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Are *Inter Partes* Reviews Unconstitutional? Time for Some History

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July 12, 2017 — *Inter partes* reviews (IPRs) at the Patent Trial and Appeal Board (PTAB) are procedures that patent challengers like to the extent of filing thousands of them. Most are successful for the challengers. IPRs are slow-rolling trials. Everything is routinely done on paper, except for a short final lawyers' argument. That makes them like other administrative trials, such as patent trials from the past, *i.e.*, interference trials, and administrative trials in other spheres, such as workers' compensation trials. As you would expect, given their "paper nature," there aren't any juries and there isn't any federal court judge involved.

But are they constitutional, because they decide the validity of property rights, the patent rights involved, without juries or federal judges? That is the question that will be addressed by the U.S. Supreme Court this fall, when the Court takes up a case known as *Oil States*, which in full is *Oil States Energy Services LLC v. Greene's Energy Group*, Docket No. 16-712 (petition granted June 12, 2017). The question for the Court is phrased as the petitioner phrased it: "Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury."

The answer to the question, no surprise, requires several history lessons. First, after the Constitution was ratified by the states, the **Bill of Rights** was adopted to add specific guarantees of personal freedoms and rights for the people. The **Seventh Amendment**, within the Bill, "preserved" the existing right of trial by jury "in suits at common law."

In "preserving" and not creating a right of trial, and in doing so for "suits at common law," not all lawsuits, the Amendment required the second history lesson — what were "suits at common law," and on what issues of such suits had there already been a right of jury trial? The Supreme Court

answered these questions over time, starting in *U.S. v. Wonson* in 1812, telling us that “suits at common law” were those suits in the common law courts of England. It continued in *Thompson v. Utah* in 1898, that the relevant suits were specifically the suits before the time of adoption of the Bill of Rights, in 1791. Then, in *Chauffers, Teamsters, & Helpers Local No. 391 v. Terry*, in 1990, it told us the jury right applies not only to the suits referenced in *Thompson*, but all federal suits in which “legal” rights are to be determined — “legal” to be contrasted with “equitable,” and “equitable” meaning suits in which only equitable rights were to be determined and only equitable remedies provided.

Very close to home as to the subject here, the Supreme Court looked carefully at jury trial rights in patent cases in *Markman v. Westview Instruments, Inc.*, in 1996, only 20 years ago. It resolved that patent infringement cases had a right of trial by jury: “there is no dispute that infringement cases today must be tried to a jury.” But, the Court resolved, this first conclusion requires a second analysis and conclusion, and that analysis addresses “whether a particular issue occurring within a jury trial ... is itself necessarily a jury issue, *the guarantee being essential to preserve the right to a jury’s resolution of the ultimate dispute.*” (emphasis added) Of course, addressing interpretation of the claims of patents, as to what they mean and cover, *Markman* resolved the issue was for courts, not juries. The Court reasoned that with a “mongrel practice (like construing a term of art following receipt of evidence),” a “sound ... course” was to “compar[e] the modern practice to earlier ones whose allocation to court or jury we ... know.”

Most telling for the present analysis, *Markman*’s historical analysis was that in 1791, “patent litigation ... was typified by so-called novelty actions, testing whether ‘any essential part of [the patent had been] disclosed to the public before,’ *Huddart v. Grimshaw*, Dav. Pat. Cas. 265, 298 (K. B. 1803), and ‘enablement’ cases, in which juries were asked to determine whether the specification described the invention well enough to allow members of the appropriate trade to reproduce it, see, *e. g.*, *Arkwright v. Nightingale*, Dav. Pat. Cas. 37, 60 (C. P. 1785).”

So present historical analysis concluded, are IPRs patent infringement cases? Because if they are, they have a right of jury trial. One argument is that they are not. They do not decide patent infringement, or award infringement damages. They only cancel or confirm patent claims. Another is that yes, they are, they are essential parts of patent infringement cases, because about 80 percent of IPR petitions are filed by those who have been sued for infringement, and if it weren’t for petitioners getting sued, there wouldn’t be 80 percent of IPRs.

Other relevant analyses start with the question, are IPRs the modern day equivalent to “novelty actions,” those actions of 1791 referenced by *Markman* as in the *Huddart* “K.B.” or King’s Bench case, and referenced as “testing whether ‘any essential part of [the patent had been] disclosed to the public before’”? Because if they are, it seems the Supreme Court cited such actions as requiring juries. Another question is, are there any particular issues within IPRs that are themselves necessarily jury issues? IPRs, we know, decide novelty and obviousness. Novelty is known to be an issue of fact, said *Coupe v. Royer*, a Supreme Court case in 1895. The subsidiary aspects of obviousness, the “*Graham* factors,” are issues of fact, while the ultimate decision of obviousness is a decision of law, said *Graham v. John Deere*, in 1966. But is obviousness a “mongrel practice,” and if so, how does “the modern practice [of deciding obviousness and not invention compare] to earlier [practices] whose allocation to court or jury we ... know”?

In the *Oil States* petition for *certiorari*, the argument for IPRs being unconstitutional is quite succinct. In barely more than four pages, the petition made its points and got itself granted. The federal government's twice as many pages and many points, and the respondent's three times as many pages and further points, in combination, did not persuade to the contrary.

It may be that no one can predict the Supreme Court. With some few exceptions, the Supreme Court seems to take Federal Circuit cases to reverse them. As in a pithy sentence in the Court's recent reversal in *TC Heartland*, the Court knows what it is doing: "We reverse the Federal Circuit," it said, and yes, yes it does. *Oil States* would indeed be a reversal. History may dictate that reversal. Chief Justice Roberts called IPRs "bizarre" in the oral argument in *Cuozzo*. But a significant part of the Supreme Court's recent cases on the substance of patent law, such as on patent exhaustion, in *Impression v. Lexmark*, and eligible subject matter, in *CLS v. Alice*, has been on protecting the rights of the public to be free of patent owners' rights. That's what IPRs arguably do — free the public from bad patent rights. Still, wouldn't it be something if IPRs were unconstitutional, and it was history, and specifically the practices of England from before 1791 — from which we revolted — that caused the result?

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