

Insights: Alert

Oil States and SAS

April 24, 2018

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The Supreme Court issued two decisions today in the cases of *Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et al.*, and *SAS Institute Inc. v. Iancu*, addressing *inter partes* review (IPR). In *Oil States*, the Court addressed whether IPR proceedings violate the Constitution. In *SAS*, the Court addressed whether the Patent Trial and Appeal Board (PTAB) must decide the patentability of all claims challenged in the petition. In sum, IPR proceedings are constitutional and the plain text of § 318(a) requires the Board to issue a final written decision addressing the patentability of every claim challenged in the petition. These decisions have significant impact on proceedings before the PTAB and patent litigation as a whole.

In *Oil States*, the Supreme Court concretely settled the issue of whether a patent is a public or private right, finding that “the decision to *grant* a patent is a matter involving public rights,” and IPR is “simply a reconsideration of that grant” authorized by Congress and not in violation of Article III of the Constitution. (emphasis in original). According to the Court, 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.” (emphasis in original). As such, the public-rights doctrine applies and renders IPR constitutional under Article III. The Court also “emphasize[d] the narrowness of our holding” and noted that although IPR “includes some of the features of adversarial litigation, it does not make binding any determination” regarding liability for patent infringement. Further, the Court held that because IPR is properly assigned to the USPTO, “the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.”

In a concurring opinion, Justice Breyer noted that the majority “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.” In dissent, Justice Gorsuch fired back against the majority, asking “what happens if someone later emerges from the wood-work, 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?”

In *SAS*, the Court found that because “SAS challenged all 16 claims of Complement Soft's patent, the Board in its final written decision had to address the patentability of all 16 claims. 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 decision maker might wish to address.” Justice Gorsuch, writing the majority opinion, also noted that “we see that Congress chose to structure a process in which it's the petitioner, not the Director [of the USPTO], who gets to define the contours of the proceeding.” And with respect to

instances where the PTAB might exercise its discretion, the Court noted the “rest of the statute confirms, too, that the petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation.”

In dissent, Justice Ginsburg argued that this holding may prevent the PTAB from hearing otherwise meritorious challenges because the “Board could simply deny a petition containing challenges having no ‘reasonable likelihood’ of success” at the expense of other challenges.

The immediate impact of these decisions is to lay to rest the question of whether IPR (and CBM and PGR) proceedings are constitutional. They are and will continue. Further, the Court’s decision in SAS will almost certainly lead to remand of final written decisions that addressed only a subset of the claims challenged by a petitioner. The SAS decision also raises new concerns for Petitioners in selecting claims to challenge in a Petition, as the Board will no longer have the option to institute on only some of the challenged claims.

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