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# STATUS OF *INTER PARTES* REVIEW (IPR) PROCEEDING CURRENTLY UNDER REVIEW IN THE U.S. SUPREME COURT

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**Background:** An i*nter partes* review (IPR) proceeding is a trial proceeding conducted at the U.S. PTO Patent Trial and Appeal Board (Board) to review the patentability of one or more claims in a patent only on a ground that could be raised under 35 U.S.C. §102 or §103, and only on the basis of prior art consisting of patents or printed publications.

With an IPR proceeding, there is a lower burden to prove invalidity as compared to litigation. A presumption of validity does not apply in IPR proceedings. The Board uses "a preponderance of the evidence" standard rather than the higher "clear and convincing evidence" standard which is applied in civil actions. Compared to litigation, an IPR proceeding has: a quicker resolution, a faster and more predictable schedule due to statutory time limits, lower associated costs, and limited discovery.

***Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et al.*:** In 2012, Oil States filed a patent infringement action against Greene's Energy Group in the Eastern District of Texas. Thereafter, Greene's Energy Group petitioned the Board for an IPR of the Oil States' patent that was the basis of the infringement action. In the IPR proceeding, the Board, invalidated Oil States' U.S. Patent No. 6,179,053. In response, Oil States challenges the practice of IPR proceedings as violating the constitutional rights of patent owners based on the Seventh Amendment right to a jury trial arguing that patents are a private right, and therefore the Seventh Amendment applies to all validity challenges.

The Federal Circuit held that Congress had the authority to establish the IPR proceeding before the Board. The U.S. Supreme Court has granted a petition for a writ of certiorari in this case to address whether the IPR proceeding violates the U.S. Constitution by extinguishing private property rights through a non-Article III forum without a jury.

The argument that IPR proceedings are unconstitutional is based on the U.S. Supreme Court's 1898 decision in *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, wherein the Supreme Court held that once a patent is granted, it "is not subject to be revoked or canceled by the president, or any other officer of the Government" because "it has become the property of the patentee, and as such is entitled to the same legal protection as other property."

On the other hand, Greene's Energy Group, the respondent, argues that patents are public rights. Congress' legislative action in passing the America Invents Act (AIA) places patents within the public realm. The Board is an extension of acceptable congressional action that indicates this public nature. Since Congress has delegated these decisions away from an Article III court, the Seventh Amendment does not apply.

**Oral Hearing:** On November 27, 2017, The U.S. Supreme Court heard oral arguments in *Oil States Energy Services, LLC, v. Greene's Energy Group, LLC, et al*. During Oil States' arguments, Justice Ginsburg pointed out that IPRs allow the U.S.PTO to correct their own errors in granted patents. Oil States countered that *ex parte* reexamination is another means to correct errors in patents and is more "examinational" than "adjudicatory".

Additionally, Justice Sotomayor asked counsel for Oil States to identify the specific aspects of IPRs that violate Article III. In response, counsel for Oil States highlighted the ability of third parties to initiate and participate in the IPR. In contrast, in *ex parte* reexaminations, a third party may initiate the procedure, but thereafter, it is handled between the patent office and the patent owner without participation by the third party. Chief Justice Roberts posed the following hypothetical scenario to counsel for Oil States:

> You have a lot that you think could have built a mansion on, and then the government passes a law and you can only build a shed on it and – and yet we often say – or give the government a lot of leeway in saying that – that they don't have to pay compensation.
>
> So, if the government can restrict your property right in real property to that extent, why can't it do so with respect to patent rights?

Counsel for Oil States acknowledged that they have not "advanced arguments about" this government's right to restrict property right referred to by Chief Justice Roberts, and instead argued for judicial review of IPRs.

The counsel for respondent, Greene Energy Group, argued that IPRs do not extinguish private rights because the patents that are found to be invalid in an IPR should never have been issued. In regards to due process concerns raised by the justices, counsel for Greene Energy Group argued that Article III courts are involved in IPRs by way of judicial review. However, Justice Gorsuch noted that courts only participate in situations where an appeal has been made. Ultimately, counsel for Greene Energy Group maintained their position that patents are granted to service the public interest. Therefore, the patent office has the right to review patents to ensure that the public interest is being properly served.

Additionally, Deputy Solicitor General Malcolm Steward also spoke before the justices and took the position that IPRs do not violate the U.S. Constitution. Furthermore, he pointed out that patents are knowingly issued subject to conditions which may be enforced by the U.S. PTO after issuance.

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