Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

AIA Reviews Survive High Court, But Future Challenges Likely

By **Ryan Davis**

Law360 (April 24, 2018, 10:15 PM EDT) -- The U.S. Supreme Court's decision Tuesday that America Invents Act reviews do not violate the U.S. Constitution preserves the system for challenging patents, but the narrow decision will likely prompt more constitutional challenges to procedures used in the reviews, attorneys say.

In a 7-2 decision, the justices rejected a frontal assault on AIA proceedings like inter partes review by Oil States Energy Services LLC, which argued the entire system is unconstitutional because executive branch tribunals like the Patent Trial and Appeal Board have no authority to invalidate patents.

Justice Clarence Thomas wrote for the majority that the grant of a patent is a public right, so challenges need not be adjudicated by a court and AIA reviews pass constitutional muster. However, attorneys were intrigued by a passage where the court noted all the questions the decision does not resolve, which will spur challenges to specific PTAB practices in future cases.

The decision addresses "only the precise constitutional challenges that Oil States raised here," Justice Thomas wrote, noting that the company did not raise whether it is permissible for the PTAB to review patents issued before the AIA was passed, or whether the board's processes violate due process.

"They left those issues for another day, but you can bet your bottom dollar that they're going to get another petition," said Yar Chaikovsky of Paul Hastings LLP.

Jim Cleland of Brinks Gilson & Lione said he believes any future challenges may have a limited chance of success, but noted that "Justice Thomas bent over backwards to state the ways this decision is as narrow as it can possibly be. You don't see that in many opinions."

Patent owners have long criticized the PTAB for the high rate at which it finds patents invalid in AIA reviews and sought to abolish the proceedings entirely in the Oil States case. While that effort failed, the court's decision to specifically highlight unresolved questions will get the attention of those patent owners who want to keep chipping away at the system.

The court's decision to emphasize the narrowness of its holding is "almost an invitation for further challenges," said Andrew Williams of McDonnell Boehnen Hulbert & Berghoff LLP.

At oral arguments in the case in November, some of the justices expressed concern about some of the

PTAB practices the court declined to specifically address on Tuesday.

Notably, while Oil States did not challenge the retroactive application of inter partes review to its patent, which was issued before the AIA became law in 2011, that practice was questioned in November by Chief Justice John Roberts, who dissented Tuesday and said the reviews should have been found unconstitutional.

When an attorney for the government said at arguments that patent owners know when they get a patent that it could be subject to a later challenge, Justice Roberts asked, "How does that work, since this patent was issued before there was inter partes review?"

A future high court petition on that issue would likely hinge on the argument that since patent applicants prior to 2011 did not know their patents could be subjected to inter partes review, reviews of those patents violate the due process clause.

"I could definitely see that potentially having teeth if someone wants to make that sort of challenge," Williams said.

Nevertheless, other types of patent review proceedings existed before the AIA, which could make winning such an argument difficult. The patent office has had various types of patent re-examinations since 1980, and the owners of all patents now in existence have known they are subject to those reviews.

Inter partes review "is a new way of doing it, but it's not clear that it's so much different from the older proceedings that it would give you a hook" for a successful argument, said Michael Joffre of Sterne Kessler Goldstein & Fox PLLC.

If the court were to ultimately find that AIA reviews of patents that predate the law are impermissible, it could raise the thorny question of whether such patents already invalidated by the PTAB would spring back to life, Chaikovsky said. But a challenge to retroactive application is likely to be mounted, he said.

"Someone will raise that for sure, since most patents in the IPR process predate the AIA," he said.

Other issues left open by Tuesday's decision would apply in more limited circumstances. For instance, at arguments, some justices expressed concern about a PTAB practice that has come to be called "panel-stacking," in which after a three-judge panel makes a decision, the board convenes an expanded panel with additional judges to rehear the case.

Those expanded panels ordered by the board's chief judge have sometimes reached different conclusions than the original panel. Justice Neil Gorsuch, who also said Tuesday that the entire system should be found unconstitutional, said at arguments that it appeared patent office officials were trying to "stack the deck with judges whom we like."

"Specific cases may raise due process concerns, and the Supreme Court seems particularly receptive to those kinds of arguments, which was clear at oral arguments," Williams said.

The expanded panel issue could get traction in a future case, he said, but "if you're going to make that argument to the Supreme Court, you really need to be able to establish that without expanding the panel, especially at the last minute, the case would have come out differently."

Such a challenge might also be difficult since after the high court's criticism of the expanded panels at arguments, PTAB Chief Judge David Ruschke has indicated the practice will be used in the future mainly to highlight important decisions, and that expanded panels should change the original result "rarely if at all."

"That is something that we view as not a practice to do if we can avoid doing it to maintain uniformity," he said in February, noting that it has only happened twice.

There may not be a case involving expanded panels that could be appealed to the Supreme Court, since "the chief judge of the PTAB is pretty aware of the issue and seems to be trying to stay away from doing that," Chaikovsky said.

Other PTAB practices could give rise to future constitutionality challenges on due process grounds, such as the board's habit of allowing the same patent to be challenged multiple times.

In its passage outlining what the court is not deciding, the majority also noted that while it was holding that the grant of a patent is a public right, "our decision should not be misconstrued as suggesting that patents are not property for purposes of the due process clause or the takings clause."

The takings clause of the Constitution states that private property shall not "be taken for public use, without just compensation." So patent owners may argue that when the PTAB invalidates patents, their owners must be compensated for the loss of their property, which could make AIA reviews cost-prohibitive for the government.

"I'd be surprised if we didn't see a takings clause challenge at some point in the near future," Williams said, though he noted it would be difficult to prevail on.

The Supreme Court also pointed out that its opinion did not address whether patent infringement can be heard in a non-Article III forum. That does not apply to the PTAB, which reviews only validity, but some attorneys said that could inspire a challenge to the constitutionality of patent litigation at the U.S. International Trade Commission, a non-Article III forum that does make infringement decisions.

The single paragraph describing the issues left open by the decision could be an invitation from the court to make future challenges, or it could just be a way for the justices to caution against reading too much into their holding, Joffre said.

"The court could have not said any of those things. It's intriguing at least," he said.

While the decision upheld the way the patent system has worked since the AIA was passed, the court's decision to highlight unresolved issues "was a cue, and I assume someone will take that cue," said Nicole Jantzi of McDermott Will & Emery LLP.

The case is Oil States Energy Services LLC v. Greene's Energy Group LLC, case number 16-712, in the Supreme Court of the United States.

--Editing by Katherine Rautenberg and Alanna Weissman.