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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

High Court Leaves Gov't With Few Patent Challenge Options

By **Ryan Davis**

The U.S. Supreme Court held that the government can't challenge patents through America Invents Act reviews. (AP)

Law360 (June 10, 2019, 8:17 PM EDT) -- The federal government has limited options for challenging patents following Monday's U.S. Supreme Court decision barring it from seeking America Invents Act reviews, and it may face long odds of successfully using another procedure or getting Congress to undo the ruling, attorneys say.

The AIA states that proceedings like inter partes review can be initiated by a "person," and in a 6-3 decision involving the U.S. Postal Service, the justices held that in passing the law, Congress did not make clear that it intended that word to include the federal government.

As a result, when government agencies are accused of patent infringement, their main option for challenging the patent will now be to persuade a federal judge the patent is invalid, since unlike other accused infringers, it cannot take those arguments to the Patent Trial and Appeal Board.

"At the end of the day, it handicaps the government's ability to really defend itself in patent cases, and takes away some arrows in their invalidity quiver," Aziz Burgy of Axinn Veltrop & Harkrider LLP said.

The ruling appears to leave open the possibility that the government could challenge patents in a different proceeding called ex parte reexamination, or that Congress could pass a law to allow government agencies to use AIA reviews. However, both of those routes face hurdles, attorneys say.

The Supreme Court's opinion noted that since 1981, the U.S. Patent and Trademark Office has allowed government agencies to file ex parte reexaminations. In those proceedings, parties can bring information to the attention of the patent office, which can then decide whether to reexamine the patent's validity in a proceeding where the challenger is not involved.

Since that procedure was not at issue in the case decided Monday, the justices did not have the opportunity to address whether the USPTO has been correct in allowing the federal government to take advantage of it, and it is theoretically still available.

"That's another way you challenge the patent outside the context of litigation," Nathan Speed of Wolf Greenfield & Sacks PC said. "There's less involvement in an ex parte reexam, so the chances of success are somewhat lower, just because you're not able to frame the arguments as the proceeding progresses."

The high court's opinion noted that while AIA reviews are adversarial between two parties, reexamination is an internal proceeding at the patent office, although it's not clear that would necessarily make any difference in whether the government should be allowed to use it.

"It's interesting that they distinguished AIA trials from ex parte reexams and left open the possibility reexams could still be filed by the federal government," Eldora Ellison of Sterne Kessler Goldstein & Fox PLLC said. "They didn't squarely answer that question, but they noted that they've been allowed in the past."

However, the same issue that was decisive in Monday's decision would likely come into play were the government to use ex parte reexamination as a fallback now that AIA reviews are not available: The statute governing those procedures refers to them being filed by "any person."

Matthew Rizzolo of Ropes & Gray LLP said that if he were representing a patent owner whose patent was targeted by the government in an ex parte reexamination, "I'm going to challenge that right away."

Such reexaminations are often filed confidentially, so the patent owner may need to make an effort to confirm it was filed by the government. But a patent owner would likely argue that just as with the AIA, there's no indication Congress intended the word "person" to include the government in the context of ex parte reexamination.

One possible argument that the government should be able to file ex parte reexaminations may be that it has been allowed to do so for decades, and Congress has never taken action to end the practice. But given how the high court ruled on AIA reviews, such arguments about ex parte reexaminations may be a long shot, Burgy said.

"The statute refers to 'any person' again, so I think a consistent reading of that is probably going to mean the government would not be allowed to file them," he said.

Since Monday's decision hinged on what Congress intended when it passed the AIA, it would not be difficult for Congress to overturn the court's ruling and let the government file AIA challenges.

"That's certainly a possibility. A legislative fix is simply a matter of saying, in this section, when we say a person, that includes the agencies of the federal government," Rizzolo said.

Whether that is something Congress is inclined to do or whether it's important enough for the government to push for is another matter.

"I don't know if there's enough interest on behalf of the government or anyone else to go through the effort of modifying the AIA to affirmatively include the federal government as one of the petitioners," Ellison said.

Indeed, the government had used AIA reviews only sparingly until it was foreclosed from doing so by the Supreme Court. A government attorney told the justices at oral arguments in February that as of that

time, federal agencies had filed a total of 20 AIA petitions.

If the government does decide it wants to push Congress to restore its authority to file AIA challenges, it could soon have an opportunity to do so, since lawmakers are currently considering legislation that would expand the definition of what is eligible for a patent.

Rizzolo said a provision allowing the government to file AIA reviews could be added to such a measure as a kind of balance, adding in one method of invalidating patents to a measure that would largely make invalidating patents more difficult.

The Supreme Court's ruling deals with federal government agencies, so it will have to be left to another day whether state governments are likewise barred from filing AIA reviews, though attorneys said that appears to be the case.

"While this case involved the federal government, it's likely this would would also extend to other sovereigns, whether it's foreign governments as well as state governments," Rizzolo said.

Barring congressional action, government agencies accused of patent infringement are going to be at a disadvantage compared to those in the private sector, since a key tool for challenging patents will be unavailable to them.

"You may see the government try to settle more cases because they're not going to have as many options in terms of invalidating patents," Burgy said.

The case is Return Mail Inc. v. U.S. Postal Service et al., case number 17-1594, in the U.S. Supreme Court.

--Editing by Breda Lund.