

WilmerHale Webinar

What's Next After *Oil States* and *SAS*: The Future of IPR Challenges and Procedure (Part II)

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Agenda

- The Supreme Court's *Oil States* and SAS decisions
- The PTAB's recent guidance and post-SAS orders
- Implications for future IPRs
- Implications for pending IPRs
- Implications for IPRs on appeal



Overview of *Oil States* and *SAS Institute*

- The decisions affirm the constitutionality of post-grant procedures authorized by the America Invents Act but portend possible changes in those procedures going forward
- ***Oil States v. Greene's Energy Group*, 138 S. Ct. 1365 (2018)**
 - 7-2 decision holds that IPR proceedings do not violate Article III of the Constitution or the Seventh Amendment right to a jury trial
- ***SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018)**
 - 5-4 decision holds that when PTAB institutes an IPR, it must do so on all claims challenged in the IPR petition



Oil States v. Greene's Energy Group

- 7-2 decision authored by Justice Thomas
- IPRs “fall[] squarely within the public-rights doctrine” of the Court’s Article III precedents (138 S. Ct. at 1373)
- The decision to **grant** a patent is a matter involving public rights: “the grant of a public franchise” to inventors (*Id.* at 1373)
- Because an IPR is simply a reconsideration of the initial grant, the PTO may conduct IPR proceedings without violating Article III and the Seventh Amendment. (*Id.* at 1374)



Oil States v. Greene's Energy Group

- But the Court emphasized the “narrowness” of its holding (*Id.* at 1379)
- The decision does not address:
 - Retroactive application of IPRs to pre-AIA patents
 - Due Process
 - Takings
- Future challenges to IPRs are thus likely



Oil States v. Greene's Energy Group

▪ Retroactivity

- Congress has expressed its intent to apply IPR procedures to existing patents: IPR “shall apply to **any** patent issued **before, on, or after** that effective date” AIA § 6(c)(2)(A), 125 Stat. 304 (emphasis added)
- *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985): Federal Circuit rejected comparable retroactivity challenge when ex parte reexamination was first created on the ground that patents are public rights

▪ Due Process

- Retroactive legislation is permissible if rationally related to a legitimate legislative purpose

▪ Takings

- Takings claims based on regulatory changes must meet *Penn Central* test that weighs investment-based expectations against governmental interests



SAS Institute v. Iancu

- 5-4 opinion authored by Justice Gorsuch
- “The statute, we find, supplies a clear answer: the Patent Office must ‘issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.’ In this context, as in so many other, ‘any’ means ‘every.’ The agency cannot curate the claims at issue but must decide them all.” (138 S. Ct. at 1353)
- Statutory structure “counsels against” partial institution discretion:
 - “[I]n an *inter partes* review the petitioner is master of its complaint and normally entitled to judgment of all of the claims it raises, not just those the decisionmaker might wish to address” (*Id.* at 1355)
 - “[I]t’s the petitioner, not the Director, who gets to define the contours of the proceeding” (*Id.*)
 - “[T]he petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation” (*Id.* at 1356)



SAS Institute v. Iancu

- The Court rejected the PTO’s arguments for discretion to limit review to fewer than all challenged claims, concluding that:
 - § 314(a) gives PTO “discretion on the question *whether* to institute review” but does not give it “discretion regarding *what* claims that review will encompass” (*Id.* at 1356)
 - The PTO’s “partial institution” regulation accordingly is not entitled to *Chevron* deference (*Id.* at 1358)
 - Purported efficiency of partial institution does not matter because policy questions are properly addressed to Congress, not courts (*Id.* at 1357-58)



SAS Institute v. Iancu: PTAB Guidance

- The PTAB has advised that, going forward, it will institute not only on all claims but also on all **grounds**
 - “[I]f the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition.” (PTAB April 26, 2018 Guidance)
- For pending trials instituted on all challenges, the panel will proceed in “normal course” (*Id.*)
- For pending trials where the panel has instituted on only some challenges:
 - The PTAB may issue supplemental orders to institute on all challenges, and also may take necessary action to manage the proceeding including “permitting additional time, briefing, discovery, and/or oral argument” (*Id.*)
 - The PTAB has already begun issuing such orders

SAS Institute v. Iancu: PTAB Decisions and Orders

■ Post-SAS Institution Decisions

- Now that the PTAB must institute on all claims, panels could find it most efficient to focus their institution decisions on a single claim
- In at least one case, however, the PTAB not only instituted on all challenges, but also explained in its order why Petitioner’s showing for some claims was insufficient
 - PGR2018-00001 (Paper 17): “In the interest of completeness, and in order to provide guidance to the parties, we address Petitioner’s remaining grounds below. Note, this is not an invitation to Petitioner to supplement its Petition.”



SAS Institute v. Iancu: PTAB Decisions and Orders

- Post-SAS Management Orders for Pending IPRs
 - The PTAB has been handling pending IPRs – instituted on fewer than all claims or grounds – in different ways
 - In some cases not yet argued, the PTAB has issued supplemental orders adding all claims / grounds and directing the parties to confer on scheduling and briefing:
 - IPR2017-01355 (Paper 18): After POR had been filed, PTAB issued supplemental order to “amend our Decision on Institution (Paper 9) to include review of all claims challenged and all grounds presented in the Petition”
 - IPR2017-01587 (Paper No. 31): PTAB issued supplemental order (prior to POR) stating that “although Petitioner has not shown that it has a reasonable likelihood of prevailing in its assertion under these grounds, we nevertheless modify our DI to institute on all of the grounds presented in the Petition”

SAS Institute v. Iancu: PTAB Decisions and Orders

■ Post-SAS Management Orders for Pending IPRs

- In cases where the IPR has already been briefed and argued, the PTAB has issued supplemental orders adding all challenges and requesting input on the need for additional briefing:
 - IPR2017-00272 (Paper No. 25): “We modify our institution decision in each of the four [related] proceedings [(three of which had already been argued)] to institute on all of the challenged claims and all of the grounds presented in the Petitions for those proceedings.”
- In at least one case, the PTAB indicated that it would issue a FWD on all claims and, **after the FWD**, the parties could raise whether additional briefing was required:
 - IPR2017-00276 (Paper No. 37): “After the Final Written Decision, if either Patent Owner or Petitioner believes that the ground based on Ekanadham alone requires additional consideration in this proceeding, the parties may file a rehearing request pursuant to 37 C.F.R. § 42.71(d).”



SAS Institute v. Iancu: PTAB Orders and Decisions

- Post-SAS Management Orders for Pending IPRs
 - The PTAB also has invited parties to agree to ***mutual*** withdrawal of non-instituted claims:
 - IPR2017-00782 (Paper No. 25): Supplemental order “authorizes the parties to file . . . a Joint Motion to Limit the Petition by removing the claim and ground upon which we did not institute in our [DI]”
 - Open question as to how PTAB will handle unilateral motions to withdraw



SAS Institute v. Iancu: PTAB Orders and Decisions

- Patent Owner Objections to Post-SAS Management Order
 - *Elysium Health, Inc. v. Dartmouth*, IPR2017-01795 (Paper 24)
 - Dartmouth argues that the PTAB’s management order fails to comply with its statutory obligations to:
 - Issue institution decision within three months of POPR (35 U.S.C. § 314(b)); and
 - Provide notice of the trial (35 U.S.C. § 314(c) & 37 C.F.R. § 42.4)
 - “[T]he only institution decision in this proceeding that comports with the requirements of SAS was the Modified Institution Decision. That decision, however, does not comport with 35 U.S.C. § 314. Finding otherwise would give the Board the power to modify the scope of a proceeding at any point in time, and gut the timing requirements of the statute. Such a result is not contemplated by SAS.” *Id.* at 4, n.1.

SAS Institute v. Iancu: Implications for Future IPRs

- Strategic considerations:
 - How many grounds should you include in a petition?
 - How many petitions should you file?
 - What is the scope of estoppel?



SAS Institute v. Iancu: Implications for Pending IPRs

- Strategic considerations:
 - Should you agree to include additional claims/grounds in a pending IPR, or attempt to withdraw them?
 - Better to request more briefing or go straight to FWD?
 - Better to postpone additional briefing until after FWD?
 - If the PTAB does not issue a supplemental management order, should you request one?



SAS Institute v. Iancu: Implications for IPRs on Appeal

- In pending appeals, the Federal Circuit has requested additional briefing on:
 - Whether failure to address all claims in petition makes PTAB decision non-final
 - Whether pending appeals are ultra-vires in light of *SAS*
 - What consequence of failure to raise the issue before the Board or in appellate briefing
- Estoppel issues



Questions?

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