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Supreme Court Rules PTAB Proceedings Constitutional

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The U.S. Supreme Court today issued dual decisions with substantial impact on the future of Inter Partes Review (IPR) and related proceedings for challenging the validity of patent claims before the PTAB (Patent Trial and Appeal Board). First, in *Oil States Energy Services, LLC v. Greene's Energy Group*, the Court rejected a fundamental challenge as to whether IPRs violated Article III of the U.S. Constitution. Then, in *SAS Institute Inc. v. Iancu*, the Court corrected the PTAB practice of issuing a partial decision, holding that if the Board institutes an IPR proceeding, it must decide the patentability of all of the claims that have been challenged.

IPRs, which were implemented by the America Invents Act in 2011, allow private third parties to challenge certain patent validity issues before the PTAB. The petitioner may request cancellation of one or more claims of a patent on lack of novelty or obviousness grounds. A panel of at least three PTAB administrative law judges preside over the proceedings, decide whether to institute the IPR, and ultimately issue a final written decision regarding the validity of the challenged claims.

IPRs often are used by a defendant in a patent infringement lawsuit as an alternative way to attack and potentially invalidate a patent. IPRs often are a cheaper and more successful route to killing a patent than litigation. In *Oil States*, the patent owner, Oil States Energy Services, sued Greene's Energy Group for patent infringement. The latter responded with an IPR, and the PTAB ultimately invalidated the challenged claims. Oil States appealed, asserting that IPR proceedings violated Article III and the right to a jury trial under the Seventh Amendment. The Federal Circuit rejected that argument.

The Supreme Court affirmed in a 7-2 decision, holding that because the decision to grant a patent is a matter involving public rights, it need not be adjudicated in an Article III court. For the same reason, "a second look at an earlier administrative grant of a patent" also need not be adjudicated in an Article III court. Further, as the IPR is properly assigned to a non-Article III tribunal, the Seventh Amendment right to a jury is inapplicable.

The *SAS Institute* case was also initiated in response to a patent infringement lawsuit brought by the patent owner, ComplementSoft. SAS filed an IPR petition challenging all 16 claims in the patent. The PTAB instituted the IPR as to only some of the claims, and ultimately held that the sub-set of claims were valid. SAS appealed, and the Federal Circuit vacated the determination of validity for one of the claims. The Federal Circuit also rejected SAS's argument that the PTAB final written decision was required to address the patentability of all challenged claims, holding that PTAB did not need to address claims for which the IPR was not instituted.

In a 5-4 decision, the Supreme Court held that when the PTAB initiates an inter partes review, it must resolve *all* of the claims challenged by the petitioner. The majority relied on the language of the AIA, which provides that "the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." In this context, "any" means "every." PTAB "cannot curate the claims at issue, but must decide them all."

The *Oil States* decision resolves a significant question regarding what has turned into a significant alternative route to resolving patent validity challenges, and avoids the spectre of how to handle the multitude of patent

claims that have been invalidated by PTAB. With the *SAS Institute* decision, however, it will likely not be "business as usual." One possible effect of the *SAS Institute* decision – and a concern advanced by Justice Ginsberg – is that the PTAB may refuse to entertain IPR petitions that it believes are too broad or challenge too many claims, while reviewing those that are more tailored and challenge only a smaller set of select claims. Petitioners may well find themselves filing two petitions where they filed only one before.

If you have any questions about this alert, please contact W. Edward Ramage, Nicole Berkowitz, or any member of the Firm's Intellectual Property Group.