

What To Do Until Justices Resolve AIA Constitutionality

By **Matthew Bultman**

Law360, New York (June 16, 2017, 9:24 PM EDT) -- The U.S. Supreme Court's decision to weigh the constitutionality of America Invents Act inter partes reviews is giving some looking to challenge patents reason to pause. Here, experts share what steps patent owners can take in case the justices do upend the popular review program.

The court agreed Monday to hear an appeal from Oil States Energy Services LLC that argues that under the Constitution, only federal courts, not executive branch tribunals like the Patent Trial and Appeal Board, can decide whether a patent is invalid.

If the justices were to side with Oil States, the decision could effectively eliminate IPRs, which have become an extremely popular avenue for challenging the validity of issued patents, and other review proceedings, while creating a host of new issues for courts to resolve.

In the short term, some accused infringers and other potential petitioners might be hesitant to spend the time and effort challenging a patent in IPR, given the cloud of uncertainty swirling around the future of the program.

"On a whole, because the money spent on IPRs could turn out to be not effective because the process is held to be unconstitutional, I think we could see a moderate decrease in the filing of petitions," Steven Pollinger of McKool Smith PC said.

It's not unusual for someone challenging a patent in an IPR to spend upwards of \$400,000 over the course of the process, which can take up to 18 months to complete. The Supreme Court is expected to rule in the Oil States case sometime before June 2018.

There is "some chance that IPRs are slightly more risky than they otherwise might have been," Michael Joffre of Sterne Kessler Goldstein & Fox PLLC said. "Therefore, you have to be careful when you're doing the calculus and deciding what steps to take."

Still, a significant drop-off in new petitions seems unlikely. For one, there remains a healthy degree of skepticism within the patent community that the Supreme Court will ultimately find the reviews to be unconstitutional.

"I think the good money is probably going to be on these proceedings will survive in large part," Brenton Babcock of Knobbe Martens Olson & Bear LLP said.

He also noted that some accused infringers won't have the luxury of waiting to see how the high court decides. Under the AIA, a petitioner must file a request for IPR within one year of being sued for infringement — meaning they could have to act soon or risk that window closing.

And even if the whole process were to be struck down, there could be value in having a decision from the PTAB finding a patent or a set of its claims are unpatentable. While it would have no legal effect, some said it might be helpful in negotiations or to potentially use as evidence in district court.

"I think from a petitioner's standpoint, it will be business as usual," Babcock said.

With that in mind, here are a couple things to consider if your patents are under attack at the PTAB.

Preserve the Argument

For patent owners, attorneys said the most important thing in the short term is to preserve the argument that the PTAB doesn't have the authority to invalidate patents. This means patent owners should plan to include this argument in their responses at the board.

"If it turns out that the Supreme Court says it's an unconstitutional process, you've now hopefully preserved that argument in your case before the board and you can say, 'I want to jump on the bandwagon of getting my decision thrown out,'" Babcock said.

This can hold true even if the argument wasn't made at the PTAB and the case is already before the Federal Circuit, Joffre and his Sterne Kessler colleague, Jon Wright, pointed out in an article they wrote recently which refers to the appeals court's 1986 decision in *Beard v. General Services Administration*.

That case involved a protective service officer who was appealing a decision from the Merit Systems Protection Board that affirmed his removal from the GSA. The officer was alleged to have violated agency rules regarding the use of mace when he sprayed an individual detained in a holding cell.

In relevant part, the Federal Circuit held that while it does not typically consider questions that weren't previously raised, in certain circumstances you don't have to raise a constitutional challenge to an agency action to preserve the argument for appeal.

There are questions whether the argument even needs to be raised by the patent owner if the Supreme Court were to find IPRs unconstitutional. But better to be on the safe side.

"Of course the prudent thing to do is always to preserve any argument that you have," Joffre said.

Consider an Appeal

Attorneys also expect to see an increase in the number of patent owners who lose at the PTAB and take their case to the Federal Circuit in the months until the Supreme Court makes its decision. If nothing else, an appeal could buy them some valuable time.

"I think patent holders that have lost before the PTAB would give much more serious consideration to appealing to keep that patent issue alive while the *Oil States* case is pending before the Supreme Court," Pollinger said.

Joffre explained it like this: "If you think that you have a very hard appeal right now because your patent was

invalidated but there's some chance that the whole system might get found to be unconstitutional, you might press an appeal in such a circumstance that you otherwise might have dropped."

There are a number of unanswered questions about what would happen in the aftermath if the Supreme Court were to upend IPRs, including whether the justices' decision would apply retroactively to revive patents that were already found by the board to be invalid.

Attorneys said it would seem that patent owners whose cases are still pending on appeal could use the ruling to undo the PTAB's decision — and end up walking away with their patent still intact.

"But if you accept the final written decision and drop an appeal, it seems less likely that any decision would retroactively give you back your patent rights," Joffre said. "Or I think that's probably how most people would perceive the state of play right now."

--Editing by Pamela Wilkinson and Catherine Sum.