

Supreme Court Upholds Constitutionality of *Inter Partes* Review and Holds That Petitioners Are Entitled to a Written Decision Addressing All Challenged Claims

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On April 24, the United States Supreme Court issued two opinions about the United States Patent and Trademark Office's ("USPTO") *inter partes* review procedure. First, it upheld the constitutionality of *inter partes* review, holding that a jury trial before an Article III court is not required to reconsider the grant of a patent. Second, it held that when conducting an *inter partes* review, the USPTO must issue a written decision addressing all challenged claims, rather than a narrower set of claims on which the USPTO might have instituted review. Both decisions collectively ensure that defendants in patent litigation and parties interested in challenging blocking patents retain a comparatively efficient way to challenge patent validity. Please read on for more details on each decision.

Background

The Leahy-Smith America Invents Act of 2011 created a new process called "*inter partes* review" ("IPR"). In an IPR, a petitioner can challenge previously issued patent claims before the USPTO. 35 U.S.C. § 311(a). These challenges can request cancellation of "1 or more claims of a patent" on the grounds that the claim fails the novelty or nonobviousness standards for patentability. § 311(b). Before instituting IPR, the USPTO Director must determine "that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged." § 314(a). Once an IPR is instituted, the Patent Trial and Appeal Board ("PTAB"), an adjudicatory body within the USPTO, examines the patent's validity. See §§ 6, 316(c). The PTAB must "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." § 318(a). Parties dissatisfied with the PTAB decision may seek judicial review in the United States Court of Appeals for the Federal Circuit. § 319.

Oil States

In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, Oil States obtained a patent related to hydraulic fracturing and sued Greene's Energy for infringement. See No. 16-712, slip op. at 4 (U.S. Apr. 24, 2018). Greene's Energy petitioned the PTAB to institute IPR, arguing that two of the patent's claims were anticipated by prior art. See *id.* at 4-5. The PTAB instituted IPR and concluded that the claims were unpatentable. See *id.* at 5. Oil States appealed, arguing that the IPR procedure was unconstitutional because only a jury empaneled by an Article III court may revoke a patent. See *id.*

The Supreme Court rejected Oil States' constitutional challenges, noting that under the public-rights doctrine, the Constitution does not require an Article III court to adjudicate public rights. See *id.* at 5-6. It held that because granting a patent is a "matter involving public rights," the reconsideration of that grant also involves public rights. *Id.* at 7. In doing so, the Court recognized that the PTAB considers the same statutory requirements as when the patent is granted as well as the same interests of keeping patents limited to their legitimate scope. See *id.* at 8-9. And because Congress could properly assign review of revocation of patent rights to a non-Article III tribunal, a jury trial was not required by the Seventh Amendment. See *id.* at 17. The Court emphasized, however, that its holding was limited to IPR's constitutionality. See *id.* at 16. It expressly stated that it was not addressing IPR's "retroactive application"

or whether the IPR procedure satisfies due process, and that it was not “suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.” *Id.* at 17.

SAS Institute

In *SAS Institute Inc. v. Iancu*, SAS brought an IPR challenge of a software patent. See No. 16-969, slip op. at 3 (U.S. Apr. 24, 2018). In its petition, it alleged that all sixteen of the patent’s claims were unpatentable. See *id.* Acting on behalf of the USPTO Director, the PTAB instituted a partial IPR, where only some of the claims addressed in the petition were examined. See *id.* at 3-4. The PTAB ultimately issued a final written decision only as to those claims on which IPR had been instituted. See *id.* at 4. SAS sought review, arguing that 35 U.S.C. § 318(a) required the PTAB to decide the patentability of every challenged claim. See *id.* at 4.

The Court’s majority agreed, holding that under the plain text of § 318(a), parties are entitled to a written decision addressing “any patent claim challenged by the petitioner” in the initial petition. *Id.* at 4. It rejected the argument that the USPTO Director had the power to institute partial IPRs, noting that if Congress had wanted to adopt this approach, it could have done so in the statute. See *id.* at 5-8. It also rejected the policy argument that partial institution is efficient, noting that such arguments are best addressed to Congress. See *id.* at 10. Finally, because the statute was unambiguous, it rejected the argument that the USPTO Director is entitled to *Chevron* deference. See *id.* at 11-12.

Justice Ginsburg’s dissent, joined by three other Justices, stated that the PTAB may overcome the Court’s holding by denying an IPR petition and simultaneously noting that some claims in the petition would warrant reexamination. The majority responded that it was not considering whether this strategy would be consistent with the statute, and noted that even if it were permissible, the USPTO Director may not use “unlawful means” to achieve his policy aims. *Id.* at 11 n.*. It remains to be seen whether this approach will be adopted by the PTAB.

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your regular Davis Polk contact.

Frank J. Azzopardi	212 450 6277	frank.azzopardi@davispolk.com
Anthony I. Fenwick	650 752 2015	anthony.fenwick@davispolk.com
Christopher B. Hockett	650 752 2009	chris.hockett@davispolk.com
David Lisson	650 752 2013	david.lisson@davispolk.com
Ashok Ramani	650 752 2007	ashok.ramani@davispolk.com
Pritesh P. Shah	212 450 4147	pritesh.shah@davispolk.com
Matthew J. Bacal	212 450 4790	matthew.bacal@davispolk.com
David R. Bauer	212 450 4995	david.bauer@davispolk.com
Micah G. Block	650 752 2023	micah.block@davispolk.com
Serge A. Voronov	650 752 2055	serge.voronov@davispolk.com

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