



THINK FORWARD

U.S. Supreme Court Hears "Oil States" Oral Arguments Regarding Constitutionality of the Patent Office Review Board

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On November 27, 2017, the U.S. Supreme Court heard oral arguments in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, Civ. No. 16-712. The Court will decide whether *inter partes* reviews violate the U.S. Constitution. Created by the American Invents Act of 2012, an *inter partes* review is an administrative process carried out by the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office, which is an executive branch agency.

The dispute began when Oil States sued Greene's Energy for infringement of Oil States' hydraulic fracturing patent. In response, Greene's Energy sought *inter partes* review, and the PTAB found the challenged claims to be unpatentable. Oil States challenged as unconstitutional the *inter partes* review system.

According to Oil States, only courts in the judicial branch have the authority to invalidate patents. Therefore, Congress violated Article III of the Constitution when it authorized the PTAB's Article I administrative jurisdiction to invalidate patents.

In response, Greene's Energy argued that the *inter partes* review process is a streamlined and lower cost alternative to federal district court litigation. Likewise, the Solicitor General, on behalf of the government, defended the constitutionality of *inter partes* review because it allows the Patent Office to correct mistakes made during the initial examination process, and also to review the validity of a patent previously issued pursuant to constitutional Congressional authority.

At oral argument, Oil States maintained that, in a dispute between private parties over private rights, Congressional transfer of judicial power to an executive branch tribunal is improper without Article III supervision and consent. In turn, Greene's Energy argued that *inter partes* review comports with Article III because the PTAB simply reexamines the propriety of the original grant of a patent, engaging in the same type of patentability analysis that Congress already entrusted to the Patent Office. Greene's Energy also argued that the *inter partes* review process does not extinguish private property rights for patents where standards of patentability were not met initially, such that the patent should not have issued in the first place.

The Justices questioned the difference between reexamination proceedings that have existed since 1952 and *inter partes* review that has existed only since 2012. Oil States answered that the reexamination procedure between an inventor and the government is different than an *inter partes* review between a patentee and a challenger which is adversarial in nature, and in which the executive branch, through the PTAB, has the power to determine invalidity.

Justice Sotomayor questioned "whether the Patent Office has 'unfettered discretion to take away that which it's granted,'" especially when, for example, a patentee has come to rely on a patent's existence as a private property right.

property right, upon which an investment and development of their business is based. Justice Roberts inquired about the fairness of *inter partes* review, especially for patents issued before the America Invents Act was even implemented.

Another issue arising during oral argument pertained to whether the selection of the PTAB judges on a particular panel could be “stacked” in favor of one party without any check on the administrative process thus risking decision makers who could be subject to executive political influence.

A prediction as to the outcome in *Oil States* is beyond the scope of this alert. A decision is expected by the end of the current term, which expires in June of 2018. In the meantime, we can expect that the questions and remarks by the Justices will be highly scrutinized for any signs of their forthcoming positions. The Court’s decision undoubtedly will have enormous ramifications that may disrupt the current patent system.

Later in the day, the Supreme Court also heard oral arguments in *SAS Inst., Inc. v. Iancu*, Civ. No. 16-11449. Presumably dependent on the outcome in *Oil States*, the Court will decide whether section 318(a) of the Patent Act requires the PTAB to issue a final written decision as to every challenged claim, or rather all the PTAB to issue a final written decision with respect to the patentability of only some of the challenged patent claims, as the Federal Circuit held.

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