

## WilmerHale Webinar

# *Oil States* and *SAS Institute*: How Will The Supreme Court's Recent Decisions Impact Your Business?

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## Overview of *Oil States* and *SAS Institute*

- The decisions affirm the constitutionality of post-grant procedures authorized by the America Invents Act but portend possible changes in those procedures going forward
- ***Oil States v. Greene's Energy Group* (No. 16-712)**: 7-2 decision holds that IPR proceedings do not violate Article III of the Constitution or the Seventh Amendment right to a jury trial
- ***SAS Institute Inc. v. Iancu* (No. 16-969)**: 5-4 decision holds that when the Patent Trial and Appeal Board institutes an IPR, it must do so on all claims challenged in the IPR petition



# Agenda

- *Oil States v. Greene's Energy Group* (No. 16-712)
  - Summary of majority, concurring, dissenting opinions
  - Implications moving forward
- *SAS Institute Inc. v. Iancu* (No.16-969)
  - Summary of majority, dissenting opinions
  - Implications moving forward



## *Oil States v. Greene's Energy Group* (No. 16-712)

- America Invents Act established *inter partes* review (IPR) proceedings
  - Process by which PTO is authorized to reconsider and cancel patent claims that were wrongly issued
  - Allows any person to file a petition seeking cancellation of claims on the basis that they are obvious or not novel
  - If instituted, PTAB conducts a trial-like examination of the claims' validity before three administrative patent judges
  - The PTAB's decision is subject to judicial review by the Court of Appeals for the Federal Circuit



## *Oil States v. Greene's Energy Group* (No. 16-712)

- Petitioner Oil States Energy Services argued that the IPR process violates Article III of the Constitution and the Seventh Amendment
  - Article III prohibits Congress from conferring “judicial power” to entities other than the federal courts
  - Seventh Amendment guarantees the right to a jury trial in “suits at common law”
- The Court rejected these arguments



## *Oil States v. Greene's Energy Group* (No. 16-712)

### ■ Majority Opinion

- Authored by Justice Thomas; joined by Justices Kennedy, Ginsburg, Breyer, Alito, Sotomayor, and Kagan
- IPRs “fall[] squarely within the public-rights doctrine” of the Court’s Article III precedents (Slip op. at 6)
  - Public-rights doctrine: Congress has significant latitude to assign the adjudication of public rights—as opposed to private rights—in entities other than federal courts
- The decision to *grant* a patent is a matter involving public rights: “the grant of a public franchise” to inventors (*Id.* at 7)
  - One of the functions of the legislative and executive branches





## *Oil States v. Greene's Energy Group* (No. 16-712)

### ■ Majority Opinion

- Because IPR is simply a reconsideration of the initial grant, the PTO may conduct IPR proceedings without violating Article III (*Id.* at 8)
  - That IPR occurs after initial examination makes no difference: patents are granted subject to the qualification that the PTO has the authority to reexamine (*Id.* at 9)
  - Patents are different from typical private property because they convey only a specific form of right: a public franchise derived from statutes (*Id.* at 10)



## *Oil States v. Greene's Energy Group* (No. 16-712)

### ■ Majority Opinion

- The Article III question resolves the 7A challenge because the 7A poses “no independent bar” to an adjudication by a nonjury factfinder (*Id.* at 16)
- The decision is “narrow” and does not address:
  - Whether other patent matters (i.e., infringement) can be heard by agencies
  - Whether retroactive application of IPRs is constitutional
  - Whether patents are property for due process/takings purposes (*Id.* at 17)



## *Oil States v. Greene's Energy Group* (No. 16-712)

### ■ Majority Opinion: Other Issues

- Cases relied on by Petitioner were statutory, not constitutional, holdings (*Id.* at 11)
- Founders understood “that a patent system could include a practice of granting patents subject to potential cancellation” by the English Crown’s Privy Council (*Id.* at 14)
- Unconstitutional conditions doctrine—where government “uses conditions to produce a result it could not command directly”—does not apply because IPRs are within Congress’s Article I authority (*Id.* at 14 n.4)
- The fact that IPR proceedings resemble trials is immaterial; the Court “has never adopted a ‘looks like’ test” (*Id.* at 15)



## *Oil States v. Greene's Energy Group* (No. 16-712)

- Justice Breyer's Concurring Opinion
  - With an eye toward challenges to other administrative adjudications, Justice Breyer wrote separately to emphasize that the public rights issue resolves this case
  - The Court's opinion “should not be read to say that matters involving private rights may never be adjudicated by [administrative agencies]” (Slip op. at 1)
  - Joined by Justices Ginsburg and Sotomayor



## *Oil States v. Greene's Energy Group* (No. 16-712)

- Justice Gorsuch's Dissent (joined by C.J. Roberts)
  - Concerned about politically motivated agency adjudications and preserving judicial independence
    - “Until recently, most everyone considered an issued patent a personal right . . . that the federal government could revoke only with the concurrence of independent judges” (Slip op. at 2)
  - Argues that the majority misreads the historical record
    - The English Privy Council's influence had waned by time of founding (*Id.* at 6)
    - Early U.S. history confirms that patents were private property that can only be revoked in Article III court (*Id.* at 8-10)



## *Oil States v. Greene's Energy Group* (No. 16-712)

### ■ Retroactivity

- Congress has expressed its intent to apply IPR procedures to existing patents: “The amendments made by subsection (a) [i.e., creating IPRs] shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to **any** patent issued **before, on, or after** that effective date.” AIA § 6(c)(2)(A), 125 Stat. 304 (emphasis added).
- *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985): Federal Circuit rejected comparable retroactivity challenge when ex parte reexamination was first created on the ground that patents are public rights and a “defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes”



## *Oil States v. Greene's Energy Group* (No. 16-712)

- Implications moving forward
  - PTAB
  - Trial Courts
  - Appeals



## *SAS Institute v. Iancu* (No. 16-969)

- Majority Opinion (Gorsuch, J., joined by Roberts, Kennedy, Thomas, Alito)
  - “The statute, we find, supplies a clear answer: the Patent Office must ‘issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.’ In this context, as in so many other, ‘any’ means ‘every.’ The agency cannot curate the claims at issue but must decide them all.”
  - Statutory structure “counsels against” partial institution discretion:
    - “[I]n an inter partes review the petitioner is master of its complaint and normally entitled to judgement of all of the claims it raises, not just those the decisionmaker might wish to address.” (Slip op. at 5)
    - “[I]t’s the petitioner, not the Director, who gets to define the contours of the proceeding.” (*Id.* at 6)
    - “[T]he petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation.” (*Id.* at 8)





## *SAS Institute v. Iancu* (No. 16-969)

- Majority Opinion (Gorsuch, J. joined by Roberts, Kennedy, Thomas, Alito)
  - Rejected PTO’s arguments that:
    - The PTO’s “partial institution” regulation was not entitled to *Chevron* deference
    - § 314(a) allows, but does not require, Board to institute IPR if the Board finds a reasonable likelihood that the petitioner will prevail on at least one challenged claim
    - “[W]hile § 314(a) “invests the Director with discretion on the question *whether* to institute review, it does not follow that the statute affords him discretion regarding *what* claims that review will encompass.” (*Id.* at 8)
    - § 314(d) precludes appeal of institution decisions
    - Partial Institution is efficient



## *SAS Institute v. Iancu* (No. 16-969)

- Justice Ginsburg’s Dissent
  - Suggested that the Board could deny an IPR petition while noting that “one or more specified claims warrant reexaminations, while others challenged ... do not. Petitioners would then be free to file new or amended petitions shorn of challenges the Board finds unworthy of inter partes review.”
- Justice Breyer’s Dissent
  - Would have upheld the Board’s practice under *Chevron* because § 318(a)’s requirement that the final decision be drawn to “any patent claim challenged by the petitioner” does not unambiguously refer to claims in the petition
  - “Why ... would Congress have intended to require the Board to proceed with an inter partes review, take evidence, and hear arguments in respect to challenges to claims that the Board had previously determined had no ‘reasonable likelihood’ of success?”



## *SAS Institute v. Iancu* (No. 16-969)

- Implications moving forward
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  - Trial Courts
  - Appeals



# Questions?

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