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Supreme Court Affirms the Constitutionality of Inter Partes Review

In a much anticipated decision, the United States Supreme Court held yesterday that inter partes review proceedings violate neither Article III nor the Seventh Amendment of the United States Constitution. *Oil States Energy Servs., LLC v. Greene's Energy Group, LLC,* slip op. at 1, 17. Writing for a 7-2 majority, Justice Thomas explained that "[i]nter partes review falls squarely within the public rights doctrine." *Id.* at 6. After all, inter partes review is simply a "reconsideration of the Government's decision to grant a public franchise." *Id.* Accordingly, the majority held, inter partes review is not subject to Article III, and therefore, the Seventh Amendment does not require a trial by jury.

The Court noted that neither party disputed that the "grant of a patent is a matter involving public rights—specifically, the grant of a public franchise." Slip op. at 6–7. This "franchise gives the patent owner 'the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.'" *Id.* at 7 (*quoting* 35 U.S.C. § 154(a)(1)). And this right is a creature of statute that did not exist at common law. *Id.*

The Court concluded that "[i]nter partes review involves the same basic matter as the grant of a patent." Slip op. at 8. Although inter partes review occurs after the patent is granted, the Court determined that it is a distinction without a difference for purposes of its decision. *Id.* Patents are granted subject to the qualification that the PTO has the authority to review anew the patent and even cancel its claims in an inter partes review. *Id.* Thus, the Constitution does not prohibit the Board from resolving the patentability of the claims outside of an Article III court. *Id.* at 9–10.

The Court also rejected Oil States' reliance on three Supreme Court cases noting that at least one of those cases "acknowledges that the patentee's rights are 'derived altogether' from statutes, 'are to be regulated and measured by these laws, and cannot go beyond them.'" Slip op. at 10 (quoting *Brown v. Duchesne*, 19 How. 183, 195 (1857)). The

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other two cases "are best read as a description of the statutory scheme that existed at that time." *Id.* at 11.

The Court further determined that inter partes review did not violate the prohibition against Congress withdrawing from Article III courts any matter that by its nature is the subject of a suit in common law, equity, or admiralty. Slip op. at 12. The Court noted that, in 18th-century England, a Privy Council had the power to decide a petition to vacate a patent, a procedure that more closely resembles inter partes review. *Id.* at 12–13. Accordingly, the Court concluded that "it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in the executive proceeding of the Privy Council." *Id.* at 14.

The Court also rejected Oil States' argument that inter partes review proceedings violate Article III because they look like a court proceeding. Slip op. at 15. According to the majority, the Court has never applied such a test. *Id*.

At the end of the majority decision, the Court emphasized the narrowness of its holding stating that it did "not address whether other patent matters, such as infringement actions, can be heard in a non-Article III forum" and that it addressed only the specific constitutional challenges raised by Oil States, which did not "challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued[, or] a due process challenge." Slip op. at 16–17. Finally, the Court cautioned that its "decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause." *Id.* at 17.

The dissent, authored by Justice Gorsuch and in which Justice Roberts concurred, disputed the historical significance of the Privy Council. Dissenting op. at 7–8: "At most, [the Privy Council cases] suggest that the Privy Council might have possessed some residual power to revoke patents to address wartime necessities. Equally, they might serve only as more unfortunate evidence of the maxim that in time of war, the laws fall silent." *Id*. at 7. In the dissent's view, the law had already changed by the time of the founding, and the law at that time treated patents differently. *Id*. at 11.

Justice Breyer with whom Justices Ginsburg and Sotomayor concurred wrote a one-paragraph concurrence in response to the dissent of Justice Gorsuch to clarify that certain private rights are also properly adjudicated by Executive Branch agencies. Concurring op. at 1.

The holding, its basis, and the breakdown of the votes by the Justices had been predicted by many. But the qualifications at the end of the majority opinion left unanswered several important questions. Accordingly, although inter partes review proceedings cleared two constitutional challenges, parties defending pre-AIA patents should consider challenging the retroactive application of inter partes review. Additionally, parties should consider whether any PTAB practice deprives them of due process, such as creating expanded panels to hear cases the Director considers more important or creating undue hurdles to amending claims, practices that appeared to have troubled certain Justices during oral argument.

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