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PTAB Is Weakened but Survives: Supreme Court Holds AIA Reviews Constitutional, But Partial Institution Decisions Are Out

by S. Benjamin Pleune and Christopher TL Douglas

Oil States Energy Services LLC v. Greene's Energy Group LLC, No. 16-712

The strength and certainty of a U.S. patent suffered a major blow as the U.S. Supreme Court signals that the inter partes review procedure is here to stay. The Court confirmed that the U.S. Patent and Trademark Office may reconsider and cancel an already-issued patent claim. The Court relied heavily on the status of patents as "public rights" as opposed to "private rights," drew comparisons to "privy councils" of 18th century England, and dismissed arguments that inter partes review "looks like" district court litigation.

The Court's decision turned on the public rights doctrine. Specifically, the Court held that the granting of a patent involves a matter between the government and others and that a patent grant was a constitutional function that can be carried out without judicial determination. Similarly, because inter partes review amounts to a reconsideration of the original administrative patent grant, it involves the same public interest as the determination to grant a patent in the first instance. As a result, the Court held that patents remain "subject to [the Board's] authority" and can be canceled outside of a court.

The dissent, authored by Justice Gorsuch, argued that a judicial hearing before a property interest is stripped away is of equal stature to the guarantee of a warrant before a search or a jury trial before a conviction. Indeed, Justice Gorsuch implied that administrative patent law judges were akin to colonial judges that "depended on the crown for their tenure and salary and often enough their decisions followed their interests." He disputed the holding along this theme, reinforcing his belief that patent rights require adjudication by an independent judge.

There has been much press about the strength of the U.S. patent system and the uncertainty that a patent holder

has about the validity of its patents. The practical outcome of this decision is that uncertainty will remain, unless legislative action is taken.

SAS Institute Inc. v. Iancu, No. 16-969

The *SAS* decision turned on simple tenets of statutory interpretation. The majority's opinion was based primarily on its holding that the plain wording of the relevant statutes was clear – the Patent Trial and Appeal Board (PTAB) director could only determine *whether* to institute a petition but did not have discretion to institute a petition on fewer than all of the challenged claims. The dissent argued that there was a "gap" in the statutory framework and that the PTAB's interpretation of the legislative intent was reasonable. Despite the familiar statutory analysis, the result is a significant reduction in PTAB authority that has the potential for serious reverberations through the Federal Circuit and PTAB practice.

The Federal Circuit is already overwhelmed with appeals from the PTAB. In 2013 the circuit had fewer than 150 appeals from the Patent and Trademark Office. In 2017 there were nearly 600. The practical outcome of the Supreme Court's decision in *SAS* is that this workload will only increase since the PTAB can no longer dispose of claims at the institution phase, which is not subject to appeal under the Supreme Court's previous decision in *Cuozzo v. Lee*. Instead, if the petition is instituted, *all* of the challenged claims must be addressed in the final decision, providing additional appealable issues for the Federal Circuit to address, at least some of which (as pointed out by the dissent) need not have ever reached that level of review. This does mean, however, that all challenged claims will be addressed by the Federal Circuit at the same time, which avoids the judicial inefficiencies identified by the majority.

The practical outcome is that petitioners may include more (if not all) claims in their petitions, since a reasonable likelihood of success of one claim means that all claims will remain challenged until there is a final decision by the PTAB. This may increase pressure on the patent owner and potentially improves the chances for a stay of any underlying district court litigation.

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