

Annual Meeting CLE

Moderator: **Hon. Faith Hochberg**

U.S. District Court for the District of New Jersey (Ret.)

SCOTUS Review Redefining Administrative Second Looks At Patents

- ▶ **Charles Macedo
(Amster Rothstein &
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- ▶ **Robert Rando (The
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- Moderator:**

Predictability and the Standard of Review in IP Cases

- ▶ **Julie Albert (Baker
Botts LLP)**
- ▶ **Ronald Coleman
(Mandelbaum
Salsburg PC)**

Nineteen Hundred and Twenty-two

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SCOTUS Review Redefining **Administrative Second Looks At Patents**

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May 15, 2018 NYIPLA Annual Meeting

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Agenda

Oil States

SAS

Reper- cussions

- ***Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC***
 - Thomas Majority
 - Breyer Concurrence
 - Gorsuch Dissent
- ***SAS Institute Inc. v. Iancu***
 - Gorsuch Majority
 - Breyer Dissent
 - Ginsburg Dissent
- **Repercussions**
 - SCOTUS Response – Denial of Follow On Petitions
 - PTO Response – New Guidance and Reopening Proceedings
 - Unanswered Questions

Oil States – Procedural Background

- **2001** – Oil States Patent Issues
- **2012** – Oil States sues Greene's Energy in Federal District Court
- **Dec. 2013/Jan. 2014** – Greene's Energy files IPR Petitions with PTAB
- **June 2014** -- District Court issues claim construction favorable to Oil States
- **May 2015** – PTAB Issued Final Written Decision that Claims were unpatentable (using contrary construction to District Court)

Oil States – Procedural Background

- **July 2015** – Oil States Appeals Final Written Decision
- **Sept. 2015** – Oil States Brief on Appeal to Federal Circuit argues:

“THE BOARD’S OPINION MUST BE SET ASIDE BECAUSE THE CONSTITUTION REQUIRES PATENT INVALIDATION TO BE DETERMINED BY A JURY IN AN ARTICLE III COURT”

(Red. Br. at 52)
- **Dec. 2015** -- Federal Circuit finds PTAB proceedings constitutional in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015).
- **May 2016** – Federal Circuit summarily affirms PTAB decision in Oil States (using Rule 36)
- **July 2016** – Federal Circuit summarily denies Petition for rehearing and rehearing *en banc*.

Oil States – Question Presented

- **June 2017** – SCOTUS accepts petition for certiorari on Question 1:

1. 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.***

Petition (emphasis added)

Oil States Energy Servs., LLC v. Greene's Energy Grp., Inc., et al. (SCOTUS Apr. 24, 2018)

- THOMAS, J., delivered the opinion of the Court, in which KENNEDY, GINSBURG, BREYER, ALITO, SOTOMAYOR, and KAGAN, JJ., joined. ("Thomas")
- BREYER, J., filed a concurring opinion, in which GINSBURG and SOTOMAYOR, JJ., joined. ("Breyer")
- GORSUCH, J., filed a dissenting opinion, in which ROBERTS, C. J., joined. ("Gorsuch")

Oil States – Thomas Majority

Oil States majority (per Justice Thomas)
bottom line:

The Leahy-Smith America Invents Act, 35 U. S. C. §100 *et seq.*, establishes a process called “inter partes review.” Under that process, the United States Patent and Trade-mark Office (PTO) is authorized to reconsider and to cancel an issued patent claim in limited circumstances. In this case, we address whether inter partes review violates Article III or the Seventh Amendment of the Constitution. ***We hold that it violates neither.***

Thomas, slip op. at 1 (emphasis added).

Oil States – Thomas Majority

Debate centers on whether issued patents are “public right” or “private right”

When determining whether a proceeding involves an exercise of Article III judicial power, this Court’s precedents have distinguished between “***public rights***” and “***private rights***.” Those precedents have given Congress significant ***latitude to assign adjudication of public rights*** to entities other than Article III courts.

Thomas, slip op. at 6
(emphasis added; citations omitted)

Oil States – Thomas Majority

“Inter partes review falls squarely within the public rights doctrine.” Thomas, slip op. at 6.

“This Court has recognized, and the parties do not dispute, that the decision to *grant* a patent is a matter involving **public rights**--specifically, the grant of a **public franchise**. Inter partes review is **simply a reconsideration of that grant**, and Congress has **permissibly reserved the PTO’s authority to conduct that reconsideration**. Thus, **the PTO can do so without violating Article III.**”

Thomas, slip op. at 6-7 (italics emphasis in original; other emphasis added).

Oil States – Thomas Majority

The Court's logic:

- “This Court has long recognized that the grant of a patent is a “ ‘matte[r] involving public rights.’ “ (Thomas, slip op. at 7)
- “Inter partes review involves the same basic matter as the grant of a patent. So it, too, falls on the public-rights side of the line.” (*Id.* at 9)

Oil States – Thomas Majority

The Court's view of Inter Partes Review as merely a "second look"

"Inter partes review is ***"a second look at an earlier administrative grant of a patent."*** *Cuozzo*. The Board considers the ***same statutory requirements*** that the PTO considered when granting the patent. See 35 U. S. C. §311(b). Those statutory requirements prevent the "issuance of patents whose effects are ***to remove existent knowledge from the public domain.***" *Graham v. John Deere*. So, like the PTO's initial review, the Board's inter partes review protects "the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope," *Cuozzo*. Thus, inter partes review involves ***the same interests as the determination to grant a patent in the first instance.*** See *Duell*.

Thomas, slip op. at 8-9 (citations truncated; emphasis added)

Oil States – Thomas Majority

Post issuance activity “does not make a difference” to the majority:

The primary distinction between inter partes review and the initial grant of a patent is that inter partes review occurs *after* the patent has issued. **But that distinction does not make a difference here.** Patent claims are granted subject to the qualification that the PTO has “the authority to reexamine—and perhaps cancel—a patent claim” in an inter partes review. *See Cuozzo, supra*, at ____ (slip op., at 3). Patents thus remain “subject to [the Board’s] authority” to cancel outside of an Article III court. *Crowell*, 285 U. S., at 50.

Thomas, slip op. at 9

(italics emphasis in original; other emphasis added)

Oil States – Thomas Majority

Prior Court decisions cited by *Oil States* as recognizing patent rights as the “private property of the patentee” do not contradict its conclusion that *inter partes* review does not violate Article III.

Those precedents were decided under the Patent Act of 1870, which did not provide for any post-issuance administrative review, and held that “[t]hose precedents . . . are best read as a description of the statutory scheme that existed at that time.” Thomas, slip op. at 11.

Oil States – Thomas Majority

Contrary to the contention by Oil States and the dissent, “history does not establish that patent validity is a matter that, ‘from its nature,’ must be decided by a court.” Thomas, slip op. at 12 (citation omitted).

“Historical practice is not decisive here because matters governed by the public rights doctrine ‘from their nature’ can be resolved in multiple ways: Congress can ‘reserve to itself the power to decide,’ ‘delegate that power to executive officers,’ or ‘commit it to judicial tribunals.’ That Congress chose the courts in the past does not foreclose its choice of the PTO today.”

Id. at 14-15 (citation omitted).

Oil States – Thomas Majority

The Court also rejected Oil States' argument that *inter partes* review violates Article III based on the similarities between the various procedures used in inter partes review and typical court procedures.

But this Court has ***never adopted a “looks like” test to determine if an adjudication has improperly occurred outside of an Article III court.*** The fact that an agency uses court-like procedures does not necessarily mean it is exercising the judicial power.

Thomas, slip op, at 15 (citation omitted; emphasis added).

Oil States – Thomas Majority

Inter partes review does not violate the Seventh Amendment, since

“when Congress properly assigns a matter to adjudication in a non-Article III tribunal, the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.”

Thomas, slip op, at 17
(citations and internal quotation marks omitted).

Oil States – Thomas Majority – Open Issues

Court did not consider:

- “whether inter partes review would be constitutional without any sort of intervention by a court at any stage of the proceedings.” *Id.* at 16 (citation and internal quotation marks omitted).
- “the retroactive application of inter partes review, even though that procedure was not in place when its patent issued.” *Id.* at 17.

Oil States – Thomas Majority – Open Issues

The Court also cautioned against misconstruing its decision:

“as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”

Id. (citations omitted).

Insight for Justice Thomas’ relevant due process views gleaned from Justice Scalia’s concurrence joined by Thomas, J., in *Kerry v. Din*, 135 S. Ct. 2128, 2133 (2015):

“ ‘disseised of his lands, or tenements, or dispossessed of his goods, or chattels; barred to have the benefit of the law; **denied the franchises**, and priviledges (sic), **which the subjects have of the gift of the king**’ ”

Id. (quoting Edward Coke’s description of the Magna Carta origin for the Due Process Clause).

Oil States – Thomas Majority – Open Issues

On May 9, 2018, a class action lawsuit against the United States for, *inter alia*, a taking without due process was filed in the U.S. Court of Claims:

“This is a class action that seeks just compensation for the **taking of inventors’ and patent owners’ recognized patent property rights** by the United States of America (the “Defendant”). This taking was effectuated by the United States Patent and Trademark Office, hereinafter, “USPTO”) and by the alleged authority of recently created post-grant proceedings of the Leahy-Smith America Invents Act (“AIA”). **The USPTO’s invalidation of the Plaintiff’s and Class member’s patent claims was a taking without just compensation in violation of the Fifth Amendment of the Constitution.**”

Oil States – Breyer Concurrence

Private rights may be sometimes adjudicated by non-Art. III tribunals.

The conclusion that inter partes review is a matter involving public rights is sufficient to show that it violates neither Article III nor the Seventh Amendment. ***But the Court's opinion should not be read to say that matters involving private rights may never be adjudicated other than by Article III courts, say, sometimes by agencies.***

Breyer, slip op. at 1 (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch takes a shot across the bow, re: the concurring opinion and the Constitution's vesting clauses vis-à-vis which cases independent Art. III judges must hear:

“Some of our concurring colleagues see it differently. See ante, at 1 (Breyer, J., concurring). They point to language in Commodity Futures Trading Comm’n v. Schor, 478 U. S. 833, 106 S. Ct. 3245, 92 L. Ed. 2d 675 (1986), **promoting the notion that the political branches may “depart from the requirements of Article III” when the benefits outweigh the costs.** Id., at 851, 106 S. Ct. 3245, 92 L. Ed. 2d 675. **Color me skeptical.** The very point of our written Constitution was to prevent the government from “depart[ing]” from its protections for the people and their liberty just because someone later happens to think the costs outweigh the benefits. See United States v. Stevens, 559 U. S. 460, 470, 130 S. Ct. 1577, 176 L. Ed. 2d 435 (2010)”

Oil States, 200 L Ed. 671, 689 n.1 (Gorsuch, J. dissenting) (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch characterized *Inter Partes* Reviews as “a retreat from Article III’s guarantees.”

[T]he Patent Office agrees your invention is novel and issues a patent.... But what happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled? ***Can a political appointee and his administrative agents, instead of an independent judge, resolve the dispute? The Court says yes. Respectfully, I disagree.***

Gorsuch, slip op. at 1 (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch characterized *Inter Partes* Reviews as “a retreat from Article III’s guarantees.”

Today, the government invites us to retreat from the promise of judicial independence. Until recently, most everyone considered an issued patent ***a personal right—no less than a home or farm***—that the federal government could revoke only with the concurrence of independent judges. ***But in the statute before us Congress has tapped an executive agency, the Patent Trial and Appeal Board, for the job.***

Gorsuch, slip op. at 2 (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch criticizes the “dispensing [of] constitutionally prescribed procedures [in favor of] expedien[ce].”

“And, no doubt, **dispensing with constitutionally prescribed procedures is often expedient.** Whether it is **the guarantee of a warrant before a search, a jury trial before a conviction—or, yes, a judicial hearing before a property interest is stripped away—the** Constitution’s constraints can slow things down. **But economy supplies no license for ignoring these—often vitally inefficient—protections.** The Constitution “reflects a judgment by the American people that **the benefits of its restrictions on the Government outweigh the costs,**” and it is not our place to replace that judgment with our own.”

Oil States, 200 L Ed. 671, 688 (Gorsuch, J. dissenting) (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch criticized the majority's reasoning that because the Executive can issue a patent, it can also revoke it:

Because the job of issuing invention patents traditionally belonged to the Executive, the Court proceeds to argue, the job of revoking them can be left there too. But that doesn't follow. ***Just because you give a gift doesn't mean you forever enjoy the right to reclaim it.***

Gorsuch, slip op. at 10 (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch takes the Majority to task re: the Privy Council cases; tying the Court's precedential cases concerning patent property rights to interpreting "statutes then in force"; and ignoring the land patent cases analogue, citing to a Justice Thomas dissenting opinion in *Wellness Int'l Network, Ltd. v. Sharif*, 191 L. Ed. 2d 911, 947 (2015) (Thomas, J., dissenting) (finding land patent revocation must be heard by Art. III court).

"With so much in the relevant history and precedent against it, the Court invites us to look elsewhere. **Instead of focusing on the revocation of patents, it asks us to abstract the level of our inquiry and focus on their issuance.**"

Oil States, 200 L Ed. 671, 693 (Gorsuch, J. dissenting) (emphasis added).

Oil States – Gorsuch Dissent

Justice Gorsuch summarizes the impact of the Majority decision:

“Today’s decision may not represent a rout but it at least signals a retreat from Article III’s guarantees. Ceding to the political branches ground they wish to take in the name of efficient government may seem like an act of judicial restraint. But enforcing Article III isn’t about protecting judicial authority for its own sake. It’s about ensuring the people today and tomorrow enjoy no fewer rights against governmental intrusion than those who came before. **And the loss of the right to an independent judge is never a small thing. It’s for that reason Hamilton warned the judiciary to take “all possible care . . . to defend itself against” intrusions by the other branches. The Federalist No. 78, at 466. It’s for that reason I respectfully dissent.”**

Oil States, 200 L Ed. 671, 694 (Gorsuch, J. dissenting)
(emphasis added).

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Reper- cussions

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SAS – Procedural Background

- **March 2013:** SAS Institute Inc. (“SAS”) petitioned for IPR of ComplementSoft, LLC’s (“ComplementSoft”) software patent. SAS’s petition challenged all 16 of the patent’s claims.
- **Aug. 2013:** Institution Decision: PTAB institutes on one ground addressing Claims 1, 3-10. PTAB does not institute on other grounds which also included Claims 2 and 11—16.
- **Aug. 2014:** PTAB issues final written decision which invalidated Claims 1, 3, 5-10, did not invalidate Claim 4, and failed to address Claims 2 and 11-16. Also rejected proposed substitute claims 17-18, 20-25.
- **Jan. 2015:** SAS appealed to the Federal Circuit, arguing that 35 U.S.C. § 318(a) required the PTAB to decide the patentability of every claim a petitioner challenges in its petition, not just some.
- **Jun. 2016:** The Federal Circuit rejected this argument.
- **Nov. 2016:** Rehearing and Rehearing en banc denied, with Judge Newman Dissenting
- **Jan. 2017:** Petition for writ of certiorari filed with SCOTUS.

SAS – Question Presented

QUESTION PRESENTED

Does 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an inter partes review “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner,” require that Board to issue a final written decision as to every claim challenged by the petitioner, or does it allow that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit held?

Petition.

SAS Institute, Inc. v. Iancu (SCOTUS Apr. 24, 2018)

- GORSUCH, J., delivered the opinion of the Court, in which ROBERTS, C. J., and KENNEDY, THOMAS, and ALITO, JJ., joined. (“Gorsuch”)
- GINSBURG, J., filed a dissenting opinion, in which BREYER, SOTOMAYOR, and KAGAN, JJ., joined. (“Ginsburg”)
- BREYER, J., filed a dissenting opinion, in which GINSBURG and SOTOMAYOR, JJ., joined, and in which KAGAN, J., joined except as to Part III–A. (“Breyer”)

SAS – Gorsuch Majority

Question presented per Justice Gorsuch:

“When the Patent Office initiates an inter partes review, must it resolve *all* of the claims in the case, or may it choose to limit its review to only some of them?”

Answer per Justice Gorsuch:

“[T]he Patent Office must ‘issue a final written decision with respect to the patentability of *any* patent claim challenged by the petitioner.’ 35 U.S.C. §318(a) (emphasis added). In this context, as in so many others, ‘any’ means ‘every.’ The agency cannot curate the claims at issue but must decide them all.” *Id.* (emphasis in original).

Gorsuch, slip op. at 1 (emphasis in original).

SAS – Gorsuch Majority

The Statute:

(a) Final Written Decision.—

If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board **shall** issue a final written decision with respect to the patentability of **any** patent claim challenged by the petitioner and **any** new claim added under section 316(d).

35 U.S.C. § 318(a) (emphasis added).

SAS – Gorsuch Majority

The majority found that the plain language of the text of 35 U.S.C. § 318(a) “**supplies a ready answer.**”

Gorsuch, slip op. at 4.

In particular, the Court focused on interpretation of the terms “**shall**” and “**any**” in the statute. *Id.*

While “**shall**” tends to “impose[] a nondiscretionary duty,” the “**any**” carries a more “expansive meaning.” *Id.* (citations omitted).

Therefore, the Court determined that the statute requires that “the Board **must** address **every** claim the petitioner has challenged.” *Id.* at 5 (emphasis added).

SAS – Gorsuch Majority

In reaching the decision, the majority *rejected* the notion that *the Director* of the Patent Office *retains a discretionary* “partial institution” power since such power does not appear anywhere in the statute:

“Much as in the civil litigation system it mimics, in an inter partes review the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.”

“From the outset, we see that Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.”

Gorsuch, slip op. at 5 & 6.

SAS – Gorsuch Majority

The majority also rejected the Director’s argument that the statutory provision on ***institution*** of inter partes review under 35 U.S.C. § 314(a) supports the Director’s “partial institution” power:

[W]hile §314(a) invests the Director with discretion on the question *whether* to institute review, it doesn’t follow that the statute affords him discretion regarding *what* claims that review will encompass. The text says only that the Director can decide “whether” to institute the requested review--not “whether *and to what extent*” review should proceed.

Gorsuch, slip op. at 8 (emphasis in original).

SAS – Gorsuch Majority

Section 314(a) ... simply requires [the Director] to decide whether the petitioner is likely to succeed on “at least 1” claim. Once that single claim threshold is satisfied, it doesn’t matter whether the petitioner is likely to prevail on any additional claims; the Director need not even consider any other claim before instituting review. Rather than contemplate claim-by-claim institution, then, the language anticipates a regime where a reasonable prospect of success on a single claim justifies review of all.

Gorsuch, slip op at 7.

SAS – Gorsuch Majority

The majority also rejected the Director's policy argument on efficiency of partial institution, noting that "[p]olicy arguments are properly addressed to Congress, not this Court." *Id.* at 10.

SAS – Gorsuch Majority

In addition, the majority rejected the Director’s argument that the statute is ambiguous on the propriety of the partial institution practice:

“[A]fter applying traditional tools of interpretation here, we are left with no uncertainty that could warrant deference” to the Director’s interpretation under *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). ***. [W]hether *Chevron* should remain is a question we may leave for another day. Even under *Chevron*, we owe an agency’s interpretation of the law no deference unless, after “employing traditional tools of statutory construction,” we find ourselves unable to discern Congress’s meaning.

Gorsuch, slip op at 11-12.

SAS – Gorsuch Majority

Finally, the majority rejected the Director’s argument that 35 U.S.C. § 314(d) and Supreme Court precedent in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016) foreclosed judicial review of the “partial institution” practice:

If a party believes the Patent Office has engaged in “shenanigans” by exceeding its statutory bounds, judicial review remains available consistent with the Administrative Procedure Act, which directs courts to set aside agency action “not in accordance with law” or “in excess of statutory jurisdiction, authority, or limitations.”

And that, of course, is exactly the sort of question we are called upon to decide today.... SAS contends that the Director exceeded his statutory authority by limiting the review to fewer than all of the claims SAS challenged. And nothing in §314(d) or *Cuozzo* withdraws our power to ensure that an inter partes review proceeds in accordance with the law’s demands.

Gorsuch, slip op. at 13-14 (citations omitted).

SAS – Breyer Dissent

Chevron and the battle of the Gap-Fillers.

SAS – Breyer Dissent

Justice Breyer argued that 35 U.S.C. §318(a) is ambiguous and that the PTO's interpretation is reasonable:

Section 318(a) contains a gap just after the words “challenged by the petitioner.” Considerations of context, structure, and purpose do not close the gap. And under *Chevron*, “where a statute leaves a ‘gap’ or is ‘ambigu[ous],’ we typically interpret it as granting the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute.”

Breyer, slip op. at 8-9 (citations omitted).

SAS – Breyer Dissent

Justice Breyer argued that 35 U.S.C. §318(a) is ambiguous and that the PTO's interpretation is reasonable:

[T]here is a gap, the agency possesses gap-filling authority, and it filled the gap with a regulation that ... is a reasonable exercise of that authority.

Breyer, slip op. at 10.

SAS – Ginsburg Dissent

The purpose and legislative intent behind the AIA IPRs statute.

SAS – Ginsburg Dissent

Justice Ginsburg asked the majority why the statute should be interpreted to rule out a more rational and efficient process:

Given the Court’s wooden reading of 35 U. S. C. §318(a), and with “no mandate to institute [inter partes] review” at all, ... the Patent Trial and Appeal Board could simply deny a petition containing challenges having no “reasonable likelihood” of success, §314(a). Simultaneously, the Board might note that one or more specified claims warrant reexamination, while others challenged in the petition do not. Petitioners would then be free to file new or amended petitions shorn of challenges the Board finds unworthy of inter partes review.

Why should the statute be read to preclude the Board’s more rational way to weed out insubstantial challenges? [T]he Court’s opinion offers no persuasive answer to that question, and no cause to believe Congress wanted the Board to spend its time so uselessly.

Ginsburg, slip op. at 1.

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NYIPLA

The New York Intellectual Property Law Association®

(Un)predictability and the Standard of Review in Copyright Cases

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May 15, 2018 NYIPLA Annual Meeting

Major Issues for Appellate Review

- Copyrightability – mixed opinions
 - *Gaiman v. Macfarlane* (7th Cir. 2004)
 - *Oracle v. Google* (Fed. Cir. 2014)
- Fair Use – mixed question
 - *DC Comics, Inc. v. Reel Fantasy, Inc.* (2d Cir. 1982)
 - *Harper & Row v. Nation Enterprises* (U.S. 1985)
 - *Oracle v. Google* (Fed. Cir. 2018)

Fair Use – Four Factors, Three Steps

- 17 U.S.C. § 107 – Case-by-base analysis of four (nonexclusive) factors
- Trial Court Analysis
 - Historical Facts – What happened?
 - Drawing Inferences – Was it *transformative*? What is the *nature* of the work?
 - Weighing Inferences – All things considered, is this fair use?
- Appellate Review
 - Question of Fact – clear error
 - Question of Law – *de novo*

Background on Oracle v. Google

- Google copied Oracle's API. Roughly ten years, two jury trials, and a lot of civil procedure later...
- N.D. Cal. Jury – Fair Use
- Federal Circuit* finds Google's use “not fair as a matter of law” and remands for a trial on damages.

Unpacking the Standard of Review

- *U.S. Bank* – Break mixed questions of law and fact into component parts, and review each under the appropriate standard of review
- *Harper & Row* – “Where the district court has found facts sufficient to evaluate each of the statutory factors, an appellate court need not remand for further factfinding but may conclude as a matter of law that the challenged use does not qualify as a fair use of the copyrighted work” (note: *Harper & Row* was a bench trial)
- *Fisher v. Dees* (9th Circuit) – Fair use is an “equitable defense to copyright infringement” (but, *Fisher* was a determination on summary judgment, and later 9th Circuit case law endorses jury verdicts on fair use)

Oracle v. Google

- “Where there are no disputed material historical facts, fair use can be decided by the court alone.”
- “All jury findings relating to fair use other than its implied findings of historical fact must, under governing Supreme Court and Ninth Circuit case law, be viewed as advisory only.”

So, Now What?

- Federal Circuit (surprisingly?) did not see the standard of review as a barrier.
- Deference to jury in the Ninth Circuit – what about *Hana Financial*?
- Copyright law is notoriously unpredictable (registration as prerequisite to litigation, conceptual separability and *Star Athletica*, etc.) – desire to add certainty?
- Shameless plug: Transformiveness and NYIPLA Amicus Brief



The New York Intellectual Property Law Association®

A **Likelihood of Confusion** (get it?): *The Standard of Review in Trademark Cases*

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NYIPLA Trademark Law & Practice Committee

May 15, 2018 NYIPLA Annual Meeting



*Legally speaking, what **kind of question** is likelihood of confusion?*

- Is it a question of fact?
- Is it a question of law?
- Is it a mixed question?

*What kind
of
question is
likelihood
of
confusion
?*



- Trial court
- Appellate court



*Legally speaking, what **kind of question** is likelihood of confusion?*



At trial:
It is treated as an
issue of FACT



*Legally speaking, what **kind of question** is likelihood of confusion?*

Yes trial or no trial?:

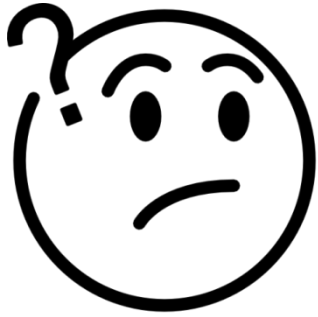
“Issue of FACT”



Federal Rules of Civil Procedure > [TITLE VII. JUDGMENT](#) >
Rule 56. Summary Judgment

Rule 56. Summary Judgment

(a) MOTION FOR SUMMARY JUDGMENT OR PARTIAL SUMMARY JUDGMENT. A party may move for summary judgment, identifying each claim or defense — or the part of each claim or defense — on which summary judgment is sought. The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law. The court should state on the record the reasons for granting or denying the motion.



*Legally speaking, what **kind of question** is likelihood of confusion?*

At trial:
It is treated as an
issue of
“**genuine**” FACT



Summary Judgment. The factual nature of the issue of likelihood of confusion does not prevent a trial court, in an appropriate case, from finding on a motion for summary judgment that there is no need for a trial because there is no triable issue of fact on the crucial issue of likelihood of confusion. That is, **the trial judge may find that the evidence overwhelmingly supports either a lack of likely confusion or overwhelmingly supports a finding of a likelihood of confusion.**

§ 23:67. Likelihood of confusion: Issue of fact or law?, 4 McCarthy on Trademarks and Unfair Competition § 23:67 (5th ed.)



*Legally speaking, what **kind of question** is likelihood of confusion?*

At trial:
It is treated as an
issue of
“**plausible**” FACT



Courts have consistently held that so-called "gripe sites" incorporating derogatory or critical terms alongside a company's trade name, in both the domain name and the website contents, do not present a likelihood of confusion for the purposes of Section 43(a). . . .

That logic is applicable here — there is no likelihood that a consumer visiting PissedConsumer.com would mistakenly believe that deVere sponsored or approved the contents of that website. The term "pissed" in the website name is clearly negative, as is the commentary on the website about deVere's services — terms like "stole," "WARNING," "fraudsters," and "scams" figure prominently. As this court recently found in a very similar Lanham Act case against Opinion Corp. as operator of PissedConsumer.com, it "strains credulity that an Internet user would believe that plaintiffs would sponsor or otherwise approve of a site that contains such criticisms." *Ascentive, LLC v. Opinion Corp.*, [842 F.Supp.2d 450](#), 464 (E.D.N.Y.2011).

DeVere Group GMBH v. Opinion Corp., 877 F. Supp. 2d 67 (E.D.N.Y. 2012)



*Legally speaking, what **kind of question** is likelihood of confusion?*

On Appeal



In the federal courts, a trial court's [i.e., not a jury's] finding of fact cannot be reversed on appeal unless it is “clearly erroneous.”

There is a split of authority among the federal circuits as to whether in a trademark case the critical issue of likelihood of confusion is an issue of fact reviewed on appeal under the “**clearly erroneous**” standard or whether it is an issue of law reviewed **de novo**.

*§ 23:71. Likelihood of confusion on appeal: federal courts—
Split of authority, 4 McCarthy on Trademarks and Unfair
Competition § 23:68, 71 (5th ed.)*



*Legally speaking, what **kind of question** is likelihood of confusion?*

Jury trial:

It is treated as a fact
issue if there's
“**substantial evidence**”



A jury's finding on the likelihood
of confusion issue is factual and
must be affirmed if based on
substantial evidence

(Jury *instructions* are reviewed
for **abuse of discretion**)

§ 23:74. Likelihood of confusion on appeal: federal
courts—Review of jury verdict, 4 McCarthy on
Trademarks and Unfair Competition § 23:74 (5th ed.)



*Legally speaking, what **kind of question** is likelihood of confusion?*

Inwood Laboratories, Inc. v. Ives Laboratories, Inc.



456 U.S. 844 (1982)

- Source for secondary infringement liability in trademark law
- Circuit court erred by engaging in *de novo* review of trial court's findings regarding factual elements of contributory infringement
- “[U]nless an appellate court is left with the definite and firm conviction that a mistake has been committed, ... it must accept the trial court's findings”



*What kind
of question
is likelihood
of
confusion?*

SPLIT OF AUTHORITY



- Federal Circuit, Second Circuit, Sixth Circuit
- Everybody else



SPLIT OF AUTHORITY – L.O.C. on Appeal



- **The Majority View**

Likelihood of confusion is an **issue of fact** reviewed on appeal under a deferential “**clearly erroneous**” standard.

Appellant must convince court of appeals that the trial court's decision was “clearly erroneous.”

- **The Minority View** – 2nd, 6th and Fed

Likelihood of confusion is an **issue of law** reviewed **de novo**. The appellate court is able to substitute its view as to whether confusion is likely for that of the lower court (or Trademark Trial and Appeal Board).

§ 23:71. Likelihood of confusion on appeal: federal courts—Split of authority, 4 McCarthy on Trademarks and Unfair Competition § 23:71 (5th ed.)

SPLIT OF AUTHORITY – L.O.C. on Appeal



- **Second Circuit**

The district court's determination of each of the *Polaroid* factors is a finding of fact subject to the clearly erroneous standard on appeal, but the district court's "use of those factors, ... and its determination of likelihood of confusion based on the balancing of or relative weight given to each of its finding is a legal conclusion which is reviewable by this court as a matter of law."

- **Sixth Circuit**

"We apply a clearly erroneous standard to the district court's findings of fact supporting the likelihood of confusion factors, but review de novo the legal question of whether those foundational facts constitute a 'likelihood of confusion.'"



SPLIT OF AUTHORITY – L.O.C. on Appeal



- **Federal Circuit**

McCarthy: “The Federal Circuit is **free to substitute its view** of the likelihood of confusion issue for that of the Trademark Board. ‘Whether a likelihood of confusion exists is a question of law, based on underlying factual determinations.’”

§ 23:73.Likelihood of confusion on appeal: federal courts—A survey of the circuits, 4 McCarthy on Trademarks and Unfair Competition § 23:73 (5th ed.)





SPLIT OF AUTHORITY – L.O.C. on Appeal



Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 190 L. Ed. 2d 800 (2015)

- Who gets to decide «tacking» claims?
 - Tacking: a trademark user may make certain modifications to its mark over time while, in limited circumstances, retaining its priority position
 - *Held*: “Application of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury”
- “The application-of-legal-standard-to-fact sort of question ..., commonly called a ‘**mixed question of law and fact**,’ has typically been **resolved by juries.**”



SPLIT OF AUTHORITY – L.O.C. on Appeal

Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 190 L. Ed. 2d 800 (2015)

- “Petitioner worries that the predictability required for a functioning trademark system will be absent if tacking questions are assigned to juries . . . [but] juries answer often-dispositive factual questions or make dispositive applications of legal standards to facts”
- “When a jury is to be empaneled and when the facts warrant neither summary judgment nor judgment as a matter of law, tacking is a question for the jury”





SPLIT OF AUTHORITY – L.O.C. on Appeal



Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831 (2015)

- When reviewing a district court’s resolution of subsidiary factual matters made during construction of a patent claim, the Federal Circuit must apply a “clear error,” not a de novo, standard of review.
- The ultimate construction of the claim is a legal conclusion subject to de novo review, but to overturn resolution of **an underlying factual dispute**, the appellate court must find that the judge, in respect to those findings, committed clear error.
- When the Federal Circuit reviewed the decision, it failed to accept that explanation without finding that the determination was “clearly erroneous.”



SPLIT OF AUTHORITY – L.O.C. on Appeal



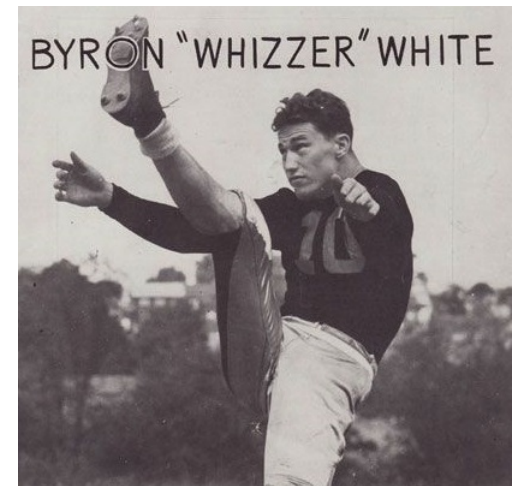
SCOTUS, Queens of Denial



- *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642 (6th Cir.), cert. denied, 459 U.S. 916 (**1982**)



- *Kibler v. Hall*, 6th Circuit – cert. denied October 2, **2017**





*What kind
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confusion
?*





CIRCLING BACK TO... REPERCUSSIONS

SCOTUS Response – April 30, 2018

SCOTUS Denied Follow On Petitions

- Affinity Labs of Texas, LLC v. Andrei Iancu, No. 17-117, 17-232, and 17-233
- Affinity Labs of Texas, LLC v. Samsung Electronics Co., Ltd., et al., No. 17-116
- AT&T Intellectual Property II, L.P. v. Andrei Iancu, No. 17-643
- Audatex North America, Inc. v. Mitchell International, Inc., No. 17-656
- C-Cation Technologies, LLC v. Arris Group, Inc., et al., No. 17-617
- Celgard, LLC v. Andrei Iancu, No. 16-1526
- Depomed, Inc. v. Andrei Iancu, No. 17-114
- Enova Technology Corp. v. Seagate Technology (US) Holdings, Inc., et al., No. 17-787
- Google LLC v. Unwired Planet, LLC, No. 17-357
- Hillcrest Laboratories, Inc. v. Movea, Inc., No. 17-39
- Hitachi Metals, Ltd. v. Alliance of Rare-Earth Permanent Magnet Industry, No. 17-768
- Industrial Models, Inc. v. SNF, Inc., et al., No. 17-1367
- Integrated Claims Systems, LLC v. Travelers Lloyds of Texas Insurance Company, et al., No. 17-330
- IPR Licensing, Inc. v. ZTE Corporation, et al., No. 17-159
- KIP CR P1 LP, Successor in Title to Crossroads Systems, Inc. v. Cisco Systems, Inc., et al., No. 17-708
- KIP CR P1 LP, Successor in Title to Crossroads Systems, Inc. v. Oracle Corporation, et al., No. 17-707
- Linkine, Inc. v. VigLink, Inc., et al., No. 17-558
- Nidec Motor Corporation v. Zhongshan Broad Ocean Motor Co., Ltd., et al., No. 17-751
- Outdry Technologies Corporation v. Geox S.p.A., No. 17-408
- Paice LLC, et al. v. Ford Motor Company, No. 17-110, 17-111, 17-112, 17-113, 17-220, 17-221, 17-222, and 17-229.
- Security People, Inc. v. Andrei Iancu, et al., No. 17-214
- Skky, Inc. v. MindGeek, s.a.r.l., et al., No. 17-349
- TransPerfect Global, Inc. v. Andrei Iancu, No. 17-535
- Uniloc USA, Inc., et al. v. SEGA of America, Inc., et al., No. 17-1018
- Worldwide Oilfield Machine, Inc. v. Ameriforge Group, Inc., No. 17-1043

PTO Response – Prompt New Guidance

The PTAB released a guidance on the impact of SAS on AIA trial proceedings on April 26, 2018, only two days after the SAS decision:

- “As required by the decision, the PTAB will ***institute as to all claims or none.***” (emphasis added). In other words, no partial institution based on claims.
- “***At this time,*** if the PTAB institutes a trial, the PTAB will ***institute on all challenges raised in the petition.***” (emphasis added). In other words, no partial institution of grounds.
- “The final written decision will address, to the extent claims are still pending at the time of decision, all patent claims challenged by the petitioner and all new claims added through the amendment process.”

PTO Response – Prompt New Guidance

- “[F]or pending trials in which a panel has instituted trial only on some of the challenges raised in the petition (as opposed to all challenges raised in the petition), the panel may issue ***an order supplementing the institution decision to institute on all challenges raised in the petition.*** “ (emphasis added).

PTO Response – Prompt New Guidance

- “[F]or pending trials in which a panel enters an order supplementing the institution decision pursuant to this notice, the panel may take further action to manage the trial proceeding, including, for example, permitting additional time, briefing, discovery, and/or oral argument, depending on various circumstances and the stage of the proceeding.”
- “For example, if the panel has instituted a trial and the case is near the end of the time allotted for filing the Patent Owner Response, the panel may extend the due date for the Patent Owner Response to enable the patent owner to address any additional challenges added to the proceeding.”

PTO Response – Prompt New Guidance

- “Additionally, cases near the end of the 12-month statutory deadline may be extended, on a case-by-case basis, if required to afford all parties a full and fair opportunity to be heard. In such cases, the panel may adjust other procedural dates as necessary.”

PTO Response – Prompt New Guidance

- Upon receipt of an order supplementing the institution decision, the petitioner and patent owner ***shall meet and confer*** to discuss the need for additional briefing and/or any other adjustments to the schedule. While the Board may act *sua sponte* in some cases, ***additional briefing and schedule adjustments might not be ordered if not requested by the parties.***” (emphasis added).
- “Additionally, the parties may agree to ***affirmatively waive additional briefing or schedule changes.*** After meeting and conferring, the parties then shall contact the Board to discuss any requested additional briefing and/or schedule changes.” (emphasis added).

PTO Response –Opinions and Orders from PTAB

Sample Post-SAS Institution Decision (Instituting All Grounds on All Claims including meritless Grounds on 2 Claims):

Western Digital Corp. v. SPEX Techs., Inc., IPR2018-00082, Paper 11 (PTAB Apr. 25, 2018) (instituting IPR on all of four grounds against 11 claims presented in the petition even though only two grounds against two claims met the reasonable likelihood threshold).

PTO Response –Opinions and Orders from PTAB

Sample Order Supplementing Institution Decision (Adding meritless grounds, but parties waived):

Emerson Elec. Co. v. IPCO, LLC, IPR2017-00213, Paper 41 (PTAB Apr. 26, 2018) (amending the institution decision to include review of all claims and all grounds presented in the petition and asking whether the parties desire any changes to the schedule or additional briefing; issued after oral argument);

see also id., Paper 42 (Final Written Decision) at 36 (PTAB May 11, 2018) (“The parties informed the Board that they agreed to ***forego additional discovery, briefing and argument on the grounds added by our order*** of April 26, 2018 (Paper 41).”).

PTO Response –Opinions and Orders from PTAB

Sample Post-SAS Final Written Decision (Issuing FWD only on instituted grounds, but allowing parties to request rehearing on other grounds if desired):

SK Hynix Inc. v. Netlist, Inc., IPR2017-00548, Paper 25 at 16 (PTAB May 3, 2018) (addressing only the instituted grounds (two out of five grounds presented in the petition), but authorizing the parties to ***file a rehearing request*** “[t]o the extent either Patent Owner or Petitioner believes that the Court’s decision in *SAS Institute* requires additional consideration in this proceeding”).

Unanswered Questions – Patents

- Is retroactive application of *inter partes* review constitutional?
- When are patents “property” for purposes of the Due Process Clause or the Takings Clause?
- How will SAS impact on the PTAB’s institution rate and the content of its institution decisions?
- Is SAS also applicable to redundant grounds? -- i.e., does the statute require that if the PTAB were to institute a trial, it must institute the trial even on grounds that are deemed redundant?
- What impact does *Oil States* and SAS have (if any) on the new USPTO rules proposal for claim construction in PGRs?

Questions?

Resources

- **ARE Patent Law Alert:
IN SAS INSTITUTE INC. V. IANCU, U.S. SUPREME COURT DETERMINES THAT
PTAB MUST ISSUE A FINAL WRITTEN DECISION ADDRESSING ALL
CHALLENGED CLAIMS IN IPR PROCEEDINGS**

April 25, 2018

Author(s): Charles R. Macedo, Christopher Lisiewski*

<https://www.arelaw.com/publications/view/alert042518/>

- **Patent Law Alert:
In Oil States Energy Services, LLC v. Greene's Energy Group, LLC, U.S.
Supreme Court Held That Inter Partes Review by the Patent Trial and
Appeal Board Does Not Violate Article III or the Seventh Amendment**

April 24, 2018

Author(s): Charles R. Macedo, Jung S. Hahm

<https://www.arelaw.com/publications/view/alert042618/>

Resources

USPTO, Guidance on the impact of SAS on AIA trial proceedings. Release date: April 26, 2018

<https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>