The key question for the Court is whether an agency or only an Article III court may cancel an issued patent

The Supreme Court granted certiorari in Oil States Energy Services LLC v. Greene’s Energy Group, LLC, No. 16-712 on June 12, 2017.

Key points:

- Question presented: "Whether inter partes review — an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents — violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury."

- The case may turn on whether patent rights are "private rights," revocable only by an Article III court, or "public rights," which may be adjudicated by an agency.

- The Supreme Court previously declined to review this issue when asked, including on three other occasions in 2016 alone. The Federal Circuit has held on multiple occasions the patent office may cancel patents in post-grant proceedings, such as inter partes reviews (IPRs) and reexaminations.

- If the Supreme Court agrees with Oil States, the effects could be felt beyond the PTO's Patent Trial and Appeal Board (PTAB).

Oil States’ opening brief on the merits is due in late July.

An important issue may be whether patents are private or public rights

In its petition, Oil States asserted that the PTAB’s IPR procedure is unconstitutional because an issued patent is a private property right that cannot be revoked by a non-Article III forum without a jury.

Oil States relied heavily on McCormick Harvesting Machine Co. v. Aultman, where the Supreme Court stated that, once it issues, a patent "has passed beyond the control and jurisdiction of [patent office], and is not subject to be revoked or cancelled by the President, or any other officer of the Government." The McCormick court further explained that an issued patent "has become the property of the patentee," "is entitled to the same legal protection as other property," and "[t]he only authority competent to set a patent
aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.”

According to Oil States, McCormick came to this conclusion — that issued patents could only be revoked or cancelled only by the courts, and not by the issuing agency — because patent infringement was a traditional action at common law or equity, and “in general, Congress may not withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.”

Patents do not fall into the public-rights exception of this rule, Oil States contended, because courts have recognized that a patent is a private property right and adjudication of that right is a “prototypical exercise of judicial power.” Pet. 18 (quoting Stern, 564 U.S. at 494). Oil States also asserted that it had a Seventh Amendment right to a jury trial under Markman v. Westview Instruments, Inc., where the Supreme Court stated that patent “infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”

In opposition, the Solicitor General explained that the Supreme Court’s language in McCormick merely reflects that, at that time, Congress had not yet given the PTO the authority to reconsider the validity of issued patents — McCormick did not hold that Congress could not delegate such power, only that it had not done so.

Greene’s Energy and the Solicitor General also asserted that patents are squarely within the public-right exception: patent rights do not arise from the common law, but instead exist only by virtue of the patent statutes. Further, Congress may permissibly delegate “even a ‘seemingly private right’ to a non-Article III tribunal if the right, like a patent right, ‘is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.’”

In response to Oil States’ Seventh Amendment arguments, the Solicitor General and Greene’s Energy Group asserted that the right to a jury trial is only implicated if the issue must be adjudicated by an Article III court. “If the administrative scheme comports with Article III, the Seventh Amendment ‘poses no independent bar.’”

The parties’ positions reflect previous Federal Circuit opinions and a dissent

In Oil States, the Federal Circuit issued a summary affirmation of the PTAB’s decision without a written opinion. Oil States therefore pointed to the Federal Circuit’s earlier decision on the same issue in MCM Portfolio LLC v. Hewlett-Packard Co. to explain the Federal Circuit’s reasoning. Likewise, in opposing Oil States’ petition, the Solicitor General and Greene’s Energy also pointed to the reasoning in previous Federal Circuit cases, all of which — including MCM Portfolio — the Supreme Court declined to review when asked.

In many ways, the reasoning in the opposition briefs parallels the reasoning in MCM Portfolio and the Federal Circuits earlier cases: McCormick merely addressed the patent laws at the time, not Article III. Further, patents fall into the public-right exception because patent rights exist only because of the patent statutes and are “so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.” The MCM Portfolio court also found no relevant differences between the new IPR proceedings and the established reexamination proceedings that would justify the court departing from its earlier decisions on the same issue for reexaminations.
Similarly, Oil States’ petition foreshadows Judge Reyna’s later dissent in the denial of en banc consideration of this issue in Cascades Projection LLC v. Epson America, Inc.,⁰¹ which issued in time for Oil States to address in its reply brief. In his dissent, Judge Reyna pointed to McCormick and other cases, stating that the Supreme Court has “repeatedly and consistently defined patents as constitutionally protected private rights.”⁰² Judge Reyna continued, concluding that “undisturbed Supreme Court precedent addresses the question at hand: ‘The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.’”⁰³ The “line between [public and private rights] remains hazy…. Yet, as the administrative state expands and non-Article III tribunals adjudicate more disputes under the cover of the public rights doctrine, there must be vigilance in protecting Article III jurisdiction.”⁰⁴

**Conclusion: Oil States is important and may reach beyond the PTAB**

This case warrants attention because it addresses the fundamental issue of whether the PTAB may cancel all or part of issued patent.

Further, although the immediate issue before the Supreme Court is whether IPRs are constitutional, the Court’s decision will likely reach the PTO’s reexaminations and might also reach other tribunals. For example, the Court of Federal Claims regularly determines patent validity when it hears infringement actions filed against the government under 28 U.S.C. § 1498, but it is not an Article III court and holds only bench trials. Also, Hatch-Waxman patent infringement actions are heard by an Article III court, but are typically bench trials because damages do not accrue from the infringing act of filing an Abbreviated New Drug Application with a paragraph IV certification. Likewise, Article III courts hear declaratory judgment actions for invalidity, but unless there is a counterclaim of infringement for money damages, a jury is usually not available. The International Trade Commission is not an Article III court, but it might be at least somewhat insulated because its decision whether to issue a cease and desist or exclusion order may turn on its validity determination, but it does not issue judgments of patent validity per se.
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1 169 U.S. 606, 608-09 (1898) (citations omitted); Pet. 4-16-17.  
2 *Id.*  
3 Pet. 16 (quoting *Stern v. Marshall*, 564 U.S. 462, 484 (2011)).  
4 517 U.S. 370, 377 (1996)  
5 Pet. 11.  
6 SG Opp. 11.  
7 Greene’s Opp. 7. 10; SG Opp. 8-10.  
9 SG Opp. 14 (quoting *Grantfinanciera*, 492 U.S. at 54); Greene’s Opp 3-4 (same).  
10 812 F.3d 1284 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (Oct. 11, 2015).  
11 *Id.* at 1289-91 (quoting *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 593-94 (1985)).


14 Id. at *6.

15 Id. at *4 (quoting *McCormick*, 169 U.S. at 609).

16 Id. at *14.