

International reports

Supreme Court rules PTAB proceedings constitutional

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On April 24 2018 the Supreme Court issued dual decisions with substantial implications for the future of *inter partes* reviews and related proceedings for challenging the validity of patent claims before the Patent Trial and Appeal Board (PTAB). In *Oil States Energy Services, LLC v Greene's Energy Group*, the court rejected a fundamental challenge as to whether *inter partes* reviews violated Article III of the 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 *inter partes* review proceeding, it must decide the patentability of all claims that have been challenged.

Inter partes reviews, 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 presides over the proceedings, decides whether to institute the *inter partes* review and ultimately issues a written decision regarding the validity of the challenged claims.

Oil States

Inter partes reviews are often used by a defendant in a patent infringement lawsuit as an alternative way to attack and potentially invalidate a patent. They are often a cheaper and more successful route to invalidating 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 *inter partes* review and the PTAB ultimately invalidated the challenged claims. Oil States appealed, asserting that *inter partes* review proceedings violated Article III and the right to a jury trial under the Seventh Amendment. The Federal Circuit rejected that argument.

This was upheld by the Supreme Court 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 *inter partes* review is properly assigned to a non-Article III tribunal, the Seventh Amendment right to a jury is inapplicable.

SAS Institute

SAS Institute was also initiated in response to a patent infringement lawsuit brought by the patent owner, ComplementSoft. SAS filed an *inter partes* review petition challenging all 16 claims in the patent. The PTAB instituted the *inter partes* review for only some of the claims, and ultimately held that the subset of claims was 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's final written decision was required to address the patentability of all challenged claims, holding that the PTAB need not address claims for which the *inter partes* review 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 claims challenged by the petitioner. The majority relied on the language of the America Invents Act, 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'; the PTAB "cannot curate the claims at issue, but must decide them all".

Comment

Oil States resolves an important question regarding what has become 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 the PTAB. However, with *SAS Institute* 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 *inter partes* review 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 find themselves filing two petitions where they filed only one before.



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