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Post-Grant Opposition

Threats to Patent Office Reviews Remain After Supreme Court Ruling

A Patent and Trademark Office process for challenging patents is still vulnerable to legal threats, despite the U.S. Supreme Court's ruling that the process itself is constitutional.

The high court said that inter partes reviews by the office's Patent Trial and Appeal Board can survive because patents aren't a private property right that only a court established under Article III of the Constitution can take away. But the justices didn't address whether IPRs, established under a 2011 patent law, could violate a patentee's constitutional due process rights, or whether the procedure can only be used for patents issued since the law creating it was enacted.

The 7-2 ruling in *Oil States Energy Svcs., LLC v. Greene's Energy Grp., LLC* gives patent owners with more recent losses at the PTAB a playbook for attacking the IPR process on those other grounds.

''While *Oil States* may have been the first constitutional challenge to PTAB proceedings to reach the Supreme Court, it may not be the last,'' Matthew Rizzolo, an intellectual property attorney at Ropes & Gray LLP, told Bloomberg Law in an email message.

Most Petitions to Be Denied The Supreme Court held only that it was not unconstitutional for Congress to give the PTAB the authority to cancel patent claims that a PTO patent examiner previously granted. It rejected Oil States' argument that only a federal court could take away the private property right in a granted patent.

The ruling applies specifically to the IPR process—based on arguments that the examiner missed or inadequately considered earlier inventions—established under the America Invents Act of 2011.

The high court has few opportunities to look at the retroactivity and due process questions with the current set of 43 petitions pending for review that piggybacked on Oil States' arguments.

Almost all of the patent owners who filed the 43 petitions the Supreme Court will have to deal with in the next month or so said they would live or die with the *Oil States* decision. Successful patent challengers in three cases—Samsung Electronics Co., Seagate Technology (US) Holdings, Inc., and Ford Motor Co.—will have their wins affirmed when the Supreme Court denies those petitions.

A handful of petitions present other issues, though, including one that gives the court a chance to rule on retroactivity and another on a due process question.

Retroactive Application? The retroactive application of *Oil States* would mean that even those patents issued prior to when IPRs were available could be canceled in an IPR proceeding.

The Intellectual Property Law Association of Chicago drew the court's attention to that argument in a friend-of-the court brief filed Aug. 31. The argument, which *Oil States* did not present, is that the Patent Act describes the conditions under which a patentee gets its property grant, and IPR was not a condition in effect until the AIA changed the Patent Act and enabled that challenge as of Sept. 16, 2012.

Brian Pandya of Wiley Rein LLP and Erika H. Arner, a leading PTAB practitioner at Finnegan, Henderson, Farabow, Garrett & Dunner LLP, detected that attitude in Justice Stephen G. Breyer's comments at oral argument in the case in November.

''The Court seems to recognize the concerns voiced by Justice Breyer that patent owners need certainty'' at the time of patent grant, Arner told Bloomberg Law in an email message.

The counter-argument is that other types of patent office reexamination proceedings existed prior to the AIA, so patentees didn't have any greater sense of certainty before 2012.

''Congress established an ex parte reexamination mechanism in 1980, and an inter partes reexamination system in 1999,'' Paul Hughes of Mayer Brown LLP told Bloomberg Law in an email. ''As a result, patentees have long had notice that, when the PTO grants a patent, the patent franchise is subject to administrative procedures authorizing the PTO to reconsider its original judgment.''

The patent at issue in one of the cases the justices have been asked to review, *Uniloc USA, Inc. v. SEGA of America, Inc.* has already expired, so Hughes's view could be tested as the Supreme Court rules on Uniloc's petition for high court review.

Panel Stacking Due process issues potentially arise in the way the PTAB conducts all trials or specific trials—rather than in its power to cancel patent claims. If the Supreme Court agrees to hear one of those petitions for review, the resolution would be to change the PTAB's proceedings, not eliminate them.

Even at that, Michael Hawes of Baker Botts LLP doubted that the high court would look beyond specific issues in specific PTAB trials. ''There was no suggestion that the entire IPR structure would violate the due pro-

cess clause,'' Hawes told Bloomberg Law in an email message.

A case-by-case review of due process would have little impact on PTAB proceedings. The petition in *Droplets, Inc. v. Iancu*, for example, presented a due process issue when it challenged, on appeal, the board for inadequate analysis and the government for defending the board with an argument that the PTAB didn't make in its final decision.

But third-party briefs submitted to the court during *Oil States*' briefing identified another due process issue, which was discussed during oral argument.

Chief Justice John G. Roberts Jr. repeatedly criticized the PTAB during oral argument for ''panel stacking.'' Roberts was referring to IPRs in which a three-judge panel votes 2-1, and the PTO director or PTAB head judge believes the ruling is contrary to other panels' decisions on the same legal point. Two more judges are added to the board and the final decision is 3-2 with the opposite result.

Current petitions before the high court do not include that specific due-process issue. However, the PTO has defended the practice and, once such a case goes through appeal at the U.S. Court of Appeals for the Federal Circuit, it's likely to wind up on the Supreme Court's doorstep.

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