

Q&A: Year-end overview of U.S. Supreme Court patent cases

Interview with Jason Stach, Esq.

Thomson Reuters: What intellectual property cases had the biggest impact in 2017?

Jason Stach: The Supreme Court's grant of certiorari in *Oil States vs. Greene's Energy* was one of the biggest events of the year. In that case, the Supreme Court is considering whether inter partes reviews before the Patent Trial and Appeal Board are constitutional or whether they violate Article III by entrusting patent validity determinations to Article I administrative law judges.

While this case directly affects those who practice before the PTAB, the case is even more important for its potential effect on the patent system as a whole. Post-grant proceedings have transformed nearly every aspect of patent practice, and while people often focus on the interplay with litigation, the broader effects pervade patent prosecution and portfolio management strategies, licensing negotiations, monetization strategies, due diligence when acquiring or transferring patent rights, and many others. For instance, many companies are now being more selective in which technologies they protect and are investing more resources in each patent to ensure that it can withstand the PTAB's scrutiny. And those looking to license or sell patent rights are always mindful of the possibility that one misstep could land them before the PTAB. Doing away with inter partes reviews and similar PTAB trials would result in a fundamental shift in how companies approach their patent portfolios.

TR: How do you think the court will rule in *Oil States*?

JS: While some view the case as providing a simple "yes" or "no" on constitutionality, the case is more nuanced than that. The court heard oral argument on Nov. 27 and much of the argument focused on Justice Neil Gorsuch's critiques of the inter partes review system. Based on the other justices' questions and comments, however, it appears that a majority of the court will uphold the proceedings as consistent with Article III, likely in a 7-2 or 6-3 holding. But several of the justices raised concerns about due process and takings, foreshadowing an opinion that may criticize the PTAB for the manner in which it conducts inter partes reviews. In several instances, the justices brought up the PTAB's "panel stacking," where the PTAB has expanded a three-judge panel to include additional judges who flip the original panel's holding to achieve the patent office's desired outcome. This is rare in practice, but

it was of such concern to the justices that many would be surprised if the PTAB ever opts to stack a panel again.

TR: How will *Oil States* impact businesses in 2018?

JS: A finding of unconstitutionality would leave businesses in limbo while Congress scrambles to cobble together a workable system that is consistent with the Supreme Court's opinion. Ex parte reexaminations presumably would continue to be available, as they predate the America Invents Act by decades, but other forms of post-grant patent review would need to be modified — assuming they are salvageable at all.

The more likely result is that the Supreme Court will uphold inter partes review as constitutional, but it appears poised to caution the PTAB in the way it conducts its proceedings in the future. Failure to heed those warnings may set up a future Supreme Court challenge based on due process or other issues. The precise effect on businesses will depend on the nature and number of critiques the Supreme Court includes in its opinion.

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TR: *SAS v. Matal* was argued to the Supreme Court on the same day as *Oil States*. What effect do you think *SAS* could have on patent practice?

JS: *SAS* raises the seemingly narrow question of whether the PTAB can issue an inter partes review final written decision that addresses only a subset of the claims challenged by the petitioner. Looking under the hood, however, it becomes apparent that *SAS* could more dramatically affect the law than *Oil States* (assuming the Supreme Court finds inter partes reviews to be constitutional). Many think the Supreme Court is more focused on *SAS*' administrative law implications, which could allow the court to address far-reaching issues about when a court must give deference to an administrative agency's statutory interpretation and how far an agency's rulemaking authority extends when delegated by statute. How the court tackles these issues could affect all administrative agencies — not just the Patent and Trademark Office — and there is speculation that the court may limit or do away with *Chevron* deference, which is a type of deference that Article III courts may apply when evaluating agency interpretations of statutes. If the court does modify *Chevron*, *SAS* may become one of the most famous (or infamous) decisions the court has issued in years.

TR: Do you think the Supreme Court will take the opportunity to address these issues, or do you think it will issue a narrower decision that focuses on the nuts and bolts of inter partes review?

JS: It is hard to say based on the oral arguments. Deference was not a focal point of the discussion, with most of the justices' questions



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focusing more on general statutory interpretation, the nature of the relief sought, and congressional intent. But even if the court limits its opinion to inter partes review procedure, the decision could have ripple effects in many areas. For instance, if the court requires the PTAB to address every challenged claim in its final written decision, it would trigger the estoppel provisions of 35 U.S.C.A. §§ 315(e) and 325(e) for every challenged claim. Under current practice, in contrast, if the PTAB partially institutes review of a patent, the estoppel provisions do not apply to the claims that were excluded from the trial and not addressed in a final written decision. In addition, denials of institution are generally not appealable under 35 U.S.C.A. §§ 314(d) and 324(d). But if claims that previously would have been excluded from trial must now be addressed in a final written decision, many believe the no-appeal statutes will no longer apply and the PTAB's decisions on those claims would become appealable to the U.S. Court of Appeals for the Federal Circuit.

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TR: What other cases have had an impact?

JS: The Supreme Court was quite active this year in the intellectual property realm, but one of their most interesting cases was *TC Heartland v. Kraft Food Brands Group LLC*. There, the court held that a domestic corporation resides only in its state of incorporation for purposes of patent venue. It is hard to imagine a topic more boring than patent venue, but the case is exciting for the soap-opera atmosphere surrounding it and for the effect it has already had on patent litigation.

TR: Can you tell us more about the atmosphere surrounding the case?

JS: While *TC Heartland* involved venue in Delaware, many viewed it as addressing a perceived problem with nonpracticing entities filing cases in the Eastern District of Texas against companies that had minimal or no ties to Texas. Rightly or wrongly, the Eastern District of Texas is viewed as a pro-patentee court, and taking so many companies to court there felt to many like forum shopping.

After the Supreme Court's *TC Heartland* decision, defendants seeking to avoid Texas sought to transfer to other venues. The judge who hears the most patent cases in the district, Judge Rodney Gilstrap, refused to transfer many of those cases, setting forth a four-part test for assessing venue that looked beyond a defendant's physical presence in the state. After learning of this test, House Judiciary Committee member Darrell Issa chastised Judge Gilstrap, saying that his decision is "reprehensible"

and "does not serve justice." A second House Judiciary Committee member, Bob Goodlatte, said that the test was "in defiance of the Supreme Court and congressional intent."

The Federal Circuit then rejected Judge Gilstrap's test in *In re Cray Inc.*, instead focusing on a defendant's physical presence. And in *In re Micron Technology Inc.*, the Federal Circuit found that *TC Heartland* had effected a change in the law for purposes of assessing whether a defendant had waived its ability to challenge venue in ongoing cases. Notwithstanding this decision, Judge Gilstrap recently found that courts have the inherent power to find waiver based on a party's litigation conduct, even after a change in law.

Regardless of whether you support or oppose Judge Gilstrap's view of venue, the push-and-pull of these decisions, and the out-of-character comments of Congress members criticizing a federal judge, have made the *TC Heartland* saga one of the most interesting patent issues of the year.

TR: Soap opera aside, how has *TC Heartland* affected patent litigation?

JS: Filings in the Eastern District of Texas have declined to less than half of their pre-*TC Heartland* numbers. Filings have increased in other districts, particularly in the District of Delaware, the Northern and Central Districts of California, and the Northern District of Illinois. Delaware has seen the largest jump, and has "borrowed" four judges from the Eastern District of Pennsylvania to help handle the increased workload.

TR: Finally, what case are you watching that could have a big impact on the patent system in 2018?

JS: As someone who practices frequently before the PTAB, I am watching *Wi-Fi One v. Broadcom*. In that case, the en banc Federal Circuit is considering whether judicial review is available for a patent owner to challenge a PTAB determination that the petitioner satisfied the timeliness requirement of 35 U.S.C.A. § 315(b). Section 315(b) precludes the PTAB from instituting an inter partes review if the petitioner was served with a complaint more than one year before filing its inter partes review petition. The Federal Circuit has previously held that this issue is not reviewable under the no-appeal clause of 35 U.S.C.A. § 314(d).

Although the case focuses on § 315(b), its holding is likely to change the framework for analyzing the appealability of other institution-related questions, potentially opening review for questions formerly deemed unreviewable. How far the door will open remains to be seen, but the potential for a significant shift is great enough that this case is one of my top cases to watch in 2018. **WJ**

(Reporting by Patrick H.J. Hughes)