



## US Supreme Court rules on two key patent cases: *Oil States* and *SAS Services* – key takeaways

### Intellectual Property and Technology Alert

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#### ***OIL STATES ENERGY SERVICES, LLC V. GREENE'S ENERGY GROUP, LLC***

In this long-awaited decision, the US Supreme Court has ruled that inter partes review does not violate Article III or the Seventh Amendment of the Constitution because patents are public rights for the purposes of this question.

In a 7-2 opinion authored by Justice Clarence Thomas and issued on April 25, 2018, the Court first explained that the grant of patents was akin to the "the grant of a public franchise" by the government, which is a public right adjudicable by non-Article III courts.

The Court then reasoned that because "[i]nter partes review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration," the PTO can do so without violating Article III. As to the Seventh Amendment, the Court relied on precedents that "establish that, when Congress properly assigns a matter to adjudication in a non-Article III tribunal, the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder."

The majority emphasized that its holding was "narrow," and that it did not address whether the retroactive application of inter partes review to patents issued prior to the AIA is constitutional, or whether patents are not property for purposes of

the Due Process Clause or the Takings Clause.

Justice Neil Gorsuch dissented, joined by Chief Justice John Roberts, concluding that patent rights are private rights and can therefore only be revoked with the "concurrence of independent judges."

### **Takeaways**

IPRs, at least for patents issued after the AIA, are constitutional. Potential challenges await for IPRs involving patents issued prior to the AIA, and for PTAB actions, such as "panel stacking," which appear to have drawn concern from the Court.

### ***SAS INSTITUTE INC. V. IANCU***

In a 5-4 decision authored by Justice Gorsuch and decided on April 25, 2018, the Court held: "When the Patent Office institutes an inter partes review, it must decide the patentability of all the claims the petitioner has challenged."

Section 318(a) of the Patent Act indicates that the Patent Trial and Appeal Board (PTAB) "shall issue a final written decision with respect to the patentability of any claim challenged by the petitioner and any new claim added [during the IPR.] 35 U.S.C. §318(a). Prior to SAS Institute, the PTO had interpreted "any claim challenged ... [during the IPR]" to mean instituted claims, and therefore the PTO believed it could partially institute review on only some of the challenged claims, and only address the instituted claims in the final decision. The Court disagreed, holding that the statute was clear, "any" patent claim meant "every," and therefore the agency must reach a final decision on all claims.

While the Director made several policy arguments during the case, the Court did not focus on them, stating that they should be addressed to Congress rather than the Court. The Court also declined to reconsider *Chevron*, finding that even under *Chevron*, the PTO was not owed deference because the meaning of the statute was clear

Justice Stephen Breyer dissented – joined in part by Justices Ruth Bader Ginsburg, Sonia Sotomayor and Elena Kagan – because he believed the statute was ambiguous and thus would give deference to the PTO's interpretation.

Justice Ginsburg additionally dissented, joined by Justices Breyer, Sotomayor and Kagan, pointing out that the PTAB could effectively skirt the majority's holding by denying a petition and pointing out which claims it would have instituted on, then allowing the petitioner to refile on just those challenged claims. Accordingly, the dissenters reasoned that the statute should not be read to preclude the option to weed out "insubstantial challenges."

### **Takeaways**

While *SAS Institute* may seem to be a clear win for petitioners, it has a number of potential consequences that should be considered. Because IPR will be instituted on all claims as long as one challenged claim meets the institution standard, it should be easier to get a stay in related district court actions because there will be broader estoppel and therefore judges likely will be more confident that completion of the IPR will significantly narrow the issues. The requirement to institute on all claims may even result in District Courts being more willing to issue stays prior to an institution decision if it appears that the petition sets out a strong challenge to at least one claim.

However, because the final decision will cover all petitioned claims, estoppel can apply to all those claims. Petitioners should therefore even more carefully consider every claim they want to include in the petition and make sure the petition fully establishes unpatentability of those claims.

Moreover, the PTAB may change how it issues institution decisions, only picking one claim to analyze. This will give petitioners and patent owners less information about what to focus on through the replies and trial stages. Also, as the dissent pointed out, the PTAB may simply choose to deny some petitions which lack sound challenges to a large number of challenged claims, rather than instituting and having to handle them in a final decision, even if the challenges to some claims are meritorious. This possibility is of particular concern to petitioners in light of the PTAB's recent *General Plastic* precedential decision, limiting serial petitions.

The PTAB has issued guidance based on *SAS Institute* (linked here), for pending trials that were not instituted on all claims. The panel may issue an order supplementing the institution decision, and in doing so may permit additional time, briefing, discovery, and/or oral argument, based on the circumstances. Petitioners and patent owners with currently pending trials should be ready to act.

Learn more about the implications of each of these decisions by contacting any of the authors.

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