dates as necessary. But that guidance does not answer all the questions. The PTO may be counting on some parties to settle or jointly terminate (and re-file) rather than add in all challenged claims.