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Supreme Court Upholds Inter Partes Review as a Valid Procedure for Challenging Patent Validity: Majority Reasons that Patents are Revocable “Public Franchises”

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By a majority of 7-2, the Supreme Court has ruled that *inter partes* review is a valid exercise of statutory authority vested in the Patent Trial and Appeal Board. *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 16-712 (Apr. 24, 2018). In an anxiously awaited decision upholding this widely utilized venue for challenging patent validity before the Patent Office, the Court rejected the patentee's argument that *inter partes* review violates Article III and the Seventh Amendment right to a jury trial. The majority held that, unlike the adjudication of private rights, “[i]nter partes review . . . involves reconsideration of the Government's decision to grant a public franchise” and that “Congress has permissibly reserved the PTO's authority to conduct that reconsideration.” Slip Op. at 6. Justice Gorsuch, joined by Chief Justice Roberts, dissented on grounds that patentees can only be divested of patent rights by independent, Article III, judges.

As many stakeholders anticipated, *Oil States* touches on the nature of modern patent rights. The majority concludes that patents are “public franchises” that are created and granted by the Government, observing that patents are a “creature of statute law.” Slip. Op. at 7. In the majority's view, the modern patent is analogous to a government-issued grant to operate a toll bridge, build a railroad, or install a telegraph line: it is a *revocable* public franchise. “As a public franchise, a patent can confer only the rights that the statute prescribes . . . [T]he patentee's rights are derived . . . from statutes, are to be regulated and measured by those laws, and cannot go beyond them . . . One such regulation is *inter partes* review.” Slip Op. at 10 (quotations omitted). In terms of the historical backdrop against which the Constitution is interpreted, the majority noted that patent cancellation proceedings existed at the time of the nation's founding.

While the majority emphasizes “the narrowness of our holding,” its conclusion that patents are revocable public franchises will have broader implications in terms of galvanizing efforts to calibrate the patent system through legislation and administrative policy. Slip Op. at 16. The majority notes that “our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause,” but rather the express endorsement of *inter partes* review as a way to “protect[] the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope.” The Court thus speaks broadly to the significant gate-keeping role that Congress and the Patent Office continue to play even after a patent is granted. Slip Op. 9 (quoting *Cuozzo Speed Technologies, LLC v. Lee*).

The outcome in *Oil States* maintains the status quo in terms of keeping *inter partes* review on the table, both as a strategic option for petitioners as well as an administrative tool for policy-makers to regulate patent quality. Nevertheless, the Supreme Court's exposition on the nature of patent rights and the post-grant review process may influence other outstanding controversies.

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