IP Alert: Oil States: Patents Are Public Rights, IPRs Are Here to Stay

Oil States: **Patents Are Public Rights, IPRs Are Here to Stay**

By Charles W. Shifley

In the much-anticipated Oil States case,[i] the U.S. Supreme Court decided on April 24, 2018, that patent inter partes reviews (IPRs) are constitutional. Knocking the wind out of those who considered the opposite result possible, the decision garnered a majority of seven justices. Justice Gorsuch[ii] and Chief Justice Roberts dissented.

The Court's opinion, written by Justice Thomas, began with the premise that "the PTO [Patent and Trademark Office] is 'responsible for the granting and issuing of patents.'" After reviewing the procedures of ex parte reexaminations and inter partes reexaminations, the Court turned to the constitutional issue, patents as public rights or private rights.

The case did not require addition to the Court's prior formulations of the difference between private rights and public rights. "Inter partes review," the court stated summarily, "involves one … matter: reconsideration of the Government's decision to grant a public franchise."[iii] Similarly, the Court stated that "inter partes review falls squarely within the public-rights doctrine." Touching again on the U.S. Patent and Trademark Office's responsibility to

grant patents, the Court stated that IPR is "simply a reconsideration of that grant." The Congress, the Court stated, has, through the America Invents Act, "reserved the PTO's authority to conduct [the] reconsideration" in an IPR.

The Court's opinion turns to what it describes as a long history of the grant of a patent being a matter of public rights. The Court holds "the grant of a patent is a matter between 'the public, who are the grantors, and … the patentee.'" Specifically, patents are characterized as "'public franchises.'" Citing Cuozzo,[iv] the Court states that IPRs are "a second look at an earlier administrative grant of a patent." The PTAB's reviews, the Court states, protect a paramount public interest in seeing that "patent monopolies" are kept within legitimate scope. Making any distinction between after-patent-issuance IPR, and before-issuance patent application, does not change the public or private nature of the property.

Having categorized a patent as a "franchise," the Court supports its conclusion with franchise cases, on such matters as permission to erect a toll bridge. After the bridge is up, "the Government can exercise its reserved authority" over the franchise.[v] "Thus, the public rights doctrine covers the matter." Cases such as McCormick[vi] are succinctly dismissed as irrelevant. They, the Court states, reflected a statutory scheme that previously existed, which "did not include any provision for post-issuance administrative review."[vii] Pre-Constitution cases from England are found no more relevant: "[H]istory does not establish that patent validity is a matter that, 'from its nature,' must be decided by a court." The majority opinion concludes that merely because an administrative procedure "'looks like'" a court procedure, does not mean an administrative agency is exercising the judicial power of Constitution Article III judges. The matter "remains … one 'between the government and others, …'" which does not require an Article III judge.

The Court qualifies its holding as exceedingly narrow, albeit quite conclusive. It does not address patent infringement cases, or whether a hypothetical future IPR without appeal to a court would be constitutional. It also does not address a challenge to the retroactive application of IPR, because Oil States failed to assert such a challenge.

Patents, it notes, are property, although it qualifies them, "for purposes of the Due Process Clause" and the "Takings Clause."[viii]

As to the companion challenge alleging that IPRs abrogate the right to jury trial under the Constitution's Seventh Amendment, the Court briefly concludes that rejection of the Article III challenge dispatches the Seventh Amendment challenge.[ix] If there is no right to an Article III Court trial, certainly there is no right to a jury in that trial.

Click here to download the decision in Oil States Energy Services, LLC v. Greene's Energy Group, LLC. Click here to download a printable version of this article.

[i] Oil States Energy Services, LLC v. Greene's Energy Group, LLC, No. 16-712 (April 24, 2018).

[ii] Justice Gorsuch wrote the majority opinion in SAS Institute, Inc. v. Iancu, No. 16-969 (April 24, 2018), also on inter partes reviews.

[iii] Slip op. at 6.

[iv] Cuozzo Speed Techs., LLC v. Lee, 579 U.S. xxx (2016).

[v] Slip op. at 9.

[vi] McCormich Harvesting Machine Co. v. Aultman, 169 U.S. 606 (1898).

[vii] McCormick stated that the Patent Commissioner could not invalidate an issued patent.

[viii] Slip op. at 17.

[ix] Justice Gorsuch in dissent sets up that the Court allows a "political appointee and his administrative agents" to resolve a dispute over the validity of a patent gained after "much hard work and no little investment [with] the further cost and effort of applying for a patent, devoting maybe $30,000 and two years to the process." Can they do that, he asks rhetorically, and answers, "I disagree." Efficiency is not a substitute for rights. Slip op., dissent at 2.

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