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Supreme Court Upholds Inter Partes Review of Patents Under Public-Rights Theory

In *Oil States Energy Servs., LLC v. Greene's Energy Grp.*, 584 U.S. ____ (2018), the Supreme Court upheld the constitutionality of the inter partes review (IPR) process before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (PTO). Since the enactment of the Leahy-Smith America Invents Act (AIA) in 2011, the PTAB and its administrative law judges have determined the validity of claims in thousands of patents in trial-like proceedings. After its patent was invalidated in an IPR proceeding, one patent owner, appellant Oil States, challenged the statute's delegation of adjudicative authority to the PTO and argued that patents, as properties, could only be revoked by Article III courts. Writing for the 7-2 majority, Justice Thomas held that a patent is the grant of a public right, and IPR "is simply a reconsideration of that grant." *Oil States*, slip op. at 7. Thus, patent validity can be determined by an agency rather than a court.

Court's Analysis

The Court initially acknowledged the often-uncertain distinction between private rights, those existing at common law and subject exclusively to determination in Article III courts, and public rights, "arising between the government and others, which from their nature do not require judicial determination and yet are susceptible of it." *Id*. at 6. Nevertheless, the Court concluded that patents are government-granted statutory rights to exclude others from making, using or selling inventions. The Court then held that IPR proceedings involve "the same basic matter as the grant of a patent," removal of existent knowledge from the public domain. *Id.* at 8. Although IPR proceedings necessarily take place after the grant of a patent, the Court found that difference to be immaterial, as other public rights, including toll-bridge or railroad franchises, are often granted subject to further review. The Court also rejected arguments that because IPRs are like trials, they must be reserved for Article III courts, observing that the Court "has never adopted a 'looks like' test to determine if an adjudication has improperly occurred outside an Article III court." *Id.* at 15.

In upholding the constitutionality of the IPR process, the Court said it was not deciding whether patents are personal property for purposes of the due process and takings clauses. *Id.* at 16-17. However, in distinguishing precedents characterizing patents as private property merely as descriptions of the statutory schemes that existed at the time, when the Patent Act had no provision for agency proceedings, the majority undermined some of the bedrock foundation for the principle of patents as establishing personal rights.

Concurring and Dissenting Opinions

In a brief concurrence, Justice Breyer, joined by Justices Ginsburg and Sotomayor, wrote separately to emphasize their views that even matters involving private rights may sometimes be adjudicated outside Article III courts. In an impassioned dissent, Justice Gorsuch, joined by the Chief Justice, wrote to express his dismay that the Court–and more so the concurring justices–were failing, in the words of Alexander Hamilton, "to take 'all possible care … to defend itself against' intrusions by other branches." *Oil States*, slip op. at 12 (Gorsuch, J., dissenting). Regarding the majority decision as a "retreat from Article III's guarantees," *id.*, Justice Gorsuch vigorously defended the private right view of patent properties.

What *Oil States* Means to You

The *Oil States* decision was narrowly decided, leaving open the possibility of future challenges to the IPR process; for now, however, it preserves the status quo, in which IPR and other AIA proceedings remain popular vehicles for defendants of patent infringement suits to challenge patents expediently. Notwithstanding Justice Gorsuch's lament in dissent, echoing the late Justice Scalia, that "no doubt, dispensing with constitutionally prescribed procedures is often expedient," *id.* at 2, the PTAB is expected to remain a primary venue for challenging patent validity, with relatively quick turnaround and experienced administrative judges.

Authors

Elizabeth A. Alquist
Partner

Hartford, CT | (860) 275-0137

eaalquist@daypitney.com

Jonathan B. Tropp
Partner

New Haven, CT | (203) 977-7337

jbtropp@daypitney.com

Richard H. Brown
Partner

Parsippany, NJ | (973) 966-8119

New York, NY | (212) 297-5854

rbrown@daypitney.com