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Oil States and SAS:
Practical Implications

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***Oil States Energy Services, LLC v.
Greene's Energy Group, LLC***

**No. 16-712
Decided April 24, 2018**

Facts

- Oil States sued Greene's Energy for patent infringement
- Greene's Energy challenged the patent in an IPR
- PTAB found several claims unpatentable
- Federal Circuit affirmed (Rule 36)
- Oil States petitioned for writ of certiorari to the Supreme Court

Slip op. at 4-5

Issues

- Does IPR violate Article III?
 - Are patents private or public rights?
 - Can public rights be adjudicated outside of an Article III court? What about private rights?
- Does IPR violate the Seventh Amendment?

Slip op. at 5-6

Held

**Inter partes review does not violate
Article III or the Seventh Amendment.**

Opinion of the Court

- 7-2 Decision (Thomas)
- Breyer concurred
 - Adds a single paragraph
 - Ginsburg and Sotomayor joined
- Gorsuch dissented
 - Roberts joined

Grant of Public Franchise

- “[T]he decision to grant a patent is a matter involving public rights—specifically, **the grant of a public franchise.**”
- “Finally, our decision should not be misconstrued as suggesting that patents are not **property** for purposes of the Due Process Clause or the Takings Clause.”

Slip op. at 1-3.

Public vs. Private Rights

- Whether a right is “public” or “private” bears on whether an Article III court must adjudicate disputes
- “This Court has not ‘definitively explained’ the distinction between public and private rights . . . and its precedents applying the public-rights doctrine have ‘not been entirely consistent.’” (quoting *N. Pipeline* and *Stern*)

Slip op. at 6.

Patents Are Public Rights

- Public-rights doctrine:
 - (1) covers matters between Government and its people
 - (2) is connected by legislative or executive performance of constitutional functions
- Granting a patent is “squarely within” public rights
- IPR reconsiders granted patents and is therefore also within the public-rights doctrine
- Public rights can be adjudicated outside Article III courts

Slip op. at 6, 9-10.

IPR Does Not Violate the Seventh Amendment

- Since IPR does not violate Article III, it does not violate the Seventh Amendment
 - The Seventh Amendment is not an independent bar to adjudication by a nonjury factfinder

Slip op. at 17.

Narrow Holding

- Holding expressly states that it does not address:
 - whether other patent matters (e.g., infringement) can be heard in a non-Article III forum;
 - whether IPR would be constitutional without court intervention at any stage of the proceedings;
 - whether IPR may be retroactively applied to patents that issued before the procedure was in place;
 - whether IPR violates due process; and
- Also states that “our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”

Slip op. at 16-17.

Open Questions and Practical Effects

- Facial or as-applied constitutional challenges likely (due process, takings, etc.)
- Retroactivity questions – where to draw the line?
 - AIA existed as of issue date?
 - AIA existed as of filing date, perhaps after significant investment under pre-AIA law?
 - After AIA enacted but before its effective date?

Open Questions and Practical Effects

- Should significant investment in a patented technology avoid IPR?
 - Justice Breyer at oral argument:
 - “[W]hat I’m thinking, quite seriously, assuming I basically agree with you [that IPRs are constitutional], but leave open the question of what happens if there has been huge investment?” (Tr. at 55:5-9.)
- Court intervention precluded under 35 U.S.C. § 314(d) for certain aspects of institution decisions
 - Constitutional without Article III court review?
 - But Supreme Court’s *Cuozzo* and en banc Federal Circuit’s *Wi-Fi One* decisions leave open court review of some aspects of institution-related decisions

Open Questions and Practical Effects

- Collateral effects?
 - ITC infringement jurisdiction
 - But patent owners affirmatively seek this jurisdiction
 - Other areas of law having similar administrative adjudication
- Do CBM, PGR, derivations, and reexaminations also not violate Article III or the Seventh Amendment?
 - Same administrative body addressing similar questions, but distinctions between proceedings might permit other challenges

Open Questions and Practical Effects

- PTAB may be more inclined to grant additional briefing or make other accommodations if it avoids due process concerns
- Challenge to PTAB's panel expansion process?
 - Already in limited use
 - Rarely flipped an original panel decision
- Uptick in PTAB filings in coming months?
 - Likely many were on hold pending *Oil States*



SAS Institute Inc. v. Iancu

No. 16-969

Decided April 24, 2018

Facts

- ComplementSoft sued SAS for infringement
- SAS petitioned for IPR on all 16 claims
- PTAB instituted review on 9 claims
- PTAB found 8 claims to be unpatentable and upheld patentability of 1 claim in Final Written Decision
- Split panel at Federal Circuit affirmed
 - Judge Newman filed **“vigorous dissent”**
- SAS petitioned for writ of certiorari to the Supreme Court

Slip op. at 3-4.

Issues

- Must the Board in an IPR issue a final written decision for every claim challenged by the petitioner?
- Or can the Board institute, and decide as few challenged claims as the Board pleases?

Slip op. at 1.

Applicable Statute

- Section 318(a) states that the Board:
 - “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner”
- PTAB regulation 42.108(a) allowed **partial institutions**.
 - Board could choose to review some claims and deny review of others
 - After IPR trial, Final Written Decision would address only claims that were instituted

Supreme Court Holding

- 5-4 decision: “When the USPTO institutes an inter partes review, it must decide the patentability of **all** of the claims the petitioner challenged **[in the petition]**” based on the plain text of § 318(a).
 - Gorsuch for the majority (joined by Roberts, Kennedy, Thomas, Alito)
 - Breyer dissenting (joined by Ginsburg, Sotomayor; Kagan joined all but one paragraph about *Chevron*)
 - Ginsburg dissenting (joined by Breyer, Sotomayor, Kagan)

Majority Opinion

- The plain text of the statute “supplies a ready answer.”
- § 318(a): “If . . . review 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.**”
 - “any” = “every”
 - “shall” = a nondiscretionary duty
 - “challenged by the petitioner” = all claims in the petition

Majority Opinion

- Director’s arguments for discretion to choose claims at institution not supported by statute.
 - Petitioner is “master of its complaint” and is entitled to judgment on all of the claims it raises.
 - Decision “whether” to institute is “binary”
 - Institution only needs to look at one claim to find “reasonable likelihood”
 - Policy arguments about efficiency are “properly addressed to Congress, not this Court.”

Ginsburg Dissent

(joined by Breyer, Sotomayor, and Kagan)

- In future, Board could deny entire challenge with signal of which claims would be worthy to challenge in a subsequent petition
- Majority forecloses “more rational” way for Board to weed out insubstantial challenges

Breyer Dissent

(joined by Ginsburg and Sotomayor, and Kagan in part)

- Statute leaves a gap under traditional statutory interpretation tools
- Congress left that gap for expert agency to fill
- USPTO regulation here is a reasonable gap-filler
- Non-instituted claims would be weeded out of the IPR, just as the statute allows settled or withdrawn claims

To Institute or Not To Institute

- Petitioner is “master of its complaint”
- Director only has the choice of whether to institute
- If petitioner has a reasonable likelihood of success on at least one claim, Director *may* institute
 - But Director is not required to institute
 - Board may reject for too many grounds
 - Board may reject because grounds are too similar to previous arguments

Slip op. at 6-8.

PTAB's Post-SAS Guidance

- PTAB issued formal guidance on April 26, 2018
 - <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>
- How did the PTAB interpret SAS?
 - Under Sec. 318(a), a final written decision for an instituted IPR must address the patentability of *every claim* and *every ground* set forth in the petition.
- How will the PTAB implement SAS?
 - The PTAB has changed its practice with respect to institution decisions.
 - The change is retroactive and will be applied to all pending proceedings.

Amending Previous Institution Decisions?

IPR2017-00213 — *Emerson Elec. Co. v. IPCO*

- Petition filed in November 2016
- Instituted May 15, 2017
- One-year decision date May 15, 2018
- Despite the imminent deadline, the PTAB issued a supplemental institution decision on April 26, 2018 amending the institution decision to include all claims and all grounds

Amending Previous Institution Decisions (*cont.*)

The Supreme Court issued its decision on April 24, 2018, in *SAS Institute Inc. v. Iancu*, 584 U.S. ____, 2018 WL 1914661 (2018), addressing the Board's ability to issue a final written decision addressing a subset of the claims challenged in a petition. In our Decision on Institution, we determined that Petitioner demonstrated a reasonable likelihood that it would prevail in showing that at least 1 of the challenged claims of the '496 patent is unpatentable. Paper 13, 23. Pursuant to the holding in *SAS*, we modify our Decision on Institution to institute on all of the claims and all of the grounds presented in the Petition.

PTAB Invites Rehearing Request

IPR2018-00049 — *Laird Tech. v. Parker Intangibles*

- Board *sua sponte* issued an Order on April 27, 2018, extending the deadline for the parties to file a request for rehearing
- The Order also extended the page limits and invited briefing to “address the question of whether we should vacate our Institution Decision and enter a new decision denying institution of an Inter Partes Review with respect to each of the grounds specified in the petition.”
- “In so doing, the parties should address the factors—especially factors 6 and 7—identified in *General Plastic*.”

New Institution Decisions Post-SAS

IPR2018-0082 — *Western Digital v. Spex Tech.*

- Institution on all claims and all grounds when only 2 of the 11 claims were found to meet the reasonable likelihood threshold
- Petition challenged 11 claims on 4 grounds
- Decision expressly stated how the panel is not persuaded certain proposed combinations teach certain claim limitations

Petitioners

- Choose grounds carefully
- One petition vs. multiple petitions
- Estoppel considerations

Patent Owners

- Focus on threshold issues
- Focus on redundancy issues

Patent Owners: Challenge Amending Institution

Elysium v. Dartmouth (IPR2017-1795):

- Patent Owner requested rehearing on the basis that the Board modified its decision too late and without proper notice in violation of statutory requirements.
- Patent Owner argues that the Board's Modified Institution Decision is improper because it issued more than three months after Dartmouth's preliminary response to the petition, and is therefore untimely under 35 U.S.C. § 314(b).

Estoppel: Implications?

- *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016)
 - Court stated that ground raised but not instituted is “not raise[d]—nor could it have reasonably [been] raised . . . *during* the IPR.”

Estoppel: Implications?

- *Biscotti Inc. v. Microsoft Corp.*, 2017 WL 2526231 (E.D. Tex. May 11, 2017)
 - Court held that Petitioner is estopped from asserting any ground that:
 - PTAB instituted and determined to be insufficient to establish unpatentability after trial on the merits;
 - PTAB determined did not establish a reasonable likelihood of unpatentability; and
 - a “skilled searcher conducting a diligent search reasonable could have been expected to discover.”

Questions?

Thank You

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Erin Sommers, Ph.D., helps clients protect their valuable IP rights at every stage—from strategic counseling and procuring patents before the USPTO to representing clients in contentious proceedings before the PTAB and U.S. federal courts. Erin focuses her practice on Abbreviated New Drug Application (ANDA) litigation, post-grant proceedings, and counseling, primarily in the chemical and pharmaceutical areas.

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