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Are Inter Partes Reviews "Quintessential" Agency Adjudications?

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A superlative or excessive statement is often a dead give-away that the statement may not be true. In deciding whether the America Invents Act's *inter partes* review provisions violate Article III of the Constitution of the United States, the Federal Circuit in *MCM Portfolio LLC v. Hewlett-Packard Company*, 815 F.3d 1284, 1291 (Fed. Cir. 2015) opined that the Patent Trial and Appeal Board (PTAB)'s involvement was "…the *quintessential* situation in which the agency is adjudicating issues under federal law." The Federal Circuit also concluded that because patent rights derive from an extensive regulatory scheme, they are public rights that may be adjudicated by an agency such as the United States Patent and Trademark Office ("USPTO") rather than private rights that may be adjudicated only by a court.

The Supreme Court's recent grant of certiorari in *Oil States Energy Services, LLC, v. Greene's Energy Group, LLC* is presumably intended to resolve this issue. Although three questions were presented in the cert petition, two of which related to revisiting issues decided by the Court in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S.Ct. 2131 (2016), the Court granted cert only on the question regarding the nature of patent rights, i.e.,

> 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.

By way of background, in *Oil States Energy Services LLC v. Greene's Energy Group, LLC*, petitioner, *Oil States Energy Services LLC*, owned a patent related to an apparatus and method for protecting wellheads during hydraulic fracturing (or fracking). Petitioner filed an infringement suit against Respondent in the United States District Court for the Eastern District of Texas alleging infringement of its patent. Less than one year later, Respondent filed a petition seeking *inter partes* review of two of the patents in suit. The PTAB granted the petition, conducted an *inter partes* review, and found the challenged patent unpatentable under 35 U.S.C § 102 as being anticipated by prior art. The PTAB also denied Petitioner's motion to amend the claims. Petitioner then appealed to the Federal Circuit challenging the PTAB's patentability assessment and its denial

of a motion to amend. The Petitioner also contended that *inter partes* review violated Article III and the Seventh Amendment. The Federal Circuit affirmed the PTAB's decision and the Petitioner successfully petitioned the Supreme Court to decide that latter issue.

As seems apparent from the Supreme Court's cert grant, it is far from certain that patent rights are public rights or that the PTAB's involvement in *inter partes* reviews is necessarily the "quintessential" situation where an agency may be permitted to adjudicate those rights under Article I. The case law on whether a patent is a private or a public right is also far from clear and perhaps even leans in the direction of patents being private rights. The Federal Circuit in *MCM Portfolio LLC v. Hewlett-Packard Co.* seemingly went out of its way to analogize patent rights to statutory rights that are integral parts of a public regulatory scheme and whose adjudication Congress has assigned to an administrative body as opposed to traditional rights under common law. But the Federal Circuit's opinion arguably lacks persuasive power because private property interests are frequently grounded in just such laws and regulations. *See Texaco, Inc. v. Short*, 454 U.S. 516, 526 (1982) ("a State may create a property interest that is entitled to constitutional protection.") And, the patent system is not a system entirely like the regulatory systems referenced in *MCM* because it is a system that rewards owners with an individual right of exclusion and a government-backed private cause of action for enforcing that right. Indeed, the Supreme Court has explicitly held on several occasions that patents constitute private property, though much of the Supreme Court's case law is very old. *See Brown v. Duchesne,*60 U.S. 183, 197 (1857); *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1877); *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 608-9 (1898).

Recently, a slow but steady creep of legislation empowering the USPTO to act less like an Article I body and more like an Article III court would seem to support the notion that Congress believes that patents are public rights and that the USPTO is entitled to act in post grant proceedings. In 1980, for example, Congress enacted the first statute authorizing *ex parte* reexamination for substantial new questions of patentability. In 1999, Congress expanded the USPTO's authority to review the patentability of claims issued in patents by creating *inter partes* reexamination. Like ex parte reexamination, *inter partes* reexamination allowed third parties to petition the USPTO to reexamine the patentability of previously granted patent claims and allowed them to participate, after 2002, in any appeal. In 2011, Congress made further changes to the process of post-issuance review as part of the America Invents Act. Post grant review procedures allow a challenger to challenge patents and the PTAB to issue a final written decision on the patentability of the claims. But this history may be no match for *stare decisis* if patents are private rights and the Supreme Court turns to its explicit past rulings and the principle of separation of powers.

How might the Supreme Court decide the issue? In the past year, the Supreme Court has had several opportunities to determine whether patents are public or private rights but has declined to hear the cases. Perhaps the Supreme Court felt that the issue had not percolated enough in the lower courts. In addition, in the last year, the Supreme Court has been in flux, so it may not be surprising that it has declined every opportunity to hear this specific issue until now. To determine that patent rights are public rights that can be largely settled by an Article I agency determination, however, the Supreme Court will either need to overrule, or at the very least distinguish, its own precedent. Historically, the Supreme Court has created intermediate tiers of analysis in other areas of Constitutional jurisprudence for important rights, such as "intermediate scrutiny" and "semi-public fora." Recently, in *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), Justice Thomas's dissent compared a trademark to a "quasi-public right" because it has certain attributes of a private right but also confers certain benefits on its holder that may be subject to some of the regulatory requirements of the Lanham Act. Are we going to end up somewhere in the middle? A decision is expected mid-2018. Stay Tuned!

This post was written by Ani Kantarci. The views contained in this post are those solely of the author and do not necessarily represent the views of the practice or the firm.

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