

Litigation Alert: U.S. Supreme Court to Rule on Constitutionality of Inter Partes Review at the Patent and Trial Appeal Board

November 28, 2017

On Nov. 27, 2017, the U.S. Supreme Court heard arguments in the much-anticipated *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, a case that may have a significant impact on patent holders and technology companies alike. At the heart of this case is the constitutionality of Article I tribunals, which are administrative courts for government agencies, possessing the power to extinguish property rights. In this particular case, the U.S. Supreme Court will decide whether inter partes review, a post-grant proceeding on the validity of an already-issued patent at the United States Patent and Trademark Office's Patent and Trial Appeal Board ("PTAB"), is constitutional.

Inter partes review was implemented as a pivotal part of the Leahy-Smith America Invents Act ("AIA") and has been a frequently utilized procedure at the Patent Office. Essentially, the PTAB is granted authority to re-examine a previously-issued patent and determine whether it remains valid or whether it should be invalidated due to previous error, such as insufficient searching of prior art. Significant to *Oil States*, the decision in the proceeding is made by technical specialists, not juries. Inter partes review is frequently invoked by alleged infringers who challenge the patents they have been accused of infringing; an adverse decision at the PTAB can lead to extinguished patent rights for those original patent holders.

In this case, Oil States Energy Services, LLC ("Oil States") alleged infringement of their hydraulic fracturing technology patent. In response, the alleged infringer, Greene's Energy Group, LLC ("Greene's") petitioned the PTAB to institute inter partes review, claiming Oil States' patent was invalid. The PTAB agreed with Greene's and invalidated Oil States' patent.

Oil States appealed the decision up to the U.S. Supreme Court and the Court agreed to review whether inter partes review violates the U.S. Constitution as an extinguishment of private property rights.

Oil States argued before the U.S. Supreme Court that the inter partes review procedure violated the Seventh Amendment of the U.S. Constitution by denying patent holders the right to a jury trial before the extinguishment of a property right and Article III of the U.S. Constitution for the lack of an Article III forum. The Seventh Amendment to the U.S. Constitution requires any controversy exceeding the value of \$20

(U.S.) to have the right to a trial by jury and Article III of the U.S. Constitution grants the U.S. Supreme Court and lower federal courts the power to decide cases that arise under U.S. laws and the U.S. Constitution.

Critical to the U.S. Supreme Court's decision will be the determination of whether a patent is considered a private or a public right. *Oil States* argued that a patent is a private right. Therefore, an invalidation of a patent without a jury trial, such as through inter partes review at the PTAB, would be a violation of the U.S. Constitution. *Greene's*, however, argued that patents are public rights, detailing how Congress's passing of the AIA underscores the public nature of a patent and the inapplicability of the Seventh Amendment.

Oil States and *Greene's* are not the only interested parties in the outcome of this litigation. Many prominent technology companies have submitted amicus briefs arguing the constitutionality of inter partes review. Facebook, Dell, and others claim that inter partes review is consistent with the Seventh Amendment and a necessary mechanism to enable tech companies to focus on "innovation, not litigation." However, others, including pharmaceutical companies, have furthered *Oil States'* position, arguing that a suit to invalidate a patent should be heard before a jury. The Supreme Court justices appeared divided during the hour of arguments, with Justices Ruth Bader Ginsburg, Elena Kagan, and Sonia Sotomayor seeming to lean in favor of the review process, while Chief Justice John Roberts and Justice Neil Gorsuch raised some concerns and doubts about the process.

Another noteworthy and complementary case, *SAS Institute v. Iancu*, was also heard before the U.S. Supreme Court on Nov. 27. This case also involves inter partes review, but focuses on the narrower question of whether the PTAB is required to issue a final written decision for challenged patent claims. The impact of the combination of these cases has the potential to be immense, not only for new patent applicants but also for patents invalidated by this procedure in the past. For now, however, there remains significant uncertainty for patent owners currently involved in this process.

A decision on *Oil States* is expected by the end of June. Stay tuned.