

April 24, 2018

## Supreme Court Issues Long-Awaited Decisions in *Oil States* and *SAS Institute*

On April 24, 2018, the U.S. Supreme Court handed down two decisions that have a significant impact on *inter partes* review proceedings before the Patent Trial and Appeal Board (“PTAB”) of the U.S. Patent and Trademark Office (“USPTO”). These proceedings review the patentability of patent claims previously issued by the USPTO.

The Court in *Oil States Energy Services v. Greene’s Energy Group* ([decision here](#)) found that these proceedings do not violate Article III or the Seventh Amendment because patents are public rights for purposes of this question. The Court in *SAS Institute v. Iancu* ([decision here](#)) found that the PTAB’s past practice of instituting review of fewer than all challenged claims violated the plain language of 35 U.S.C. § 318(a), which requires the PTAB to decide the patentability of all claims challenged in a petition.

Neither decision was unanimous, reflecting a rare divide among the Court in addressing patent issues. In *Oil States*, a 7-2 decision, Justice Thomas wrote for the majority; Justice Breyer wrote a concurring opinion joined by Justices Ginsburg and Sotomayor; and Justice Gorsuch wrote a dissent joined by Chief Justice Roberts. In *SAS*, a 5-4 decision, Justice Gorsuch wrote for the majority; Justice Ginsburg wrote a dissent joined by Justices Breyer, Sotomayor, and Kagan; and Justice Breyer also wrote a dissent joined by Justices Ginsburg and Sotomayor, and Justice Kagan in part.

### ***Oil States: Inter Partes* Review Trial Proceedings Are Constitutional Under Article III and the Seventh Amendment**

*Oil States* had been involved in a patent infringement suit against Greene’s Energy Group, who filed an IPR petition challenging claims of the asserted patent. Ultimately, the PTAB held that the claims were unpatentable. *Oil States* then appealed the decision to the Federal Circuit and eventually to the Supreme Court, arguing in part that the *inter partes* review proceedings were contrary to Article III and the Seventh Amendment of the U.S. Constitution.

At the Supreme Court, *Oil States* argued that Article III, which vests the “judicial power of the United States” in the courts, prohibits the PTAB—a non-Article III forum—to extinguish private property rights in an adversarial proceeding such as an IPR. *Oil States* also argued that the Seventh Amendment’s jury trial right prohibits the PTAB from deciding issues of patentability. Despite previously denying several other similar petitions for *certiorari*, the Supreme Court granted *Oil States*’ petition, agreeing to review the constitutional questions presented. After several months of briefing, oral argument took place on November 27, 2017. Fifty-seven (57) briefs *amicus curiae* were filed at the merits stage, showing the intense public interest in the Court’s decision. In addition, the U.S. government also submitted briefing to the Court, in which it argued for the constitutionality of *inter partes* review, and participated in the oral argument.

Today, after a nearly five-month wait, the Supreme Court issued its decision affirming the Federal Circuit and upholding the constitutionality of IPR proceedings. In writing for the Court, Justice Thomas explained that patents convey a specific type of right—a “public franchise”—and that the reevaluation of the patentability of claims by the USPTO involves an adjudication of public rights. As such, the Court found that IPRs are not an improper exercise of the judicial power under either Article III of the Constitution or a violation of the right to a jury trial under the Seventh Amendment.

#### Attorneys

[Scott A. McKeown](#)

[Gabrielle E. Higgins](#)

[James L. Davis, Jr.](#)

[Matthew J. Rizzolo](#)

The Court's affirmance of the status quo in *Oil States* is therefore unlikely to lead to any changes at the PTAB. However, the Court did emphasize the narrowness of its decision, noting that it was not addressing any retroactive issues associated with PTAB proceedings and reaffirming prior holdings are property protected by other provisions of the Constitution, such as the Fifth Amendment. Thus, the door may be open for possible future constitutional challenges.

### **SAS Institute: Partial Institution of Petitions Is Not Authorized**

Although *Oil States* has garnered more attention than *SAS*, which was argued the same day, the Court's decision in *SAS* will have significant impact on PTAB proceedings going forward. Section 314(a) of Title 35 states that the USPTO Director may not institute review unless the Director determines that "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." If review is instituted, Section 318(a) states that the USPTO Director "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)." Despite this directive, the PTAB only instituted review and issued a final written decision on a subset of the claims that *SAS* initially challenged. The Federal Circuit affirmed the PTAB's practice of so-called "partial institution," holding that the final written decision need only address the claims under review post-institution. The Supreme Court, however, found that the language of the statute is clear—*SAS* was entitled to a final written decision addressing *all* of the claims it has challenged, reversing the Federal Circuit and remanding the case for further proceedings.

The situation in *SAS* is not uncommon. Among the 4,000+ decisions instituting review to date, the PTAB has generally instituted review—and subsequently issued final written decisions—only on the particular claims for which the petitioner has shown that there is a reasonable likelihood that it would prevail at institution. While the USPTO has not released specific statistics, and a majority of these decisions have instituted as to all challenged claims, a significant number of these decisions have instituted as to fewer than all challenged claims.

The Court's decision today raises important questions and issues going forward. For example, the Federal Circuit and the PTAB will need to address the impact of *SAS* on proceedings already subject to partial institutions, both before and after a final written decision has issued. The PTAB may also adjust the role that institution decisions will play if these decisions cannot narrow the number of claims at issue, because final written decisions must address all challenged claims. For example, rather than issuing detailed institution decisions with substantive analysis regarding all challenged claims, the PTAB may instead choose to issue a simplified notice of institution containing minimal, if any, information useful to the parties. Relatedly, petitioners and patent owners litigating before the PTAB will need to adjust their respective strategies in light of *SAS* and any changes in the PTAB's practices. For example, because the issuance of a final written decision as to a claim triggers estoppel provisions under Section 315(e), petitioners will need to assess the impact of *SAS* if all challenged claims will be subject to a final written decision if the proceeding is instituted regardless of the likelihood of success as to each claim. Conversely, patent owners will likely adjust pre-institution strategies to focus attacks on the broadest claims and abandon prior practices attempting to avoid institution as to fewer than all of the challenged claims.

Short of legislative action or additional regulatory workarounds that attempt to maintain more of the status quo, the decision in *SAS* will significantly alter practice before the PTAB going forward.

We will continue to monitor further developments regarding the impact of these decisions. If you have any questions about this Alert, please contact [Scott McKeown](#), [Gabrielle Higgins](#), [James Davis](#) or [Matthew Rizzolo](#).