Patent Law Alert:
In Oil States Energy Services, LLC v. Greeneâ€™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

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On April 24, 2018, the United States Supreme Court issued its much-anticipated decision in *Oil States Energy Servs., LLC v. Greene's Energy Group, LLC*, affirming the United States Court of Appeals for the Federal Circuit's judgment that *inter partes* review does not violate Article III or the Seventh Amendment. This 7-2 majority opinion of the Court was delivered by Justice Thomas, joined by Justices Kennedy, Ginsburg, Breyer, Alito, Sotomayor and Kagan. Justice Gorsuch filed a dissenting opinion, in which Chief Justice Roberts joined.

In the *inter partes* review proceeding below, the Patent Trial and Appeal Board ("PTAB") issued a final written decision holding the challenged claims of the patent owned by Oil States Energy Services, LLC ("Oil States") unpatentable. In appealing from the PTAB's decision, Oil States had challenged the constitutionality of *inter partes* review, arguing that "actions to revoke a patent must be tried in an Article III court before a jury." Slip op. at 5. The Federal Circuit affirmed the PTAB's decision, as it had already rejected such constitutional arguments in a different case, *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015). The Supreme Court granted certiorari to determine whether *inter partes* review violates Article III or the Seventh Amendment and concluded that it violates neither.

First, the majority of the Supreme Court determined that "[i]nter partes review falls squarely within the public rights doctrine." 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.

Id. at 6-7 (emphasis in original).

Next, the majority opinion determined that the 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. The Court noted that 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." *Id*. at 11.

The majority opinion also held that, 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." *Id*. 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).

The Court also rejected Oil States's 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.

Id. at 15 (citation omitted).

Finally, the majority opinion held that *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." *Id*. at 17 (citations and internal quotation marks omitted).

Emphasizing the narrowness of its holding, the majority opinion noted that it only addressed the constitutionality of *inter partes* review and that it 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 Court also noted that "Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued." *Id*. at 17. 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).

We expect that the foregoing and other open issues will likely come up in the future and will continue to monitor the PTAB, Federal Circuit and Supreme Court for the latest developments in the constitutional issues involving *inter partes* review.

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