

TUESDAY, SEPTEMBER 28, 2021

PERSPECTIVE

## Inter partes review a decade into the America Invents Act

By Daniel N. Yannuzzi  
and Eric K. Gill

The Leahy-Smith America Invents Act was passed by Congress and signed into law by President Barack Obama on Sept. 16, 2011. With its main provisions taking effect on Sept. 16, 2012 and March 16, 2013, the AIA is the most significant legislative change to the United States patent system since the Patent Act of 1952. Among other things, the AIA shifted the United States patent system from a first-to-invent to a first-to-file system, eliminated interference proceedings, and put new post grant proceedings — including inter partes review, post grant review, and covered business method review — in place. IPRs, intended to be a more efficient and streamlined administrative alternative to litigation for determining patent validity, were a centerpiece of Congress's efforts to improve the United States patent system through the AIA.

It has now been 10 years since the AIA was signed into law. In the last decade, many questions regarding provisions of the AIA relating to IPRs have been answered and some questions remain. This article discusses some of these questions and the answers we have to date.

### Some Important Questions Answered

#### Constitutionality of IPRs

Since IPRs were put into place by the AIA, their constitutionality has been challenged in multiple ways. *Oil States Energy Services v. Greene's Energy Group* involved a

constitutional challenge to IPRs based in part on the separation of powers because IPRs are not decided by Article III judges but are instead decided by administrative patent judges serving on the Patent Trial and Appeal Board, and also based on an alleged violation of the 7th Amendment because IPRs are decided by APJs, not juries. 138 S. Ct. 1365 (2018). Here, the Supreme Court found that IPRs fall within the public-rights doctrine and therefore there is wide latitude to assign adjudication to entities other than Article III courts, which also means that the 7th Amendment does not bar adjudication by a nonjury factfinder. 138 S. Ct. at 1373–74, 1379.

Another challenge, in *United States v. Arthrex, Inc.* involved a challenge to the constitutionality of the process because APJs are not nominated by the President or approved by the Senate. 141 S. Ct. 1970 (2021). In *Arthrex*, even though the Supreme Court found that PTAB judges were unconstitutionally appointed, the court put a change in place to remedy this issue. 141 S. Ct. at 1982, 1986. Namely, the court severed the relevant statute, making the final written decisions of APJs subject to review by the director of the United States Patent and Trademark Office. *Id.* at 1986–87.

Thus, it appears that at least for now IPRs will not be going away any time soon based on constitutional challenges.

#### Finality of Institution Decisions

In *Cuozzo Speed Techs., LLC v. Lee*, the Supreme Court held that based on 35 U.S.C. Section 314(d) the PTAB's decisions on whether or not to institute an IPR are

with limited exceptions final and non-appealable and are not subject to judicial review. 136 S. Ct. 2131, 2136 (2016).

While this area would seem to be fairly well settled, two petitions for certiorari were recently filed challenging the alleged notion that the PTAB should be given *carte blanche* to deny IPR petitions. See *Mylan Labs. Ltd. v. Janssen Pharmaceutica, N.V. et al.* and *Apple Inc. v. Optis Cellular Tech. et al.*

### Some Important Questions Remaining

#### IPR Estoppel

For IPRs, the AIA includes an estoppel provision meant to preclude redundant validity challenges against the same patent claims. 35 U.S.C. Section 315(e)(2) states that a “petitioner in an inter partes

review ... that results in a final written decision under section 318(a) ... may not assert either in a civil action ... or in a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petitioner raised or could have raised during that” IPR.

Under Section 315, a petitioner is not estopped in district court from relying on printed prior art references used in an IPR petition if that petition is denied but if an IPR is instituted and subject to a final written decision, the petitioner is estopped from relying on such references that were used and generally other references that the petitioner was aware of at the time of filing the IPR. See *Shaw Indus. Grp. v. Automated Creel Syst.*, 817 F.3d 1293 (Fed. Cir. 2016). Additionally, petitioners may be

**Daniel N. Yannuzzi** is a partner and **Eric K. Gill** is an associate at Sheppard, Mullin, Richter & Hampton LLP. This article, written solely for educational purposes and not written at all to render legal advice, represents the views of the authors alone and does not express the views of Sheppard Mullin or its clients.



estopped from relying on prior art that was not known to them but reasonably could have been known — i.e., where such art was reasonably discoverable through a diligent search. Despite a large number of cases addressing the estoppel effect with respect to reasonably discoverable art, the Federal Circuit has provided little guidance on this issue.

#### *Discretionary Denial*

Under the *NHK-Fintiv* rule, which is based on two precedential PTAB opinions, the PTAB considers six factors to guide its discretion in instituting IPRs when there are parallel proceedings in other venues, such as district courts and the International Trade Commission. *NHK Spring Co. v. Intriplex Techs., Inc.*, IPR2018-00752

(P.T.A.B. Sept. 12, 2018) (precedential); *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (P.T.A.B. Mar. 20, 2020). The six factors include (1) the likelihood of a stay of the parallel proceeding should the PTAB institute the IPR, (2) the trial date of the parallel proceeding relative to the deadline for a final written decision in the IPR, (3) the investment in the parallel proceeding by the parties and the court, (4) overlap of issues, (5) overlap of parties, and (6) a catch-all for other circumstances that impact the PTAB's discretion (including the merits). The PTAB can use these factors to deny institution of an otherwise worthy IPR petition.

Recently, two petitions for writ of certiorari were filed with the Supreme Court challenging the lawfulness of the *NHK-Fintiv* rule,

including that the rule exceeds the Patent Office's rule making authority, is arbitrary and capricious, and was adopted without the required notice and comment rule making. The *NHK-Fintiv* rule is also being challenged in district court litigation. Namely, Apple, Cisco, Google, Intel, and others have asked the Northern District of California to declare that the *NHK-Fintiv* rule is unlawful, set it aside, and permanently enjoin the Patent Office from relying on the rule.

In addition, Sen. Patrick Leahy very recently announced a bill that would abolish the PTAB's power to deny IPR petitions for reasons other than the merits of the case, including discretionary denials based on *NHK-Fintiv*, instead requiring institution if statu-

tory standards are met.

While its future is unclear, for now discretionary denial is an important issue for both petitioners and patent owners to address.

#### **Conclusion**

Ten years after being signed into law, the AIA has proven to be a marked improvement to the United States patent system. IPRs, which have become a popular mechanism for challenging the validity of issued patents, are an important part of that improvement. While much has been clarified over the last 10 years, there are still grey areas and issues that will no doubt continue to develop. As always, it is important for practitioners to stay current on the law, both before the PTAB and the district courts. ■