On April 24, 2018, the U.S. Supreme Court issued highly anticipated decisions in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC et al.,* 584 U.S. ___ (2018), and *SAS Institute Inc. v. Iancu, Director, United States Patent and Trademark Office, et al.,* 584 U.S. ___ (2018), which, taken together, ensure that the Inter Partes Review (IPR) process will remain available to challenge and eliminate patents, but require the PTAB to address the patentability of all claims challenged in a petition. Below we summarize the Court’s opinions.

Please reach out to the authors or your usual Weil contacts if you have questions concerning the impact of the Court’s decisions.


**Bottom Line:** The IPR process, enacted in 2012 as part of the America Invents Act and codified at 35 U.S.C. §§ 311-319, does not violate Article III or the Seventh Amendment of the Constitution. Patents remain subject to the Patent Trial and Appeal Board’s authority to cancel as part of an instituted IPR. The Court left open the question whether retroactive application of IPRs to patents that issued prior to the passage of the AIA might violate the Constitution or otherwise raise due process concerns.

**Majority Opinion (authored by Justice Thomas, joined by Justices Kennedy, Ginsburg, Breyer, Alito, Sotomayor, and Kagan)**

After first describing the historical and statutory context for IPRs, the Court proceeded to address what the parties agreed was the central question: whether IPRs were properly evaluated under the Court’s “public rights” or “private rights” precedent. According to the Court, the correct understanding was clear: “[i]nter partes review falls squarely within the public-rights doctrine.” Slip. Op. at 6.

The Court characterized this decision as flowing directly from its precedents describing patents as “public franchises” that are fundamentally “creatures of statute,” as opposed to private rights that “exist[ed] at common law.” *Id.* at 7. According to the Court, since “inter partes review involves the same basic matter as the grant of a patent… it too falls on the public-rights side of the line.” *Id.* at 8. That inter partes review occurs after the patent issued does not change the analysis because “[p]atent claims are granted subject
to the qualification that the PTO has the authority to reexamine—and perhaps cancel—a patent claim in an inter partes review.”

_id_ at 9. Thus, according the Court, a patent is a qualified public franchise that—like qualified franchises for toll bridges or railroads that the Court had upheld under the public rights doctrine—is subject to post-grant revocation or amendment.

The Court distinguished three 19th century Supreme Court decisions that the petitioner and dissent relied upon on the grounds that they were issued under the Patent Act of 1870, which “did not include any provision for post-issuance administrative review.” _id_. at 11. As a result, the Court reasoned that language in those decisions suggesting that only courts could invalidate patents was “best read as a description of the statutory scheme that existed at the time” that did not address “Congress’ authority under the Constitution to establish a different scheme.” _id_. In other words, patents that issued under the Patent Act of 1870 were qualitatively different franchises than “modern invention patents,” which are issued subject to the USPTO’s “continuing authority to review and potentially cancel patents are they are issued.” _id_., n. 3.

In response to petitioner’s argument that patent validity has traditionally been decided by courts and thus could not be withdrawn from “judicial cognizance,” the Court cited 18th-century English Privy Council patent revocation procedures for the proposition that patent validity had never been understood to be exclusively the province of the courts. _id_. at 12-13. The Court went on to downplay the importance of traditional practice in the constitutional inquiry: “we disagree with the dissent’s assumption that, because courts have traditionally adjudicated patent validity in this country, courts must forever continue to do so.” _id_. at 13. Finally, the Court rejected the argument that quasi-judicial features of IPRs established that they amounted to an improper exercise of Article III judicial power by an administrative agency.

The Court was careful to highlight the narrow nature of its decision, and to limit its applicability outside the particular facts governing Oil States’ constitutional challenge. Of particular note, the Court expressly declined to address “the retroactive application of inter partes review.” Given the Court’s emphasis in its Constitutional analysis on the specific statutory scheme in place at the time of issuance, retroactive application of inter partes review may be the subject of future constitutional challenges.

**Concurring Opinion (Justice Breyer)**

Justice Breyer’s short concurring opinion emphasized that the private/public rights issue was not dispositive because, under some circumstances, the Court’s precedents allowed for even private rights to be adjudicated by administrative agencies.

**Dissent (authored by Justice Gorsuch, joined by Justice Roberts)**

Justice Gorsuch’s dissent characterized the majority decision as a “retreat from the promise of judicial independence” because it permitted a political appointee of the executive branch (the director of the USPTO) to exercise what had traditionally been a judicial power (invalidation of a patent). While noting that both the majority and the dissent seemed to agree that the original public meaning of the Constitution controlled the analysis, he took issue with the majority’s position that Privy Council revocation procedures showed that the drafters of the Constitution understood executive invalidation of patents to be a commonplace practice. He went on to note distinctions between English and American understandings of invention patents, and argued that majority’s reliance on revocable monopolies such as toll bridges and railroads was misplaced since “the law traditionally treated patents issued under the Patent Clause very differently than monopoly franchises.”

* -- all internal citations and quotations omitted

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**Bottom Line:** In a 5-4 decision, the Supreme Court held that an instituted IPR must address the patentability of all claims challenged in a petition; the PTAB is no longer permitted to institute an IPR trial
as to some challenged claims and deny institution as to others.

**Majority Opinion (authored by Justice Gorsuch, joined by Justices Roberts, Thomas, Kennedy, and Alito)**

The Court identified the question before it as follows: “[w]hen the Patent Office initiates an inter partes review, must it resolve all of the claims in the case, or may it choose to limit its review to only some of them.” Slip Op. at 1. After recounting the Constitutional and statutory context for IPRs, the Court honed in on language in 35 U.S.C. § 318(a) that it considered dispositive: “[i]f an inter partes review is instituted and not dismissed under this chapter, the [Board] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” Slip Op. at 4.

According to the Court, this language “is both mandatory and comprehensive.” Id. In view of the generally accepted view that the word “any” carries an expansive meaning, the Court held that the statute must be understood to mean that “the Board must address every claim the petitioner has challenged.” Id. at 5 (emphasis in original). Given this statutory clarity, “the duty of an administrative agency is to follow its commands as written, not to supplant those commands with others it may prefer.” Id.

The Court then addressed, and rejected, the Director’s various arguments for why other provisions of the IPR governing statute suggested a “partial institution” power. The Court characterized the IPR statutes as establishing “a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding,” and contrasted that framework with ex parte reexaminations (which expressly give the director authority to initiate reexamination sua sponte). Id. at 6. Contrary to the Director’s argument that 35 U.S.C. §314(d) justified “claim-by-claim institution,” the Court stated that “the language anticipates a regime where a reasonable prospect of success on a single claim justifies review of all.” Id. at 7. The Court again contrasted the statutory language controlling IPR institution with the language governing ex parte reexaminations. The Court concluded its statutory analysis by minimizing any discrepancies between the language of §§ 314 and 318 and attributing to them the patent owner’s ability to cancel claims during the IPR.

Having explained why the meaning of the statute was clear, the Court dismissed the Director’s policy arguments as “properly addressed to Congress, not this Court.” Id. at 10. Similarly, the Court rejected the Director’s *Chevron*-deference arguments since “[t]he statutory provisions before us deliver unmistakable commands.” Id. at 12. Finally, the Court held that 35 U.S.C. § 314 (d), which states that institution decisions are final and nonappealable, did not foreclose judicial review of the PTO’s partial institution practice.

**Dissent (authored by Justice Breyer and joined by Justices Ginsburg, Sotomayor, and Kagan (except as to Part III-A))**

Justice Breyer’s dissent argued that the statutory provision in question was ambiguous, especially as to whether the language “any claim challenged by the petitioner” from § 318(a) referred to any claims challenged in the original petition, or only to claims challenged “in the inter partes review proceeding itself.” Dissent at 4. Accordingly, he argued that *Chevron* deference applied to the Director’s interpretation of the statute, and that the interpretation should be upheld as a reasonable exercise of the PTO’s statutory rulemaking authority.

**Dissent (authored by Justice Ginsburg and joined by Justices Breyer, Sotomayor, and Kagan)**

Justice Ginsburg’s short dissent emphasized that the statute did not preclude the Director from simply denying petitions that included meritorious challenges to some but not all challenged claims in their entirety (while noting the grounds that had a reasonable likelihood of success in the decision, such that petitioner could refile only on the meritorious grounds).