

Keywords: inter partes review, constitutionality

General: Inter partes review does not violate Article III because Congress has latitude to assign adjudication of public right to entities other than Article III courts.

Oil States Energy Services, LLC v. Greene’s Energy Group, LLC

No. 16-712

Decided April 24, 2018 (Supreme Court)

I. Background

The America Invents Act added a procedure called “inter parties review,” which allows any person other than the patent owner to file a petition requesting cancellation of one or more claims of a patent on the grounds that the claim fails the novelty or nonobviousness standards for patentability. During inter partes review, the Patent Trial and Appeal Board (PTAB) examines the validity of the patent based on discovery performed by the petitioner and the patent owner. The petitioner has the burden of proving unpatentability by a preponderance of evidence, and the patent owner may voluntarily amend the patent or settle with the petitioner. If the proceeding does not terminate, the PTAB will issue a decision no later than a year after it notices the institution of the inter partes review. A party dissatisfied with the PTAB’s decision can seek judicial review in the Court of Appeals for the Federal Circuit.

II. Facts

Petitioner Oil States Energy Services, LLC (hereinafter “Oil States”) obtained a patent related to protecting well-head equipment used in hydraulic fracturing. In 2012, Oil States sued Greene’s Energy Group, LLC (hereinafter “Greene’s Energy”) in Federal District Court for infringing that patent. Greene’s Energy responded by challenging the patent’s validity in the District Court and also petitioned the PTAB to institute inter partes review based on prior art not mentioned by Oil States in its patent application.

The proceeding in the District Court and the PTAB progressed in parallel. In June 2014, the District court issued a claim-construction order that construed the challenged claims in a way that foreclosed Greene’s Energy’s arguments about the prior art. However, a few months later, the PTAB issued a final written decision concluding that the claims were unpatentable, while acknowledging the District Court’s contrary decision. Oil States subsequently sought review in the Federal Circuit, where it challenged the constitutionality of inter partes review. Specifically, Oil States argued that actions to revoke a patent must be tried in an Article III court before a jury. While Oil States’ case was pending, the Federal Circuit issued an opinion in a different case, rejecting the same constitutional arguments. Moreover, the Federal Circuit also affirmed the PTAB’s decision in this case. The Supreme Court then granted certiorari to determine whether inter partes review violates either Article III or the Seventh Amendment of the Constitution.

III. Issue

1. Did the Federal Circuit err in determining that inter partes review violates Article III?
2. Did the Federal Circuit err in determining that inter partes review violates the Seventh Amendment?

IV. Discussion

1. No. Article III vests judicial power of the United States “in one Supreme Court and in such inferior Courts that Congress may ordain and establish.” When determining whether a proceeding involves an exercise of Article III judicial power, the Court’s precedents have distinguished between “public rights” and “private rights,” and the Supreme Court has traditionally given Congress a certain amount of latitude in assigning adjudication of public rights to entities other than Article III courts. Because the Court has long recognized that the grant of a patent is a matter involving public rights, the PTO, which Congress has authorized to conduct reconsideration of patents, has the authority to review the grant of a patent without violating Article III.

For instance, the Court indicated that the grant of a patent is a matter between the public, who are grantors of the patent, and the patentee. Moreover, the Court recognized that inter partes review involves the same statutory requirements as the grant of a patent, such that the statutory requirements prevent the grant of patents that, in effect, remove knowledge from the public domain.

Since the public-rights doctrine covers the matter to be resolved in an inter partes review, the Constitution does not prohibit the PTAB from resolving patent matters outside an Article III court. However, the Court emphasized the narrowness of its holding with regard to inter partes review only.

2. No. The Court indicated that precedent has established that, when Congress properly assigns a matter to adjudication in a non-Article III tribunal, the Seventh Amendment does not pose an independent bar to adjudication of that action by a nonjury fact finder. Indeed, the Court concluded that since inter partes review is a matter that Congress can properly assign to the PTO, a jury is not necessary in those proceedings.

V. Dissent

Though it may be efficient, inter partes review represents a retreat from the promise of judicial independence. That is, the majority explained that the Constitution’s Patent Clause was written against the backdrop of English practice, the Clause sought to reject some of early English practices. Ceding to political branches in the name of efficiency does not outweigh ensuring that people today and tomorrow will enjoy no fewer rights than those who came before it.

VI. Conclusion

Inter partes review is a matter involving public rights. As such, an Article III court or the Seventh Amendment is not violated by adjudicating patent rights via the United States Patent & Trademark Office, which Congress provided power to do so.