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## Double Jeopardy: Patents of Invention as Contracts, Invention Disclosure as Consideration, and Where Oil States Went Wrong

N. Scott Pierce  
Foley Hoag LLP, [spierce@foleyhoag.com](mailto:spierce@foleyhoag.com)

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## Double Jeopardy: Patents of Invention as Contracts, Invention Disclosure as Consideration, and Where Oil States Went Wrong

### Cover Page Footnote

Partner at Foley Hoag LLP in Boston, MA. The author is solely responsible for the views of this Article, which do not necessarily represent those of his Firm, or any client or organization.

# Double Jeopardy: Patents of Invention as Contracts, Invention Disclosure as Consideration, and Where *Oil States* Went Wrong

N. Scott Pierce\*

*Patents in England were once favors granted by the King with the requirement that the subject matter be practiced, or worked, for the benefit of the public. However, by the late eighteenth century patents were viewed as contracts with the government. Concomitant with this shift, the requirement to practice an invention was replaced by submission of a written specification disclosing to the public how to work the subject matter of the patent. In essence, advancement of the public good by grant of an exclusionary right to practice an invention at royal discretion was substituted with public disclosure as consideration for grant of that right by contract. The contractual nature of patents that evolved in England was adopted in the United States shortly after its founding.*

*Disclosure of an invention can be offered as consideration by an inventor because, unlike most substance of sovereign dispensation, it is not otherwise available. Also unlike favor, disclosure of an invention cannot be withdrawn once it has been made. The Supreme Court in *Oil States v. Greene's Energy Group* failed to acknowledge these distinctions by improperly construing nineteenth century dicta to conclude that patents "take from the public rights of immense value" and by asserting more recent dicta that *inter partes* review is nothing but "a second look" at an earlier administrative decision. Dismissing the genesis and irretrievable nature of invention dis-*

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\* Partner at Foley Hoag LLP in Boston, MA. The author is solely responsible for the views of this Article, which do not necessarily represent those of his Firm, or any client or organization.

*closure by implying that patent rights are taken from the public by virtue of patent grant obliterates the distinction made over two hundred years ago that patents are not privileges subject to sovereign volition.*

*The Supreme Court's new understanding of patents causes an overlap of Article I "legislative courts" under the purview of the executive branch, with "constitutional courts" controlled by Article III of the Constitution. The result is double jeopardy for patentees and reduced certainty in the business community, both of which are anathema to the intent behind creation of ex parte reexamination, introduced under the Bayh–Dole Act of 1980, and extending to the several proceedings inaugurated with the America Invents Act, such as inter partes review.*

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*That labour put a distinction between them and common. That added something to them more than nature, the common mother of all, had done, and so they became his private right.*

–John Locke<sup>1</sup>

#### INTRODUCTION

The Supreme Court held in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC* that inter partes review (“inter partes review” or “IPR”) “does not violate Article III or the Seventh Amendment.”<sup>2</sup> An IPR is one of five post-grant proceedings instituted under the America Invents Act (“AIA”),<sup>3</sup> the others being covered business methods (“CBMs”),<sup>4</sup> post grant review (“PGR”),<sup>5</sup> supplemental examination,<sup>6</sup> and derivation proceedings,<sup>7</sup> all of which are conducted by the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (variously “USPTO,” “PTO,” or “Patent Office”). A primary motive for enacting IPRs was a general impression that the economic benefit of patents was being impeded by a large number of “low quality” patents covering subject matter not deserving of protection, and that

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<sup>1</sup> JOHN LOCKE, THE SECOND TREATISE ON CIVIL GOVERNMENT 20 (Prometheus Books 1986) (1690).

<sup>2</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018) (“Because inter partes review does not violate Article III or the Seventh Amendment, we affirm the judgment of the Court of Appeals.”). The Court affirmed a judgment by the Court of Appeals for the Federal Circuit (CAFC) upholding a final written decision in an IPR by the Patent Trial and Appeal Board (PTAB) at the United States Patent and Trademark Office (USPTO, PTO, or Patent Office). In that proceeding, the PTAB determined claims 1 and 22 of U.S. Patent No. 6,179,053 (‘053 patent), owned by Oil States Energy Services, LLC (Oil States), to be unpatentable. *See Greene’s Energy Grp., LLC v. Oil States Energy Servs., LLC*, No. IPR2014-00216, 2015 Pat. App. LEXIS 5328, \*1 (P.T.A.B. May 1, 2015).

<sup>3</sup> Leahy–Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C. (2018)). In many sources, “AIA 35 U.S.C.” is used to refer to the now-codified updated provisions, while “Pre-AIA 35 U.S.C.” is used to refer to the provisions in place prior to the AIA amendments.

<sup>4</sup> *See* 35 U.S.C. §§ 311–19 (AIA § 18).

<sup>5</sup> *See id.* §§ 321–29.

<sup>6</sup> *See id.* § 257.

<sup>7</sup> *See id.* § 135.

a relatively low-cost alternative to invalidation of patents during litigation was required.<sup>8</sup>

IPRs replaced another post-grant proceeding, inter partes reexamination, that was enacted in 1999 under the American Inventors Protection Act<sup>9</sup> (“AIPA”) to supplement and correct some of the perceived injustices of an even earlier proceeding, ex parte reexamination, instituted in 1980 as part of the Bayh–Dole Act.<sup>10</sup> Neither ex parte nor inter partes reexamination were much used, about 14,000 ex parte petitions having been filed since 1980,<sup>11</sup> and about 2,000 inter partes reexamination petitions having been filed between November 29, 1999 and September 16, 2012.<sup>12</sup> In contrast, IPRs have been heavily relied upon, over 8,800 petitions having been filed since 2012, and have been a highly successful tool to invalidate existing patents, 64% of petitions being found to have no claims patentable, and another 17% finding at least one claim was unpatentable.<sup>13</sup>

Counsel for Oil States did not contest the constitutionality of reexamination, asserting at oral hearing that such proceedings, whether ex parte or inter partes, were “fundamentally examinational,” meaning that third-party participation was “fundamentally a proceeding between the Patent and Trademark Office, between the

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<sup>8</sup> See, e.g., Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 909 (2015) (“The America Invents Act was nearly a decade in the making and was preceded by a constant drumbeat in academic journals, judicial opinions, and congressional speeches decrying the proliferation of ‘low quality’ patents that harm innovation and impose significant costs on consumers.”).

<sup>9</sup> American Inventors Protection Act, Pub. L. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536 (1999) (codified at 35 U.S.C. §§ 311–19 (2018)) (replaced with inter partes review (IPR) by AIA).

<sup>10</sup> Patent and Trademark Law Amendments (Bayh–Dole) Act, Pub. L. 96-517, ch. 30, § 302, 94 Stat. 3015 (1980) (codified at 35 U.S.C. § 302).

<sup>11</sup> U.S. PAT. & TRADEMARK OFF., *Ex Parte Reexamination Filing Data* (Sept. 30, 2018), [https://www.uspto.gov/sites/default/files/documents/ex\\_parte\\_historical\\_stats\\_roll\\_up.pdf](https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf) [<https://perma.cc/D4NB-XY6V>].

<sup>12</sup> U.S. PAT. & TRADEMARK OFF., *Inter Partes Reexamination Filing Data* (Sept. 30, 2017), [https://www.uspto.gov/sites/default/files/documents/inter\\_parte\\_historical\\_stats\\_roll\\_up.pdf](https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf) [<https://perma.cc/6K26-NGME>].

<sup>13</sup> *Id.*; see also U.S. PAT. & TRADEMARK OFF., PAT. TRIAL & APPEAL BOARD, *Trial Statistics IPR, PGR, CBM* (Nov. 2018), [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_nov\\_2018.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_nov_2018.pdf) [<https://perma.cc/LY9S-MPX7>].



government and the Patent Owner.”<sup>14</sup> IPRs, on the other hand, were viewed as “adjudicational.”<sup>15</sup> This distinction was nowhere mentioned in the ultimate majority opinion. Justice Thomas, who wrote the majority opinion, upheld IPRs as “simply a reconsideration” of “a matter involving *public rights*—specifically, the grant of a *public franchise*.”<sup>16</sup> According to the Court, “Congress has permissibly reserved the PTO’s authority to conduct that reconsideration.”<sup>17</sup>

Neither the majority opinion, Justice Breyer’s concurrence, nor Justice Gorsuch’s dissent distinguished the constitutionality of ex parte reexamination from AIA post-grant examination, such as IPRs. Perhaps there is no such distinction. If not, then the constitutionality of ex parte reexamination and AIA post-grant examination may stand or fall together.

This Article challenges justifications employed by Justice Thomas to hold that IPRs pass constitutional muster, including sweeping characterization of patents as “public rights”<sup>18</sup> and “public franchises,”<sup>19</sup> and that “reconsideration” of the grant of a patent is a “simple” matter “permissibly reserved by Congress” to the PTO.<sup>20</sup> If these assertions and underlying arguments supporting the holding in *Oil States* are wrong, then any basis for concluding otherwise in *Oil States* should be examined and compared with more well-established post-grant Article I proceedings, such as reissue, interference, and, in particular, ex parte reexamination proceedings. Justice Breyer, in his concurrence, for example, stated that “the Court’s opinion should not be read to say that matters involving *private rights* may never be adjudicated other than by Article III

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<sup>14</sup> Transcript of Oral Argument at 5, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (No. 16-712) [hereinafter Transcript].

<sup>15</sup> *Id.* at 4, 7.

<sup>16</sup> *Oil States*, 138 S. Ct. at 1373 (emphasis added).

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* (“This Court has long held that the grant of a patent is a “matte[r] involving public rights” . . . . It has the key features to fall within this Court’s longstanding formulation of the public rights doctrine.”) (quoting *United States v. Duell*, 172 U.S. 576, 582–83 (1899)).

<sup>19</sup> *Id.* (“This Court has recognized, and the parties do not dispute, that the decision to *grant* a patent is matter involving public rights—specifically the grant of a public franchise.”).

<sup>20</sup> *Id.* (“Inter partes review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO’s authority to conduct that reconsideration.”).

courts, say, sometimes by agencies,”<sup>21</sup> and quoted another recent Supreme Court case, *Stern v. Marshall*, which stated that “[t]he presence of ‘private rights’ does not automatically determine the outcome of the question but requires a more ‘searching’ examination of the relevant factors.”<sup>22</sup> Following Justice Breyer’s logic, if it can be established that patent rights of invention are, indeed, private rights, then “more ‘searching’” examination may well “determine the outcome of the question” of adjudication of rights in granted patents outside Article III courts.

Part I of this Article is an overview of the closest historical antecedents to post-grant examination under the AIA, namely *ex parte* and *inter partes* reexamination. Part II will summarize the majority and dissenting opinions of *Oil States*, analyze the majority’s characterization of patents as “public franchises,” and then briefly critique the majority’s view of patent “public rights” as embodying “public interests” in the interest of separation of powers. Part III will briefly address *Oil States*’ perfunctory analysis of the Seventh Amendment as applied to patent rights. Part IV will distinguish “private” from “public” rights, and the authority of so-called “legislative,” or “Article I” courts, such as the PTAB, to adjudicate rights that are deemed only “seemingly private” under recent Supreme Court precedent. Part V will look at the broader implications of protecting patents as private rights.

Finally, Part VI will summarize the historical view that patents are not just private rights, but contracts between the government and private entities premised on legal consideration of disclosure by the patentee. This Part will also analyze *In re Baxter International, Inc.*<sup>23</sup> and *Fresenius USA, Inc. v. Baxter International, Inc.*<sup>24</sup> as a joint case study in some of the possible effects of overlapping jurisdiction between the PTAB of the Patent Office as a “legislative,” or Article I court, under the control of the executive branch, and “constitutional,” or “Article III” courts of the judiciary branch, and

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<sup>21</sup> *Id.* at 1380 (Breyer, J. concurring) (emphasis added).

<sup>22</sup> *Id.* (Breyer J., concurring) (quoting *Stern v. Marshall*, 564 U.S. 462, 513 (2011) (Breyer J., dissenting)).

<sup>23</sup> *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012).

<sup>24</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

makes a plea for reconsideration of the constitutionality and wisdom of post-grant examination of patents in Article I courts.

This Article concludes that, because patents are contracts and private property of the patentee, and because the disclosure given as consideration by the patentee cannot be returned, the government cannot subject patents to “reconsideration of the grant” without inherently breaking that contract, in violation of historical applications of the Constitution’s Takings Clause.<sup>25</sup>

#### I. ANTECEDENTS TO INTER PARTES REVIEW—EX PARTE AND INTER PARTES REEXAMINATION

Prior to enactment of the AIA, members of the public had recourse to two established proceedings at the USPTO for examination of granted patents, namely *ex parte* reexamination and *inter partes* reexamination. *Ex parte* reexamination was instituted in 1980 as part of the Bayh–Dole Act,<sup>26</sup> and *inter partes* reexamination was added under the AIPA in 1999.<sup>27</sup> *Inter partes* reexamination was replaced by IPR with the enactment of the AIA.<sup>28</sup>

*Ex parte* reexamination was (and is) available to “any person,” including the patent owner,<sup>29</sup> while *inter partes* reexamination

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<sup>25</sup> U.S. CONST. amend. V (“[Nor] shall private property be taken for public use, without just compensation.”); *see also* Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 724 (2007) (“It is time to set the historical record straight and to recognize that nineteenth-century courts applied the Takings Clause to patents, securing these intangible property rights as constitutional private property.”).

<sup>26</sup> Patent and Trademark Law Amendments (Bayh–Dole) Act, Pub. L. 96-517, ch. 30, § 302, 94 Stat. 3015 (1980) (codified at 35 U.S.C. § 302 (2018)).

<sup>27</sup> American Inventors Protection Act, Pub. L. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536 (1999) (codified at 35 U.S.C. §§ 311–19) (replaced with *inter partes* review (IPR) by AIA).

<sup>28</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(a), 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

<sup>29</sup> 35 U.S.C. § 302 (1988) reads as follows:

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 [35 U.S.C.S. § 301]. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41

was available to any “third party requestor.”<sup>30</sup> The threshold for grant of a petition for ex parte or inter partes reexamination was a “substantial new question of patentability.”<sup>31</sup> Promoted as an inexpensive alternative to litigation that would give greater assurance to patentees of the value of their patents, reexamination was directly targeted to enabling the Government “to uphold its agreement with an inventor that in exchange for disclosure of new inventions the inventor’s rights will be protected.”<sup>32</sup> Nevertheless, several features of ex parte reexamination proved to be shortcomings.<sup>33</sup> For example, neither the petitioner nor any other member of the public was estopped from employing prior art references from a past examination.<sup>34</sup> Further, there was no limit to the number of times petitions could be filed by any member of the public for ex parte reexamination (so long as a “substantial new question of patentability” could be established), and the same argument could be successfully relied

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[35 U.S.C.S. § 41]. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

<sup>30</sup> 35 U.S.C. § 311(a) (1988) (repealed 1999) (“Any third party requester at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 [35 U.S.C. § 301].”).

<sup>31</sup> 35 U.S.C. §§ 303, 312 (1988).

<sup>32</sup> *Patent Reexamination: Hearing on S.1679 Before the S. Comm. on the Judiciary*, 96th Congress, 1st Sess. (1979) (statement of Senator Birch Bayh, Member, S. Comm. on the Judiciary) [hereinafter *Patent Reexamination Hearing*]. Senator Bayh stated:

This bill provides an inexpensive alternative to litigation in patent validity cases by allowing the Patent Office to consider new data that might have been overlooked during the initial patent examination and determine whether or not the patent should have been issued.

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The present weaknesses in our patent system mean that our Government is no longer able to uphold its agreement with an inventor that in exchange for disclosure of new inventions the inventor’s rights will be protected.

*Id.* at 1–2.

<sup>33</sup> See, e.g., Dolin, *supra* note 8, at 909 (“The combination of these factors [in ex parte reexamination] gives the patent challengers the opportunity to continuously cast doubt on legitimate patent claims and to ‘black mail’ patent holders into lower royalty rates.”).

<sup>34</sup> *Id.* at 905 n.161 (“[R]eexamination is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”) (citing 35 U.S.C. § 303(a)).

upon in court.<sup>35</sup> Inter partes reexamination was introduced to avoid abuse of reexamination by including an estoppel provision under 35 U.S.C. § 315(c).<sup>36</sup> In both ex parte and inter partes reexamination, however, despite surviving a validity challenge in court, a patent could be found invalid on the same arguments during a subsequent proceeding before the Board of Patent Appeals and Interferences.<sup>37</sup> The reverse was also true, as was the possibility that a “substantially new question of patentability” might be found in a “patent or printed publication . . . previously cited by or to the [Patent] Office or considered by the Office.”<sup>38</sup> These problems placed patentees in double jeopardy and, for ex parte reexamination, still do.<sup>39</sup>

In addition, while courts maintain a presumption of patent validity that can only be overcome by clear and convincing evidence,<sup>40</sup> there was no such presumption during ex parte or inter partes reexamination. Instead, the standard of proof was a much lower “preponderance of the evidence.”<sup>41</sup> Moreover, while courts applied a so-called “ordinary and customary meaning” standard to claim construction under *Phillips v. AWH Corp.*,<sup>42</sup> the USPTO applied a more inclusive “broadest reasonable interpretation” (“BRI”).<sup>43</sup> Even on appeal, a presumption of validity would not be observed, nor would claims be reviewed under the *Phillips*

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<sup>35</sup> *Id.* at 903–04.

<sup>36</sup> 35 U.S.C. § 315(c) (1988) (repealed 1999) (“A third-party requestor whose request for an inter partes re-examination results in an order under section 313 [35 U.S.C. § 313] is estopped from asserting at a later time, in any civil action arising in whole or in part . . . the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the inter partes reexamination proceedings.”).

<sup>37</sup> Dolin, *supra* note 8, at 904 (citing *In re Baxter Int’l*, 678 F.3d 1357, 1364 (Fed. Cir. 2012)). The BPAI was the immediate predecessor at the Patent Office to the PTAB.

<sup>38</sup> See 35 U.S.C. § 303(a) (2018). See *id.* at 902 n.144.

<sup>39</sup> *Id.* Moreover, ex parte reexamination puts the PTAB, the successor to the BPAI, in conflict with the Art. III courts, as will be discussed in Part VI, *infra*.

<sup>40</sup> See *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011).

<sup>41</sup> *Dome Patent L.P. v. Lee*, 799 F.3d 1372, 1379 (Fed. Cir. 2015).

<sup>42</sup> 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (*en banc*).

<sup>43</sup> See U.S. PAT. & TRADEMARK OFF., MANUAL OF PATENT EXAMINING PROCEDURE (MPEP) § 2103 (9th ed. 2014) (last revised Jan. 2018), <https://www.uspto.gov/web/offices/pac/mpep/s2103.html> [<https://perma.cc/TQ8Z-DPRP>].

“ordinary and customary meaning” standard as they would be absent appeal from the BPAI.<sup>44</sup>

Ex parte and inter partes reexamination shared many of the features that were viewed as shortcomings to be addressed by the AIA.<sup>45</sup> Nevertheless, only inter partes reexamination, which provided for estoppel, and therefore thought to be an improvement over ex parte reexamination,<sup>46</sup> was repealed and substituted with IPR; ex parte reexamination was left in place. Inter partes review continued many problematic aspects of ex parte and inter partes reexamination, such as high cost, delay, and a lower threshold to demonstrate invalidity, and even added new hurdles for patentees,

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<sup>44</sup> For inter partes review (IPR), post-grant review (PGR) and covered business methods (CBM), this standard recently has been changed at the Patent Office, whereby the standard for claim construction is now that of *Phillips*. Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340 (Oct. 11, 2018) (codified at 37 C.F.R. pt. 42). However, the BRI standard remains in place for reexamination, reissue, supplemental examination, and derivation proceedings. See, e.g., Scott McKeown, *Patent Owners May Rue the Day They Pushed the PTAB to Phillips*, ROPES & GRAY: PATS. POST-GRANT (May 9, 2018), <https://www.patentspostgrant.com/patent-owners-will-rue-day-pushed-ptab-philips/> [<https://perma.cc/5WXG-LKLQ>].

<sup>45</sup> See Press Release, Sen. Patrick Leahy, Senate Begins Debate on Leahy–Smith America Invents Act (Sept. 6, 2011), available at <https://www.leahy.senate.gov/press/senate-begins-debate-on-leahy-smith-america-invents-act> [<https://perma.cc/SQ54-UVCJ>] (“The bill will also improve upon the current system for challenging the validity of a patent at the PTO. The current inter partes reexamination process has been criticized for being too easy to initiate and used to harass legitimate patent owners, while being too lengthy and unwieldy to actually serve as an alternative to litigation when users are confronted with patents of dubious validity.”).

<sup>46</sup> See Tun-Jen Chiang, *The Advantages of Inter Partes Reexamination*, 90 J. PAT. & TRADEMARK OFF. SOC’Y 579, 579 (2008); see also Dolin, *supra* note 8, at 903:

[E]ven if the PTO were to confirm the patent in the reexamination proceedings (or if it failed to even initiate such proceedings for lack of a substantial new question of patentability under section 102 or section 103) that does not prevent the putative infringer from re-arguing the issue or arguing any other grounds of invalidity in court.

(citing N. Thane Bauz, *Reanimating U.S. Patent Reexamination: Recommendations for Change Based Upon a Comparative Study of German Law*, 27 CREIGHTON L. REV. 945, 954 (1994)) (“Unless the patent is invalidated or ‘substantively’ altered, there is absolutely no binding legal effect of the reexamination. Therefore, even though a patent has been reexamined and a certificate of reexamination has issued, the courts are free to subsequently invalidate the patent on the basis of the same prior art that was analyzed during the reexamination.”).

such as a more limited opportunity to amend claims.<sup>47</sup> Like reexamination before it, inter partes review also suffers from the problem of “serial” petitions that allow successive challenges to patents by third parties as a tactical measure to weaken patentees, and even to enable those third parties to leverage disproportionately large resources held by unrelated business “players.”<sup>48</sup>

An underlying concern with post-grant examination of any type, not just ex parte or inter partes reexamination, but also PGR, IPR, and CBM, all of which were borne of the AIA, is the relationship between decisions made with respect to granted patents by the PTAB as an executive body under Article I of the Constitution, and the federal judiciary under Article III. Such an analysis, however, must address the nature of granted patents in the United States and, more particularly, assess the Supreme Court’s recent characterization in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC* of patents as “public rights—specifically, the grant of a public

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<sup>47</sup> See, e.g., 35 U.S.C. § 316(d)(1) (2018):

- (d) Amendment of the Patent.
  - (1) In general—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:
    - (A) Cancel any challenged patent claim.
    - (B) For each challenged claim, propose a reasonable number of substitute claims.

By way of contrast, there is no limit in ex parte reexamination to the opportunities to amend claims and, likewise, there was no such limit in inter partes reexamination.

<sup>48</sup> While 35 U.S.C. § 315(e) for inter partes review, and 35 U.S.C. § 325(e) for post-grant review provide for estoppel on “any ground that the petitioner raised or reasonably could have raised” during each respective proceeding, several avenues for abuse, including various embodiments of “serial petitions,” have been documented. See, e.g., Dolin, *supra* note 8, at 931; see also Letter from Sen. Thom Tillis (R-NC) and Chris Coons (D-DE) of the Committee on the Judiciary to the Honorable Andrei Iancu (Apr. 9, 2019), available at Tiffany Hu, *Iancu Urged To Reject Sens.’ Plan For Crushing Serial IPRs*, LAW360 (Apr. 29, 2019), [www.law360.com/ip/articles/1154316/iancu-urged-to-reject-sens-plan-for-crushing-serial-iprs?nl\\_pk=98e2b1d-7315-455e-88fd-78e230ab198&utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=ip](http://www.law360.com/ip/articles/1154316/iancu-urged-to-reject-sens-plan-for-crushing-serial-iprs?nl_pk=98e2b1d-7315-455e-88fd-78e230ab198&utm_source=newsletter&utm_medium=email&utm_campaign=ip) [https://perma.cc/2PTW-RKUM] (requesting answers to questions addressing concerns from “patent stakeholders about abuse of the inter partes review process in the form of ‘serial’ petitions”). Additional documentation can be found at Tillis, Coons Ask Iancu to Take Action on Serial IPR Challenges, IPWATCHDOG (Apr. 10, 2019), <https://www.ipwatchdog.com/2019/04/10/tillis-coons-ask-iancu-take-action-serial-ipr-challenges/id=108143/> [https://perma.cc/5UW3-4X6W].

franchise,” whereby “[i]nter partes review is simply a reconsideration of that grant [that] Congress has permissibly reserved [to the] PTO . . . .”<sup>49</sup> Placing this holding by the Supreme Court in historical context should provide some insight into the relative susceptibility of patents to “reconsideration” under and among the distinct standards affecting validity in Article I and Article III courts.

## II. *OIL STATES* AND ARTICLE III

*Oil States Energy Services, LLC v. Greene’s Energy Group, LLC* held that inter partes review does not violate Article III, and does not violate the Seventh Amendment of the Constitution. Part II.A will summarize the majority opinion, including conclusions by the Court that patents are “public franchises” and that inter partes review falls within “public rights doctrine,” making patents subject to reconsideration by authority reserved to the PTO by Congress. Part II.B provides short critiques of Justice Thomas’ majority opinion and Justice Gorsuch’s dissent, as well as the effect of *Cuozzo Speed Technologies, LLC v. Lee*, which factored into the majority opinion. Part II.C analyzes historical characterization of patents as “franchises,” and Part II.D addresses the impact of “public interest” in patents as “public rights” on patent validity and constitutional separation of powers.

### A. *Summary of the Majority Opinion—The Patent “Franchise” of “Public Rights”*

The Court in *Oil States* decided that a determination of patent validity by inter partes review at the Patent Office was a violation of neither Article III nor the Seventh Amendment.<sup>50</sup> The Court began

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<sup>49</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018).

<sup>50</sup> *Id.* at 1370 (“In this case we address whether inter partes review violates Article III or the Seventh Amendment of the Constitution. We hold that it violates neither.”). The relevant sections of Art. III state:

#### ARTICLE III

Section 1. The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish . . . .



by acknowledging that “[t]he America Invents Act replaced inter partes reexamination with inter partes review,”<sup>51</sup> and that “[t]he primary distinction between inter partes review and the initial grant of a patent is that inter partes review occurs *after* the patent has issued.”<sup>52</sup> Concluding that such a “distinction does not matter here”<sup>53</sup> and relying on its own precedent, *Cuozzo Speed Technologies, LLC v. Lee*<sup>54</sup> and *Crowell v. Benson*,<sup>55</sup> the majority stated that “the PTO has ‘the authority to reexamine—and perhaps cancel—a patent claim’ in an inter partes review,”<sup>56</sup> and that “[p]atents thus remain ‘subject to [the Board’s] authority’ to cancel outside of an Article III court.”<sup>57</sup>

IPRs were upheld under both Article III and the Seventh Amendment on a presumed distinction between “public rights” and “private rights,” wherein, according to Justice Thomas, “[Supreme Court] precedents have given Congress significant latitude to assign adjudication of *public rights* to entities other than Article III courts.”<sup>58</sup> He admitted that, “[t]his Court has not ‘definitively explained’ the distinction between public and private rights”<sup>59</sup> and that “precedents applying the public-rights doctrine have ‘not been entirely consistent.’”<sup>60</sup> Nevertheless, the majority opinion held that

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Section 2. [1] The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the laws of the United States, . . . to Controversies to which the United States shall be a Party . . . .

U.S. CONST. art. III, §§ 1, 2. The Seventh Amendment states:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

U.S. CONST. amend VII.

<sup>51</sup> *Oil States*, 138 S. Ct. at 1371.

<sup>52</sup> *Id.* at 1374.

<sup>53</sup> *Id.*

<sup>54</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

<sup>55</sup> *Crowell v. Benson*, 285 U.S. 22 (1932).

<sup>56</sup> *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo*, 136 S. Ct. at 2137).

<sup>57</sup> *Id.* (quoting *Crowell*, 285 U.S. at 50).

<sup>58</sup> *Id.* at 1373 (emphasis added).

<sup>59</sup> *Id.* (quoting *N. Pipeline Constr. v. Marathon Pipe Line Co.*, 458 U.S. 50, 69 (1982)).

<sup>60</sup> *Id.* (quoting *Stern v. Marshall*, 564 U.S. 462, 488 (2011)).

“[i]nter partes review falls squarely within the public-rights doctrine.”<sup>61</sup> In particular, Justice Thomas stated for the majority that “the decision to *grant* a patent is a matter involving public rights—specifically, the grant of a public franchise,” and that “[i]nter partes review is simply a reconsideration of that grant,” for which “Congress has permissibly reserved the PTO’s authority to conduct that reconsideration.”<sup>62</sup> Yet, despite reciting several Supreme Court cases that referenced patents as “public franchises,” the term “franchise” was not defined in *Oil States*, nor were “public rights” distinguished from “private rights” in the context of granted patents.

The Court’s holding regarding the Seventh Amendment was seemingly dismissed as an afterthought to “proper” adjudication. As stated by the Court, “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.’”<sup>63</sup>

#### *B. Historical Precedent to Article III Consideration of Patent Validity*

Justice Thomas made sweeping characterizations regarding the fundamental nature of patents and, in doing so, either dismissed or misrepresented dicta from several seminal nineteenth-century cases defining the source of patent rights and their relation to other well-established kinds of exclusivity granted by the government. Part II.B.1 is a short critique of the majority opinion in view of nineteenth-century precedent. Part II.B.2 reviews Justice Gorsuch’s dissent, and Part II.B.3 assesses the effect of another recent decision by the Court, *Cuozzo Speed Technologies, LLC v. Lee*, which was relied upon by Justice Thomas in his majority opinion.

##### 1. A Short Critique of the Majority View of Nineteenth-Century Precedent

Drawing language from the nineteenth-century Supreme Court decision of *United States v. American Bell Telephone Co.*, Justice

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<sup>61</sup> *Id.*

<sup>62</sup> *Id.* at 1374.

<sup>63</sup> *Id.* at 1379 (quoting *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53–54 (1989)).

Thomas asserted that, “[b]y ‘issuing patents,’ the PTO ‘take[s] from the public rights of immense value, and bestow[s] them upon the patentee.’”<sup>64</sup> However, the majority in *Oil States* misapplied this language from judicial precedent in that the Court in *American Bell* was not referring to a broad power of the Patent Office to rescind granted patents. Instead, the Court’s immediate focus was more narrow, holding only with respect to certain “patents which *are here sought to be annulled*.”<sup>65</sup> In dicta, however, the Court did not limit its opinion to a question of entitlement “to obtain a cancellation or vacation of an instrument obtained from [the Patent Office] by fraud and deceit . . . ,” but, rather, broadly considered “the affirmative relief to which the United States is entitled.”<sup>66</sup> Nevertheless, and contrary to Justice Thomas’s broad assertion, “absent fraud and deceit” on the Patent Office, there is no indication that the Court in *American Bell* viewed grant of a patent, in and of itself, as taking rights from the public. For example, mistake by the Patent Office might well include the grant of the exclusionary right of a patent in exchange for subject matter that would not have been made available to the public but for disclosure by the patentee in consideration of that right.<sup>67</sup>

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<sup>64</sup> *Id.* at 1373 (quoting *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888)).

<sup>65</sup> *American Bell*, 128 U.S. at 370 (“The United States, by issuing the patents *which are here sought to be annulled*, has taken from the public rights of immense value, and bestowed then upon the patentee.”) (emphasis added). It should be noted that the suit was brought by the United States against American Bell Telephone Company alleging fraud on the Patent Office. *Id.* at 353 (“The bill alleges that Bell, the patentee, knew at the time of filing his application [at the Patent Office] that he was not the original and first inventor . . .”).

<sup>66</sup> *Id.* at 373. As stated by the Court in *American Bell*:

There is nothing in these provisions expressing an intention of limiting the power of the government of the United States of America to get rid of a patent obtained by fraud and deceit; . . . we think the argument that this was intended to supersede the affirmative relief to which the United States is entitled, to obtain a cancellation or vacation of an instrument obtained from it by fraud, an instrument which affects the whole public, whose protection from such a fraud is eminently the duty of the United States, is not sound.

*Id.*

<sup>67</sup> *See, e.g., Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1380 (Fed. Cir. 2000) (“[T]he patent right to exclude a party from practicing a particular invention is never held by the sovereign, but only by the patentee after issuance.”).

In dicta, the Court in *American Bell* clearly delineated the limits of executive authority by stating that, while “fraud in the patentee” is not the only judicial ground upon which a patent can be invalidated by a court,<sup>68</sup> a “patent is but evidence of a grant, and the officer who issues it acts ministerially and not judicially.”<sup>69</sup> To make its point, the Court in *American Bell* drew a parallel with land patents, stating that, “[t]he power . . . to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source; and, although exercised by different bureaus or officers under the government, are of the same nature, character, and validity, and imply in each case the exercise of the power of the government according to modes regulated by acts of congress.”<sup>70</sup> The Court in *American Bell* then quoted *United States v. Stone*, which was directed to land patents, stating that “[a] patent is the highest evidence title, and is conclusive against the government, and all claiming under junior patents or titles, until it is set aside or annulled by some judicial tribunal,” and that “one officer of the land-office is not competent to cancel or annul the act of his predecessor. That is a judicial act, and requires the judgment of a court.”<sup>71</sup>

Justice Thomas dismissed statements in *American Bell*, as well as those of other precedent, such as *McCormick Harvesting Machine Co. v. Aultman*,<sup>72</sup> decided ten years after *American Bell*, which limited the authority to “set a patent aside, or to annul it, or to correct it for any reason, whatever,” to “the courts of the United States.”<sup>73</sup> Both cases were distinguished by Justice Thomas as having been “decided under the Patent Act of 1870,” which “did not include any provision for post-issuance administrative review.”<sup>74</sup> For

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<sup>68</sup> *American Bell*, 128 U.S. at 365. (“Nor is fraud in the patentee the only ground upon which a bill [of complaint] will be sustained. Patents are sometimes issued unadvisedly or by mistake, where the Office has no authority in law to grant them, or where another party has a higher equity, and should have received the patent.”).

<sup>69</sup> *Id.*

<sup>70</sup> *Id.* at 358–59.

<sup>71</sup> *Id.* at 365 (quoting *United States v. Stone*, 69 U.S. 525, 535 (1864)).

<sup>72</sup> *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898).

<sup>73</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1376 (2018) (quoting *McCormick*, 169 U.S. at 609).

<sup>74</sup> *Id.*

Justice Thomas, “[t]hose precedents, then, are best read as a description of the statutory scheme that existed at that time. They do not resolve Congress’s authority under the Constitution to establish a different scheme.”<sup>75</sup>

Justice Thomas in *Oil States* also relied on twentieth-century precedent, *Graham v. John Deere*,<sup>76</sup> to support the argument that IPRs are only a “second look,” in that they apply the same standards as are applied by the Patent Office prior to grant:

The Board considers the same statutory requirements that the PTO considered when granting the patent. Those statutory requirements prevent the “issuance of patents whose effects are to remove existent knowledge from the public domain.”<sup>77</sup>

However, when viewed in context, the quotation from *Graham* was only referring to a constitutional provision for patent and copyright protection that was “written against the backdrop of the practices—eventually curtailed by the Statute of Monopolies—of the Crown in granting monopolies to court favorites in goods or businesses which had long before been enjoyed by the public.”<sup>78</sup> The Court in *Graham* stated that, under our Constitution,

[t]he Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the *issuance of patents whose effects are to remove existent knowledge from the public domain*, or to restrict free access to materials already available.<sup>79</sup>

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<sup>75</sup> *Id.*

<sup>76</sup> *Graham v. John Deere*, 383 U.S. 1, 5 (1966).

<sup>77</sup> *Oil States*, 138 S. Ct. at 1374 (quoting *Graham*, 383 U.S. at 6) (citation omitted).

<sup>78</sup> *Graham*, 383 U.S. at 5. The constitutional provision was Art. I, section 8, clause 8 which, as quoted by the Court, “authorizes the Congress ‘To promote the Progress of . . . useful Arts, by securing for Limited Times to . . . Inventors the exclusive Right to their . . . Discoveries,’” and generally is understood to be the basis for the grant of patent rights. U.S. CONST. art. I, § 8, cl. 8.

<sup>79</sup> *Graham*, 383 U.S. at 5–6 (emphasis added).

In neither *American Bell* nor *Graham v. John Deere* was the Court sanctioning, as suggested by Justice Thomas, legislative measures that claw back statutory patent rights once granted. Rather, the Courts in both *American Bell* and *Graham* prohibited legislation that would confer patent rights embracing subject matter previously in the public domain, and granted standing to the government to challenge granted patents *only* in Article III courts and *only* in cases of “fraud and deceit” and ministerial error.

## 2. Justice Gorsuch’s Dissenting View

Justice Gorsuch in his dissent to *Oil States* rightly pointed out that the issues addressed in *McCormick*<sup>80</sup> were independent of any statutory provisions in force, either at the time of those cases or now, under the AIA.<sup>81</sup> Consistent with Justice Gorsuch’s view, the Court in *American Bell* asserted that the right of *the government* to rescind a patent obtained by fraud or deceit was *not superseded* by a statutory provision under the Patent Act of 1870, namely § 4920 of the Revised Statutes, providing a defense to infringement.<sup>82</sup> As stated by the Court in *American Bell*:

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<sup>80</sup> *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898) (citations omitted); *see also supra* text accompanying note 72. The decision by the Court in *McCormick* was directed to the ability of a patentee to abandon an application for reissue and regain the original patent from the Patent Office.

<sup>81</sup> *Oil States*, 138 S. Ct. at 1384 (Gorsuch, J., dissenting) (“The Court today replies that *McCormick* sought only to interpret certain statutes then in force, not the Constitution. But this much is hard to see.”).

<sup>82</sup> Patent Act of 1870, ch. 230, § 61, 16 Stat. 198–217 (July 8, 1870) (repealed 1952), Rev. § 4920 (emphasis added):

That in any action for infringement the defendant may plead the general issue, and having given notice in writing to the plaintiff or his attorney, thirty days before, may prove on trial any one or more of the following special matters —

*First. That for the purpose of deceiving the public the description and specification filed by the patentee in the patent office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or*

*Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; or,*

Third. That it had been patented or described in some printed publication prior to his supposed invention or discovery thereof; or,

It is, therefore, urged that because each individual affected by the monopoly of the patent is at liberty, when he is sued for using it without license or authority, to set up these defenses, the remedy which the United States has, under the principles we have attempted to sustain, is superseded by that fact. But a consideration of the nature and effect of these different modes of proceeding in regard to the patent will show that no such purpose can be inferred from these clauses of the act of Congress.<sup>83</sup>

To the contrary, the Court in *American Bell* viewed “the argument that [§ 4920] was intended to supersede affirmative relief to which the United States is entitled . . . is not sound.”<sup>84</sup> For Justice Gorsuch, “[a]llowing the Executive to withdraw a patent, *McCormick* said, ‘would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.’”<sup>85</sup> The Court

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Fourth. That he was not the original and first inventor or discovered of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country for more than two years before his application for a patent, or had been abandoned to the public.

And in notices as to proof of previous invention, knowledge, or use of the thing patented, the defendant shall state the names of patentees and the dates of their patents, and when granted, and the names and residences of the persons alleged to have invented, or to have had the prior knowledge of the thing patented, and where and by whom it had been used; and if any one or more of the special matters alleged shall be found for the defendant, judgment shall be rendered for him with costs. And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect.

<sup>83</sup> *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 372 (1888).

<sup>84</sup> *Id.* at 373.

<sup>85</sup> *Oil States*, 138 S. Ct. at 1384 (Gorsuch J., dissenting) (quoting *McCormick*, 169 U.S. at 612). Specifically, the Court in *McCormick* stated:

[T]o attempt to cancel a patent upon an application for reissue when the first patent is considered invalid by the examiner would be to deprive the applicant of his property without due process of law, and

in *American Bell* explained that “it would be a strange anomaly” for a “government which separates the powers to be exercised by its executive, its legislative, and its judicial branches” to conclude that in the judiciary “there should be no remedy for such a wrong,” namely, the “practice of a gross fraud upon the United States.”<sup>86</sup> In essence, the Court in *American Bell* was stating that the constitutionality of the government’s actions are not affected by legislation that may be in effect at any given time.

Justice Thomas, therefore, could not logically dismiss Supreme Court precedent regarding the constitutionality of an executive power to thereby strike down granted patents simply on the basis that legislation in force at the time of that precedent no longer is in effect. The primary issue in *Oil States* was the constitutionality of IPRs under Article III of the Constitution and, as stated by Justice Gorsuch, there is no indication that the holding in *McCormick* was affected by any statutory provision, but instead collectively affirmed

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would be in fact an invasion of the judicial branch of the government by the executive.

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Upon application being made for such reissue the patent office was authorized to deal with all its claims, the originals as well as those inserted first in the application, and might declare them to be invalid, but such action would not affect the claims of the original patent, which remained in full force, if the application for a reissue were rejected or abandoned.

*McCormick*, 169 U.S. at 612.

<sup>86</sup> *American Bell*, 128 U.S. at 357–58. The Court in *American Bell* put the constitutional issue as follows:

Though, by the constitution of the United States, it is declared that ‘the judicial power shall extend to all cases, in law and equity, arising under this constitution, the laws of the United States, and treaties made, or which shall be made, under their authority,’ and ‘to controversies to which the United States shall be a party,’ the argument asserts that the practice of a gross fraud upon the United States, concerning matters of immense pecuniary value, and affecting a very large part of its population, is not a proper question of judicial cognizance. It would be a strange anomaly in a government organized upon a system which rigidly separates the powers to be exercised by its executive, its legislative, and its judicial branches, and which in this emphatic language defines the jurisdiction of the judicial department, to hold that in that department there should be no remedy for such a wrong.

*Id.*



and limited the power of the government (i.e., the Patent Office) to rescind a granted patent of its own accord consequent to fraud and deceit.<sup>87</sup> The holding in *McCormick* was, therefore, independent of any legislation by Congress, and made clear that the executive branch had no power to revoke a granted patent except in limited cases. Specifically, the Court in *McCormick*, relying, in part, on *American Bell*, stated:

It has been settled by repeated decisions of this court that when a patent has received the signature of the secretary of the interior, countersigned by the commissioner of patents, and has had affixed to it the seal of the patent office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or canceled by the president, or any other officer of the government . . . . It has become the property of the patentee, and as such is entitled to the same legal protection as other property.<sup>88</sup>

To establish properly that these “precedents are best read as a description of the statutory scheme that existed at that time,” Justice Thomas would have had to provide more than a temporal link between the Patent Act of 1870 and the holdings by the

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<sup>87</sup> *Id.* at 373 (“There is nothing in these provisions expressing an intention of limiting the power of the government of the United States to get rid of a patent obtained by fraud and deceit . . .”). The Court in *McCormick* further stated:

In *Peck v. Collins*, 103 U.S. 660, an application for reissue made under the laws in force in 1866 was held to absolutely extinguish the original patent. Subsequent to that time the law of 1870, of which Rev. St. § 4916, forms a part, was passed.

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[T]he expression of opinion in *Peck v. Collins*, relied upon by the defendants, must be considered merely a dictum, and lacking the force of a judicial determination.

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Our conclusion upon the whole case is that, upon the issue of the original patent, the patent office had no power to revoke, cancel, or annul it. It had lost jurisdiction over it, and did not regain such jurisdiction by the application for a reissue.

169 U.S. at 610–12.

<sup>88</sup> *McCormick*, 169 U.S. at 608–09 (citing *U.S. v. Schurz*, 102 U.S. 378 (1880); *Seymour v. Osborne*, 78 U.S. 516 (1870)).

Court in cases such as *American Bell* and *McCormick*.<sup>89</sup> This, Justice Thomas did not do.

### 3. The Effect of Recent Precedent—*Cuozzo Speed Technologies, LLC v. Lee*

The Court in *Oil States* also relied on a recent decision, *Cuozzo Speed Technologies, LLC v. Lee*, for the proposition that “[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,”<sup>90</sup> and quoted an earlier case, *Crowell v. Benson*, to conclude that “[p]atents thus remain ‘subject to [the Board’s] authority’ to cancel outside an Article III court.”<sup>91</sup> Interestingly, the Court in *Cuozzo* was not referring to inter partes review in the passage that was recited by Justice Thomas in *Oil States*, but rather, to reexaminations, namely ex parte reexamination and inter partes reexamination,<sup>92</sup> statutory proceedings that were enacted in 1980 and 1999,<sup>93</sup> respectively, incidentally implying a parallel with inter partes review. More to the point, however, the Court in *Cuozzo* did not address the permissibility of IPRs as a whole. Rather, the issues in *Cuozzo* were limited to the appealability of a decision to institute inter partes review and the authority under the AIA to decide the standard for claim construction to be applied during

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<sup>89</sup> *Oil States*, 138 S. Ct. at 1376.

<sup>90</sup> *Id.* at 1374 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016)).

<sup>91</sup> *Id.* (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)).

<sup>92</sup> *See Cuozzo*, 136 S. Ct. at 2137. The Court stated:

For several decades, the Patent Office has also possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed. In 1980, for example, Congress enacted a statute providing for “ex parte examination.”

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In 1999 and 2002 Congress enacted statutes that established another, similar procedure, known as “inter partes reexamination.”

*Id.*

<sup>93</sup> *See* Patent and Trademark Law Amendments (Bayh-Dole) Act, Pub. L. 96-517, ch. 30, § 302, 94 Stat. 3015 (1980) (codified at 35 U.S.C. § 302 (2018)); *see also* American Inventors Protection Act, Pub. L. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536 (1999) (codified at 35 U.S.C. §§ 311–19) (replaced with inter partes review (IPR) by the AIA).

inter partes review.<sup>94</sup> Other than cases dating back to the nineteenth century with respect to reissue,<sup>95</sup> the constitutionality of post-grant examination of patents has never been addressed.<sup>96</sup>

Likewise, the language from *Crowell* was mischaracterized in that the Court there said nothing about granted patents or a “Board.”

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<sup>94</sup> See *Cuozzo*, 136 S. Ct. at 2136. The Court quoted the relevant portions of the AIA when laying out the issues and respective holdings on appeal:

We consider two provisions of the [Leahy–Smith America Invents Act]. The first says:

“No Appeal—The determination by the Director [of the Patent Office] whether to institute an inter partes review under this section shall be final and non-appealable.” § 314(d).

Does this provision bar a court from considering whether the Patent Office wrongly “determin[ed] . . . to institute an inter partes review,” *ibid.*, when it did so on grounds not specifically mentioned in a third party’s review request?

The second provision grants the Patent Office the authority to issue:

“regulations . . . establishing and governing inter partes review under this chapter.” § 316(a)(4).

Does this provision authorize the Patent Office to issue a regulation stating that the agency, in inter partes review,

“shall [construe a patent claim according to] its broadest reasonable construction in light of the specification of the patent in which it appears?” 37 CFR § 42.100(b) (2015).

We conclude that the first provision, though it may not bar consideration of a constitutional question for example, does bar judicial review of the kind of mine-run claims at issue here, involving the Patent Office’s decision to institute inter partes review. We also conclude that the second provision authorizes the Patent Office to issue the regulation before us.

*Id.*

<sup>95</sup> See, e.g., *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 612 (1898); see also *supra* text accompanying note 80.

<sup>96</sup> By way of contrast, interference proceedings, which existed even before the first patent act, address only priority of a claimed invention and, regardless, require that one of the parties be a patent applicant before the Patent Office. Even then only a “final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent.” Patent Act of 1952, Pub. L. 593, § 135, 66 Stat. 792, 802 (1952). As stated by P.J. Federico in his commentary on the 1952 Patent Act, “[t]he last sentence of the first paragraph [of Section 135] provides that a final judgment adverse to a patentee, subject to appeal or other review provided, constitutes cancellation of the claims involved from the patent.” P.J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK OFF. SOC’Y 161, 198 (1993); see also G. Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. SCI. & TECH. L. 377, 387–88 (2017). The author is unaware that the constitutionality of this portion of 35 U.S.C. § 135(a) has ever been challenged.

The complete sentence from which the Court in *Oil States* drew the language quoted from *Crowell* had a much different meaning than simply a reservation by the Patent Office “to cancel [patents] outside of an Article III court.”<sup>97</sup> Rather, the phrase “subject to [the Board’s] authority”<sup>98</sup> was derived from language in *Crowell* that, in fact, supported a position contrary to the dismissal of private rights in patents asserted by the majority in *Oil States*:

As to *determinations of fact*, the distinction is at once apparent between cases of *private right* and those which arise between the government and persons *subject to its authority* in connection with the performance of the constitutional functions of the executive or legislative departments.<sup>99</sup>

More specifically, the Court in *Crowell* was referring to a distinction between “public” and “private” rights, and based distinction between them on a much earlier decision by the Court regarding land patents:

The [Supreme] Court referred to this distinction in *Murray’s Lessee v. Hoboken Land & Improvement Company . . .*, pointing out that “there are matters, involving *public rights*, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.”<sup>100</sup>

This is not a blanket assertion that patents are subject to a broad power of cancellation by the Patent Office, as purported by the Court in *Oil States*. Rather, the sentence only speaks to “public rights,” which “arise between the government and persons *subject to its*

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<sup>97</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (“Patents thus remain ‘subject to [the Board’s] authority’ to cancel outside of an Article III court.”) (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)).

<sup>98</sup> *Id.* at 1374.

<sup>99</sup> *Crowell*, 285 U.S. at 50 (emphasis added).

<sup>100</sup> *Id.* (quoting *Den ex dem. Murray v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1855)) (emphasis added).

*authority.*”<sup>101</sup> The sentence says nothing about the authority of the Patent Office, in general, or the “Board,” in particular, to cancel any granted patent rights.

The issue in *Crowell* was not about patents of invention, nor even land patents but, instead, liability for damages consequent to injury suffered by an employee while “performing service upon the navigable waters of the United States.”<sup>102</sup> For the Court in *Crowell*, “[t]he present case does not fall within the categories just described, but is one of private right, that is, of the liability of one individual to another under the law as defined.”<sup>103</sup> The larger significance of *Crowell* was not any categorical exposure of granted patents to cancellation “outside of an Article III court,” as suggested by Justice Thomas in *Oil States*.<sup>104</sup> To the contrary, the Court in *Crowell* distinguished between “legislative courts” involving “public rights,” and “constitutional courts,” which have the sole authority to decide “private rights.”<sup>105</sup> As recited above, the Court in *Crowell* understood cases of private rights to address “the liability of one individual to another under the law as defined,”<sup>106</sup> while cases of “public rights” were those that “arose between the government and persons *subject to its authority* in connection with the performance of the constitutional functions of the executive or legislative departments.”<sup>107</sup> As we shall see, patents are private rights that are vested upon grant of a patent and, therefore, only patent applicants, not patentees, are properly subject to government authority “in connection with the performance of the constitutional functions of the executive or legislative departments.”<sup>108</sup>

### C. Patents as “Franchises”

The majority opinion in *Oil States* relied heavily on characterization of patents as “franchises” to link the exclusionary rights of

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<sup>101</sup> *Id.* (emphasis added).

<sup>102</sup> *Id.* at 36.

<sup>103</sup> *Id.* at 51.

<sup>104</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018).

<sup>105</sup> *Crowell*, 285 U.S. at 50.

<sup>106</sup> *Id.* at 51.

<sup>107</sup> *Id.* at 50 (emphasis added).

<sup>108</sup> *Id.*; see also *supra* text accompanying note 99.

granted patents to “public rights,” thereby making them subject to legislative discretion, such as by creating non-Article III post-grant proceedings administered by the PTO. Part II.C.1 briefly surveys the historical application of the term “franchise” to patents. Part II.C.2 analyzes the evolution of the term “franchise” as a function of “public interest” in the midst of antitrust concerns during the late nineteenth and early twentieth centuries, and Part II.C.3 concludes that characterization of “patents” as “franchises” became progressively inapt with refinement of their respective meanings at the end of the twentieth and the beginning of the twenty-first centuries.

### 1. Use of the Term “Franchise” to Define Patents

The Court in *Oil States* viewed the grant of patents to be at the discretion of the Patent Office within, of course, the bounds of positive law. Justice Thomas drew a parallel between congressional reservation of authority to “revoke or amend” patents and other so-called “franchises,” such as those that, historically, have been employed to authorize companies to construct bridges, railroads, and telegraph lines.<sup>109</sup>

Such a characterization might be useful if patents were well-established as franchises, and if franchises were well-defined, but neither is the case. The word “franchise” is employed only sporadically by nineteenth-century writers of the major treatises on patent law. For example, except in the context of the “privileges of the cirque ports, the nursery of the English navy,” granted by King John in the twelfth and thirteenth centuries, Collier<sup>110</sup> and Godson<sup>111</sup> make no mention of patents as franchises, instead variously referring to them as “monopolies,” “privileges,” and “contracts.”<sup>112</sup> Likewise,

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<sup>109</sup> *Oil States*, 138 S. Ct. at 1375 (“For example, Congress can grant a franchise that permits a company to erect a toll bridge, but qualify the grant by reserving its authority to revoke or amend the franchise . . . . The same is true for franchises that permit companies to build railroads or telegraph lines.”) (citing *Louisville Bridge Co. v. United States*, 242 U.S. 409, 421 (1917); *United States v. Union Pac. Ry. Co.*, 160 U.S. 1, 24–25, 37–38 (1895)).

<sup>110</sup> See generally JOHN DYER COLLIER, *AN ESSAY ON THE LAW OF PATENTS FOR NEW INVENTIONS* (2d ed. 1803).

<sup>111</sup> See generally RICHARD GODSON, *A PRACTICAL TREATISE ON THE LAW OF PATENTS FOR INVENTIONS AND OF COPYRIGHT* (1823).

<sup>112</sup> COLLIER, *supra* note 110, at 26; GODSON, *supra* note 111, at 44.

Phillips<sup>113</sup> makes no mention of the word, nor do Hindmarch<sup>114</sup> or Curtis.<sup>115</sup> Robinson states unequivocally that use of the term “franchise” by the Court in *American Bell* and in another case, *Attorney General v. Rumford Chemical Works*,<sup>116</sup> is error:

The judges, in the two cases [*American Bell* and *Rumford*] now examined, repudiate all similarity between a patent for an invention and a land grant, and identify it with a franchise both in nature and effect. *This is obviously an error.* The issue of a patent does not confer a simple franchise; it creates a monopoly. Although the government and the public do not own the invention, they do possess rights in reference to it of the most important character, which are suspended or relinquished by the grant of letters-patent . . . . If this question [of government rights over patents] is to be determined by analogy it is thus evident that the doctrine applied to land grants, and not that to franchises, must furnish us with the desired solution.<sup>117</sup>

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<sup>113</sup> See generally WILLARD PHILLIPS, THE LAW OF PATENTS FOR INVENTIONS, 1837: INCLUDING THE REMEDIES AND LEGAL PROCEEDINGS IN RELATION TO PATENT RIGHTS (1837).

<sup>114</sup> See generally W. M. HINDMARCH, A TREATISE ON THE LAW RELATING TO PATENT PRIVILEGES FOR THE SOLE USE OF INVENTIONS (1846).

<sup>115</sup> See generally GREG TICKNOR CURTIS, A TREATISE ON THE LAW OF PATENTS FOR USEFUL INVENTIONS (3d ed. 1867).

<sup>116</sup> See *Attorney Gen. ex rel. Hecker v. Rumford Chem. Works*, 32 F. 608 (C.C. D.R.I. 1876).

<sup>117</sup> 2 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS 468, 473, 474 n.1 (1890) (emphasis added).

Courts variously have distinguished and interchanged as synonymous the terms “monopoly” and “franchise” throughout American legal history.<sup>118</sup> In *Bloomer v. McQuewan*,<sup>119</sup> for example, the Supreme Court, when distinguishing between the “grant of the right to make and vend the machine, and the grant of the right to use it”<sup>120</sup> in the context of patents, used “monopoly” and “franchise” as synonymous terms:

The *franchise* which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee. This is all that he obtains by the patent. And when he sells the exclusive privilege of making or vending it for use in a particular place, the purchaser buys a portion of the *franchise* which the patent confers. He obtains a share in the *monopoly*, and that *monopoly* is derived from, and exercised under, the protection of the United States.<sup>121</sup>

Howsoever characterized, the Court in *Bloomer* stated that the exclusionary right expires upon sale:

But the purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the act of Congress, nor does he derive title to it by virtue of the *franchise* or exclusive

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<sup>118</sup> See, e.g., BRUCE W. BUGBEE, *THE GENESIS OF AMERICAN PATENT AND COPYRIGHT LAW* 6 (1967). Bugbee stated:

Patents of invention have been variously designated privileges, monopolies, and franchises . . . . In the nineteenth century, United States patents of invention were sometimes called “franchises,” and this word has also been employed more recently. With true impartiality the Supreme Court of the United States even used “special privilege,” “monopoly,” and “franchise” interchangeably in a patent decision of 1852.

*Id.* (citing *Seymour v. Osborne*, 78 U.S. 516, 533–34 (1870); *United Shoe Mach. Corp. v. United States*, 258 U.S. 451, 463 (1922); *Bloomer v. McQuewan*, 55 U.S. 539, 549–51 (1852)).

<sup>119</sup> *Bloomer*, 55 U.S. at 539.

<sup>120</sup> *Id.* at 549.

<sup>121</sup> *Id.* (emphasis added).



privilege granted to the patentee. . . . And when the machine passes to the hands of the purchaser, it is no longer within the limits of the *monopoly*.<sup>122</sup>

There is, therefore, according to the Court in *Bloomer*, a distinction between the exclusionary right to make, use, and sell under a patent franchise, which may be apportioned, and the right to use consequent to purchase of protected subject matter, which is apart from that exclusionary right. There is, however, no parsing of meaning between the terms “franchise” and “monopoly” under which the right to make, use, and sell can be apportioned.

By way of contrast, in *Seymour v. Osborne*,<sup>123</sup> which was decided just eighteen years after *Bloomer* and cited by Justice Thomas in *Oil States*,<sup>124</sup> the Court clearly distinguished between monopolies and franchises, relying on purported differences in the source of authority and the nature of exclusive rights. The Court in *Seymour* stated:

Letters patent are *not* to be regarded as *monopolies*, created by the executive authority *at the expense and to the prejudice* of all the community except the persons therein named as patentees, but as *public franchises* granted to the inventors of new and useful improvements for the purpose of securing to them, as such inventors, for the limited term therein mentioned, the exclusive right and liberty to make and use and vend to others to be used their own inventions, as tending to promote the progress of science and the useful arts, and as matter of compensation to the inventors for their labor, toil, and expense in making the inventions, and reducing the

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<sup>122</sup> *Id.* (emphasis added).

<sup>123</sup> 78 U.S. at 516.

<sup>124</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (“Specifically, patents are ‘public franchises’ that the Government grants ‘to the inventors of new and useful improvements.’”) (citing *Seymour*, 78 U.S. at 533).

same *to practice for the public benefit*, as contemplated by the Constitution and sanctioned by the laws of Congress.<sup>125</sup>

The Court in *Seymour*, therefore, viewed the distinction between “monopolies” and “public franchises” as a difference in the effect of the exclusive right on the community, wherein *monopolies* operate “at the expense and to the prejudice of all the community except the persons therein named as patentees.”<sup>126</sup> *Public franchises*, on the other hand, functioned as “compensation to the inventors” in exchange for reducing their inventions to practice “for the public benefit, as contemplated by the Constitution and sanctioned by the laws of Congress.”<sup>127</sup>

Nevertheless, the Court in *Seymour* also stated that “[i]nventions secured by letters patent are property in the holder of the patent, and as such are as much entitled to protection as any other property, consisting of a franchise, during the term for which the franchise or the exclusive right is granted.”<sup>128</sup> All of this, however, was dicta in that the issue in *Seymour* was whether a patentee was entitled to an injunction for activities conducted during an extension of patent term by a party that had taken a license on that patent during its original term.<sup>129</sup> The holding of the Court did not hinge on whether the behavior of the patentee acted to the “prejudice of all the community” or “for the public benefit.”

In 1888, the Court in *California v. Central Pacific Railroad Co.* referred to franchises as a “right of eminent domain [that] can only be exercised by virtue of a legislative grant.”<sup>130</sup> Examples of franchises given by the Court included “a public highway or a public ferry or railroad,” or the right to “charge tolls for the use of the

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<sup>125</sup> *Seymour*, 78 U.S. at 533–34 (emphasis added).

<sup>126</sup> *Id.* at 533.

<sup>127</sup> *Id.* at 533–34.

<sup>128</sup> *Id.* at 533.

<sup>129</sup> *Id.* at 534, 560 (“[T]he reissued patents were fully extended for seven years from the expiration of the original term . . . . For these reasons we are all of the opinion that the complainants are entitled to a decree that their several patents are valid, and for an account and for a perpetual injunction, except as to such, if any, as have expired.”).

<sup>130</sup> *California v. Cent. Pac. R.R. Co.*, 127 U.S. 1, 40–41 (1888).

same.”<sup>131</sup> The Court saw a franchise as a grant of exclusive use of property already in the public domain:

No private person can establish a public highway or a public ferry or railroad, or charge tolls for the use of the same, without authority from the legislature, direct or derived. *These are franchises*. No private person can take another’s property, even for a public use, without such authority; which is the same as to say that the right of eminent domain can only be exercised by virtue of a legislative grant. *This is a franchise*.<sup>132</sup>

A patent for an invention does not fit this model. Rather, a patent for an invention is only put into the public domain by the inventor in exchange for a grant, or with the prospect of grant of a patent from the government.<sup>133</sup> In other words, inventions are not pre-existing property of the government to which exclusive rights can be granted. They are, instead, creations that are disclosed to the public in exchange for (at least the prospect of) being granted an exclusive right to make, use, and sell for a limited period of time. If franchises are grants of exclusive rights to governmentally-held public property, then patents are not franchises.

## 2. Public Interest in Patent Rights—Protecting Against Restraint of Trade

Late in the nineteenth century, rapid industrialization in the United States prompted legislation to mitigate restraint of trade consequent to competition in large markets among relatively few players.<sup>134</sup> Inevitably, the exclusionary rights associated with patents became linked to efforts to regulate competition, such as the

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<sup>131</sup> *Id.* at 40.

<sup>132</sup> *Id.* at 40–41 (emphasis added).

<sup>133</sup> American Inventors Protection Act, Pub. L. No. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536 (1999) (codified at 35 U.S.C. § 122 (2018)) required all U.S. non-provisional patent applications to be published eighteen months from their filing date, with a few exceptions, regardless of whether a U.S. patent ultimately issued.

<sup>134</sup> *See, e.g.*, Sherman Antitrust Act of 1890, 26 Stat. 209 (codified at 15 U.S.C. §§ 1–7); Clayton Antitrust Act of 1914, Pub. L. No. 63-212, 38 Stat. 730 (codified at 15 U.S.C. §§ 12–27, 29 U.S.C. §§ 52–53); Wilson-Gorman Tariff Act of 1894, ch. 349, § 73, 28 Stat. 570.

Sherman Act of 1890, ultimately touching upon fundamental concepts underlying patent rights.<sup>135</sup> An early example can be found in a decision by the Circuit Court of Appeals for the Third Circuit, namely *National Harrow Co. v. Hench*, in 1897, which stated that “[p]atents confer a *monopoly* as respects the property covered by them, but they confer no right upon the owners of several distinct patents to combine for the purpose of restraining competition and trade.”<sup>136</sup> Therefore, antitrust laws would, presumably, generally apply to manipulation of patents, at least in combination with each other.

On the other hand, in 1907, the Circuit Court of Appeals for the Seventh Circuit, in *Rubber Tire Wheel Co. v. Milwaukee Rubber Works Co.*, specifically asserted that the Sherman Antitrust Act did *not* implicate the *monopoly* of patent rights:

The Sherman law contains no reference to the patent law. Each was passed under a separate and distinct constitutional grant of power; each has passed professedly to advantage the public; the necessary implication is not that one iota was taken away from the patent law; the necessary implication is that patented articles, unless or until they are released by the owner of the patent from the dominion of his *monopoly*, are not articles of trade or commerce among the several states.<sup>137</sup>

The patentee’s choice to withhold use of the subject matter of a granted patent from the public, as viewed in *Seymour*,<sup>138</sup> can be compared with the Court’s view in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*<sup>139</sup> There, unlike the Court in *Seymour*, the Supreme Court seemed to endorse a monopolistic characterization of patents:

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<sup>135</sup> See, e.g., E.S. Meyers & S.D. Lewis, *The Patent “Franchise” and the Antitrust Laws*, 30 GEO. L.J. 117 (1941).

<sup>136</sup> *Nat’l Harrow Co. v. Hench*, 83 F. 36, 38 (3d Cir. 1897) (emphasis added).

<sup>137</sup> See *Rubber Tire Wheel Co. v. Milwaukee Rubber Works*, 154 F. 358, 362 (7th Cir. 1907) (emphasis added).

<sup>138</sup> See *supra* text accompanying note 125.

<sup>139</sup> *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405 (1908).

As to the suggestion that competitors were excluded from the use of the new patent, we answer that such exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive.<sup>140</sup>

However, like the Court in *Seymour*, the Court in *Continental Paper Bag* also appeared equivocal about the absolute nature of exclusivity, and even to qualify that characterization in that, “regarding the situation of the parties *in view of the public interest*, [whether] a court of equity might be justified in withholding relief by injunction, we do not decide.”<sup>141</sup>

Something at least like “public interest” was inferred by the Circuit Court for the District of Massachusetts just one year later, in *Blount Manufacturing Co. v. Yale & Towne Manufacturing Co.*,<sup>142</sup> which stated that “[t]he equitable status of an owner of a patent who has purchased and held it in nonuse for this purpose is still an open question, and was not determined by the Paper Bag Patent Case.”<sup>143</sup> The court, then, went on to specifically *deny* that the Sherman Act was inapplicable to patentees’ exclusionary rights:

An attempt to make profit out of letters patent by suppressing the invention covered thereby is outside the patent grant, and is so far removed from the spirit and intent of the patent law that the mere fact that an inventor may make a profit by suppressing his invention is not a sufficient reason for holding the Sherman act inapplicable to agreements affecting patented articles . . . . To prohibit contracts for the suppression or restraint of his own trade by the application of the Sherman anti-trust act is not

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<sup>140</sup> *Id.* at 429.

<sup>141</sup> *Id.* at 430 (“Whether, however, as [sic] case cannot arise where, regarding the situation of the parties *in view of the public interest*, a court of equity might be justified in withholding relief by injunction, we do not decide.”) (emphasis added).

<sup>142</sup> 166 F. 555 (C.C.D. Mass. 1909).

<sup>143</sup> *Id.* at 560.

inconsistent with his right to manufacture, use, and vend.<sup>144</sup>

The court ultimately held that the Sherman Act applied, at least as to “combinations between owners of independent patents”:

Combinations between owners of independent patents, whereby, as part of a plan to monopolize the commercial field, competition is eliminated, are within the Sherman act, for the reason that the restraint of trade or monopoly arises from combination, and not from the exercise of rights granted by letters patent. As by the terms of the contracts under consideration the owners of distinct patents each agreed to restrain its own interstate trade, I am of the opinion that the contracts are in these particulars obnoxious to the Sherman anti-trust act.<sup>145</sup>

In 1912 the Supreme Court again weighed in, in *Standard Sanitary Manufacturing Co. v. United States*, concluding that “[r]ights conferred by patents are indeed very definite and extensive, but they do not give any more than other rights a universal license against positive prohibitions. The Sherman law is a limitation of rights, rights which may be pushed to evil consequences, and therefore restrained.”<sup>146</sup> As exemplified by application of the Sherman Act, at least, the “public interest” identified by *Continental Paper Bag*<sup>147</sup> operated to limit the capacity of patent holders to cooperatively manipulate the market and thereby treat patents as *monopolies* that operate “at the expense and to the prejudice of all the community except the persons therein named as patentees” as proscribed by the Supreme Court in *Seymour*.<sup>148</sup>

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<sup>144</sup> *Id.*

<sup>145</sup> *Id.* at 562 (emphasis added).

<sup>146</sup> *Standard Sanitary Mfg. Co. v. United States*, 226 U.S. 20, 49 (1912).

<sup>147</sup> *See supra* text accompanying notes 139–141.

<sup>148</sup> *See supra* text accompanying notes 125–129.

### 3. Broadening “Public Interest” Against Patents as “Franchises” Beyond Restraint of Trade

Just ten years after *Standard Sanitary Manufacturing Co.*, the Court, in *United Shoe Machinery Corp. v. United States*,<sup>149</sup> relied on *Bloomer* to unmoor use of the term “franchise” from an exclusionary grant of rights to property otherwise publicly owned, as suggested by the Court in *Central Pacific Railroad*,<sup>150</sup> to cover a broad statutory right of exclusivity that accompanies any granted patent, thereby apparently cementing equivalence of the terms “franchise” and “monopoly.”<sup>151</sup> The Court in *United Shoe* stated:

From an early day it has been held by this court that the *franchise* secured by a patent consists only in the right to exclude others from making, using, or vending the thing patented without the permission of the patentee, *Bloomer v. McQuewan*, 14 How. 539.<sup>152</sup>

Thereafter, courts continued to characterize patents as franchises, but only sporadically so, and inconsistently relative to the meaning of “monopoly.” For example, in *Picard v. United Aircraft Corp.*,<sup>153</sup> Circuit Judge Frank, concurring with a majority opinion penned by Judge Hand, equated monopolies and franchises.<sup>154</sup> More explicitly than did the majority in *Blount*,<sup>155</sup> Judge Frank invoked “public interest” to ask rhetorically about the permissibility of nonuse:

It is surely questionable, then, whether the control of our industrial development, so far as it is exercised through patents, should be left solely to patentees; as the *public interest* is deeply involved, it would seem wise that representatives of the public should at least participate in decisions of any such matters. For

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<sup>149</sup> *United Shoe Mach. Corp. v. United States*, 258 U.S. 451, 463 (1922).

<sup>150</sup> *See supra* text accompanying note 132.

<sup>151</sup> *See supra* text accompanying notes 119–122.

<sup>152</sup> *United Shoe*, 258 U.S. at 463 (citing *Bloomer v. McQuewan*, 55 U.S. 539 (1852) (emphasis added)).

<sup>153</sup> 128 F.2d 632, 645 (2d Cir. 1942) (Frank, J., concurring).

<sup>154</sup> *Id.* at 645.

<sup>155</sup> *See supra* text accompanying notes 143–145.

patents are governmentally created *monopolies*. The Supreme Court has called them ‘*public franchises*,’ granted by the government, acting on behalf of the public.<sup>156</sup>

However, Circuit Judge Frank questioned any comparison of patents, as franchises, to public utilities, over which the government has control:

It is, accordingly, appropriate to ask whether the holder of such a public franchise should be permitted, without any governmental control whatever, to decide that no public use should be made of the franchise during its life or only such public use as the franchise-holder, in its utterly unregulated discretion, deems wise, and at such prices as it sees fit to exact. We accord no such powers to the holder of a public franchise to run a bus line or to sell electric power.<sup>157</sup>

He appears to answer this question in the affirmative, using the example of compulsory licensing to suggest that government interference would likely slow investment in new technology:

Accordingly, the suggestion—recently endorsed in an editorial in so conservative a newspaper as the *New York Times*—that all patentees be required to grant licenses to others on reasonable terms might, unless qualified, seriously retard industrial progress: A provision for universal compulsory licenses may do no harm—perhaps it will do much good—to inventors, but may tend to frighten off extensive investment in new patents which will induce competition with the giant industrials.<sup>158</sup>

Much later, in 1991, the Court of Appeals for the Seventh Circuit, in *Borre v. United States*,<sup>159</sup> invoked *California v. Central*

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<sup>156</sup> *Picard*, 128 F. 2d at 645 (Frank, J., concurring) (citing *Seymour v. Osborne*, 78 U.S. 516, 533 (1870) (emphasis added)).

<sup>157</sup> *Id.*

<sup>158</sup> *Id.* at 643.

<sup>159</sup> 940 F.2d 215 (7th Cir. 1991).



*Pacific Railroad Co.*<sup>160</sup> to distinguish franchises as rights “previously held exclusively by sovereign,” such as a “[cable television] franchise,” which constitutes “a delegation of a governmental function to private entities to be performed in the furtherance of the public welfare . . . .”<sup>161</sup> However, in 1998 the Supreme Court in *Pfaff v. Wells Electronics, Inc.*<sup>162</sup> returned to a broader definition that embraced patents, blending and confusing use of the terms “franchise” and “monopoly.” The Court stated that, “the patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive *monopoly* for a limited period of time.”<sup>163</sup> But, then, immediately after having stated that patents were “monopolies,” the Court in *Pfaff* quoted *Seymour v. Osborne* to the opposite effect: “Letters patent are not to be regarded as monopolies . . . but as public franchises granted to the inventors of new and useful improvements . . . .”<sup>164</sup>

In 2000, the Court of Appeals for the Federal Circuit, in *Semiconductor Energy Laboratory Co. v. Samsung Electronics Co.*,<sup>165</sup> also in reliance on *California v. Central Pacific Railroad Co.*,<sup>166</sup> referred to a franchise as a “transfer of extant rights previously held exclusively by the sovereign.”<sup>167</sup> The Court referenced *Borre*<sup>168</sup> to cite examples such as “cable television and public utilities.”<sup>169</sup> Expanding on these precedents, the court asserted that a patent, instead, is a right “to exclude a party from practicing a particular

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<sup>160</sup> *Id.* at 220 (“[F]ranchise involves transfer of rights previously held by the sovereign.”) (citing *California v. Cent. Pac. R.R. Co.*, 127 U.S. 1, 40 (1888)).

<sup>161</sup> *Id.* (citing 1 D. FERRIS, F. LLOYD & T. CASEY, CABLE TELEVISION LAW § 13.13, at § 13-68.11 (1990)).

<sup>162</sup> 525 U.S. 55 (1998).

<sup>163</sup> *Id.* at 63 (emphasis added).

<sup>164</sup> *Id.* (quoting *Seymour v. Osborne*, 78 U.S. 516, 533 (1870)).

<sup>165</sup> 204 F.3d 1368 (Fed. Cir. 2000); see also *supra* text accompanying note 66.

<sup>166</sup> See *supra* text accompanying notes 130–132.

<sup>167</sup> *Semiconductor*, 204 F.3d at 1380 (citing *California v. Cent. Pac. R.R. Co.*, 127 U.S. 1, 40 (1888)).

<sup>168</sup> See *supra* text accompanying notes 159–161.

<sup>169</sup> *Semiconductor*, 204 F.3d at 1380 (citing *Borre v. United States*, 940 F.2d 215, 220 (7th Cir. 1991)).

invention [that] is never held by the sovereign, but only by the patentee after issuance.”<sup>170</sup>

Therefore, while patents have been referred to as “franchises” in the past, use of this term has never been consistent. More generally, the meaning of “franchise,” other than as a right to control certain commercial activities previously held by the government, is so broad as to render this term essentially useless as judicial precedent for any purpose. This is especially so when applied to the scope and character of granted patent rights, at least as they are to be understood in the context of separation of powers under Articles I, II, and III of the Constitution.

#### *D. Patent Validity and Separation of Powers Under Article III*

The nature of “public rights,” as admitted by Justice Thomas, has never been “definitively explained.”<sup>171</sup> Unlike “franchise,” the meaning of which remained diffuse, use of the term “public rights” became increasingly fractious during the twentieth century. Part II.D.1 will look at the applicability of precedent relied upon by Justice Thomas to characterize patent rights, and Part II.D.2 will analyze that precedent in the context of public and private interests, and the consequent implications for constitutional separation of powers.

##### 1. Patents as “Public Rights”

The argument in *Oil States* that patents are “public rights” relied on the late-nineteenth century decision of *United States v. Duell*.<sup>172</sup> Justice Thomas stated that “[t]his Court has long recognized that the grant of a patent is ‘a matte[r] involving public rights,’”<sup>173</sup> and summarized the granting of a patent as having “the key features to fall within this Court’s longstanding formulation of the public-rights doctrine.”<sup>174</sup>

The Court in *Duell* held that Congress had the “power to authorize the Court of Appeals to review the action of the

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<sup>170</sup> *Id.*

<sup>171</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *N. Pipeline Constr. v. Marathon Pipe Line Co.*, 458 U.S. 50, 69 (1982)).

<sup>172</sup> 172 U.S. 576 (1899).

<sup>173</sup> *Oil States*, 138 S. Ct. at 1373 (quoting *Duell*, 172 U.S. at 582–83 (1899)).

<sup>174</sup> *Id.*

Commissioner [of the Patent Office] in an interference case . . . ”<sup>175</sup>  
The “public rights” at issue were those of the government in the course of granting a patent and, more specifically, the authority of the judiciary to compel the commissioner of the Patent Office *to grant a patent to an applicant* following an adverse decision in an interference proceeding conducted before the Patent Office.<sup>176</sup>

Interfering claims, according to the statute in effect at the time of *Duell* (and for patent applications filed before enactment of the AIA), were treated differently depending upon whether the interference involved a patent application or only the claims of granted patents. Contests between interfering patents would be heard by courts in equity, whereas only applications that had *first been refused* in an adverse decision by a board of examiners would be entitled to such treatment under the Act.<sup>177</sup> This suggests that legislation addressing the validity of the claims of an issued patent was distinct from that addressing claims of a patent *application* for which a patent had not yet been granted. “Public rights,” therefore, under *Duell*, and contrary to Justice Thomas’ understanding of *Duell*, were limited to rights associated with *patent applications* that were not implicated in *granted patents*.<sup>178</sup>

## 2. “Public Interest” and Separation of Powers Under the Constitution

The decision in *Duell* turned on the innate nature of the judiciary to rule on executive actions affecting *private interests*. More specifically, the issue was whether courts had the power to compel compliance by a commissioner of the Patent Office who was

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<sup>175</sup> *Duell*, 172 U.S. at 582.

<sup>176</sup> *Id.* at 586–87.

<sup>177</sup> The Court in *Duell* was acting under Sections 4915 and 4918 of the Revised Statutes, which continued Section 16 of the Act of 1836, wherein, as stated by the Court, “a remedy by bill in equity . . . was given as between interfering patents, or whenever an application had been refused on an adverse decision of a board of examiners.” *Id.* at 584. As stated in 35 U.S.C. § 135(a), which was repealed by the AIA: “Whenever an *application* is made for a patent which, in the opinion of the Director, would interfere with any pending applications, or with any unexamined patent, an interference may be declared . . .” (emphasis added).

<sup>178</sup> See also *supra* text accompanying note 96 for statutory revisions under the Patent Act of 1952.

refusing to grant a patent in defiance of the lower court. As stated by the Court:

Now in deciding whether a patent shall issue or not, the commissioner acts on evidence, finds the facts, applies the law, and decides questions affecting not only *public* but *private interests*; and so as to reissue or extension, or on interference between contesting claimants; and *in all this he exercises judicial functions*.<sup>179</sup>

It was, therefore, the private interest in granted patents that dictated the character of actions taken by the commissioner as judicial, and “judicial functions” by the commissioner were necessarily appealable to the judiciary. The Court in *Duell* stated:

By the act of February 9, 1893, the determination of appeals from the commissioner of patents, which was formerly vested in the general term of the supreme court of the District, was vested in the court of appeals; and, in addition, it was provided that ‘any party aggrieved by a decision of the commissioner of patents in any interference case may appeal therefrom to said court of appeals.’<sup>180</sup>

The Court relied on *Butterworth v. United States*,<sup>181</sup> an earlier case, which recognized that “in every *grant* of the limited monopoly [of a patent] two interests are involved: that of the public, who are the grantors, and that of the patentee.”<sup>182</sup> Nevertheless, the Court repeatedly stressed the “judicial character” of patent rights, requiring compliance with a decision by the courts over a contrary decision by an executive officer:

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<sup>179</sup> *Duell*, 172 U.S. at 586 (emphasis added).

<sup>180</sup> *Id.* at 585.

<sup>181</sup> 112 U.S. 50 (1884).

<sup>182</sup> *Duell*, 172 U.S. at 586 (quoting *Butterworth*, 112 U.S. at 59 (emphasis added)). Justice Thomas quoted this language as follows: “As this Court has long recognized, the grant of a patent is a matter between ‘the public, who are the grantors, and . . . the patentee.’” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *Duell*, 172 U.S. at 586).

This court held [in *Butterworth*] that while the commissioner of patents was an executive officer, and subject in administrative or executive matters to the supervision of the head of the department, yet his action in deciding patent cases was essentially *judicial in its nature* and not subject to review by the executive head, an appeal to the courts having been provided for.<sup>183</sup>

The underlying rationale for affirming the lower court mandate that the commissioner grant the patent was of “vital importance” in the constitutional separation of powers:

We agree that it is of vital importance that the line of demarkation [sic] between the three great departments of government should be observed, and that each should be limited to the exercise of its appropriate powers, but in the matter of this appeal we find no such encroachment of one department on the domain of another as to justify us in holding the act in question unconstitutional.<sup>184</sup>

Vesting determination of appeals from the commissioner of patents in the court of appeals, rather than the head of the executive department to which the commissioner of patents reported, was not unconstitutional. To the contrary, given the *judicial nature* of the commissioner’s actions, to hold otherwise would, in fact, blur the “line of demarkation [sic] between the three great departments of government” that is of such “vital importance.”<sup>185</sup> The Court in *Duell*, therefore, did not entitle Justice Thomas in *Oil States* to the proposition that “the grant of a patent ‘is a matte[r] involving public rights’”<sup>186</sup> if that proposition is to extend to jurisdiction by the Patent Office over *granted* patents by virtue of any presumed extant public rights following grant.

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<sup>183</sup> *Duell*, 172 U.S. at 587 (emphasis added).

<sup>184</sup> *Id.* at 589.

<sup>185</sup> *Id.*

<sup>186</sup> *Oil States*, 138 S. Ct. at 1373.

III. *OIL STATES* AND THE SEVENTH AMENDMENT

Oil States Energy Services, LLC argued in its brief to the Supreme Court that, based on the Constitution’s adoption of English common law “‘preserv[ing] the right to jury trial as it existed [in suits at common law in England] in 1791’” and historical precedent, determinations of fact are to be tried before a jury “in actions customarily tried to juries in the late 18th century.”<sup>187</sup> However, the Court took a different view, concluding 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.’”<sup>188</sup> Of course, this view begs the question of whether a jury would be required as a factfinder if assignment of a matter to a non-Article III tribunal by Congress was improper, as this Article proposes.

Despite the ambiguous history of a right to jury trial, it is clear that while determinations of patent validity were considered pursuant to a writ of *scire facias* in the Kings Privy Council, by 1789 such actions were being heard in the Court of Chancery, which had no provision for a jury.<sup>189</sup> However, it would be error to conclude that, therefore, patent validity, as a matter of *scire facias*, was an issue of equity rather than common law, and not subject to jury trial. Instead, as indicated by Lemley, for example, “[s]*cire facias* actions seem to have been part of the chancery court’s subsidiary common-law jurisdiction.”<sup>190</sup> Further, Chancery Court “might seek the advice of a jury in assessing the facts underlying a *scire facias* petition” by having the “Lord Chancellor deliver the record to the King’s Bench for a jury trial and return the verdict to the Chancellor

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<sup>187</sup> Brief for Petitioner at 78, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (No. 16–712), 2017 U.S. S. Ct. Briefs LEXIS 3047, at \*78 (quoting *Curtis v. Loether*, 415 U.S. 189, 193 (1974)). The petitioner, Oil States, concluded that: “No less than wrongfully usurping the role guaranteed to federal courts by Article III, inter partes review also usurps the role guaranteed to juries under the Seventh Amendment.” *Id.* at 77.

<sup>188</sup> *Oil States*, 138 S. Ct. at 1379 (quoting *Granfinanciera, SA. v. Nordberg*, 492 U.S. 33, 53–54 (1989) (emphasis added)).

<sup>189</sup> See Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 VA. L. REV. 1673, 1684 (2013).

<sup>190</sup> *Id.* at n.44 (citations omitted).

for consideration and judgment.”<sup>191</sup> Consequently, even though the Supreme Court has now held that issued patents are “public rights,” there is substantial support for also holding that there was a common law tradition by 1789 in England of judging patent validity by jury trial to be continued under the Seventh Amendment, at least as to issues of fact.

#### IV. THE ROOTS AND DEVELOPMENT OF AMERICA’S ARTICLE III JURISPRUDENCE

American origins of the distinction between “private” and “public” rights must be identified before more recent jurisprudence that muddies those concepts can be understood, particularly if those concepts are to be applied to modern administrative proceedings, such as post-grant examination of granted patents before the Patent Office. Part IV.A introduces the origins of the “private” and “public” rights in the United States, while Part IV.B walks through more recent Supreme Court decisions broadening the scope of jurisdiction of private rights to areas that are “seemingly private.”

##### *A. American Roots of “Private” vs. “Public” Rights*

Article III of the Constitution states that “the judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish,” and that “[t]he judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the laws of the United States . . . ; [and] to Controversies to which the United States shall be a Party . . . .”<sup>192</sup> Further, well-established jurisprudence dictates that the government cannot be sued without its consent:

The constitution itself declares that the judicial power shall extend to all cases to which the United States shall be a party; and that this means mainly where it is a party plaintiff [it] is a necessary result

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<sup>191</sup> *Id.* at 1685.

<sup>192</sup> U.S. CONST. art. III, §§ 1–2.

of the well-established proposition that it cannot be sued in any court without its consent.<sup>193</sup>

The Constitution also provides that the government can set up tribunals for adjudication of rights outside Article III. The tribunals are a form of court under Article I of the Constitution, which states at Section 8, “The Congress shall have Power . . . [9] to constitute Tribunals inferior to the supreme Court; . . . .”<sup>194</sup> Such tribunals are deemed “extra-judicial,” and the reach of such tribunals can hinge on the rights at issue as “public rights,” as opposed to “private rights,” as first articulated by the Supreme Court in *Murray’s Lessee v. Hoboken Land & Improvement Co.*:

Though, generally, both public and private wrongs are redressed through judicial action, there are more summary extra-judicial remedies for both. An instance of extra-judicial redress of a private wrong is the recapture of goods by their lawful owner; of a public wrong, by a private person, is the abatement of a public nuisance . . . .

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To avoid misconstruction upon so grave a subject, we think it proper to state that we do not consider congress can either 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; nor, on the other hand, can it bring under the judicial power a matter which, from its nature, is not a subject for judicial determination. At the same time there are matters, involving *public rights*, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance

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<sup>193</sup> *United States v. San Jacinto Tin Co.*, 125 U.S. 273, 279 (1888); *see also* *McElrath v. United States*, 102 U.S. 426, 440 (1880) (“The government cannot be sued, except with its own consent.”).

<sup>194</sup> U.S. CONST. art. I, § 8, cl. 9.



of the courts of the United States, as it may deem proper.<sup>195</sup>

The Supreme Court in *Crowell v. Benson* relied on the distinction between “public” and “private rights” in *Murray’s Lessee* to parse the proper roles of respective “legislative” and “constitutional” courts, at least “as to determinations of fact”:

As to determinations of fact, the distinction is at once apparent between cases of *private right* and those between the government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments [i.e., “*public rights*”].

The Court referred to this distinction in *Murray’s Lessee v. Hoboken Land & Improvement Company* . . . . Thus the Congress, in enacting the powers confided to it, may establish “legislative” courts (as distinguished from “constitutional courts in which the judicial power conferred by the Constitution can be deposited”) . . . to serve as special tribunals “to examine and determine various matters, arising between the government and others, which from their nature do not require judicial determination yet are susceptible of it.”<sup>196</sup>

The Court in *Ex parte Bakelite* clearly stated the limits of authority for each of “constitutional courts” and “legislative courts”:

But there is a difference between the two classes of courts. Those established under the specific power given in section 2 of [A]rticle 3 are called *constitutional courts*. They share in the exercise of the judicial power defined in that section, [which] can be invested in no other jurisdiction . . . . On the other hand, those created by Congress in the exertion of

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<sup>195</sup> Den ex dem. *Murray v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 283–84 (1855) (emphasis added).

<sup>196</sup> *Crowell v. Benson*, 285 U.S. 22, 50–51 (1932) (quoting *Am. Ins. Co. v. Canter*, 26 U.S. 511 (1828); *Ex parte Bakelite*, 279 U.S. 438, 451 (1929) (emphasis added)).

other powers are called *legislative courts*. Their functions always are directed to the execution of one or more of such powers, and are prescribed by Congress independently of section 2 of [A]rticle 3 . . . .<sup>197</sup>

“Legislative courts” could also function in an “adjunct” capacity under Article III courts, as stated by the Supreme Court in *Atlas Roofing Co. v. Occupational Safety & Health Review Commission*:

In cases which do involve only “private rights,” this Court has accepted fact-finding by an administrative agency, without intervention by a jury, *only as an adjunct to an Art. III court*, analogizing the agency to a jury or a special master and permitting it in admiralty cases to perform the function of the special master.<sup>198</sup>

In a plurality decision, and with reference to *Crowell*, the Supreme Court in *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.* stated that “this Court has sustained the use of adjunct factfinders even in the adjudication of constitutional rights,” but that the “functions of the adjunct must be limited in such a way that ‘the essential attributes’ of judicial power are retained in the Art. III court.”<sup>199</sup> Among the “essential attributes” of judicial power that cannot be conferred upon an “adjunct” Article I court, according to the Court in *Northern Pipeline*, was issuance of “final judgments, which are binding and enforceable even in the absence of appeal.”<sup>200</sup> Rather, any decision by an “adjunct court” could be offered only in an advisory capacity, and was subject to *de novo* review.<sup>201</sup>

Overall, the Supreme Court in *Northern Pipeline* identified three forums where “Art. III does not bar the creation of legislative courts” under Article I. They are: “territorial courts,” which are

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<sup>197</sup> *Ex parte Bakelite*, 279 U.S. at 449 (emphasis added).

<sup>198</sup> *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 450 n.7 (1977) (emphasis added).

<sup>199</sup> *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 78–81 (1982) (citing *Crowell*, 285 U.S. at 51, 54).

<sup>200</sup> *Id.* at 85–86.

<sup>201</sup> *See, e.g., Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 853 (1986) (“The legal rulings of the CFTC [Commodity Futures Trading Commission], like the legal determinations of the agency in *Crowell*, are subject to *de novo* review.”).

“created in virtue of the general right of sovereignty which exists in the government”; “courts-martial”; and “public rights.”<sup>202</sup> While acknowledging that “the distinction between public rights and private rights has not been definitively explained by our precedents,” the Court in *Northern Pipeline* found that “it suffices to observe that a matter of public rights must at a minimum arise ‘between the government and others.’”<sup>203</sup>

*B. Expanding the Authority of Article I Courts to Adjudicate “Seemingly” Private Rights*

The Supreme Court broadened the permissible scope of legislative courts in *Thomas v. Union Carbide Agricultural Products Co.*<sup>204</sup> There, the Court could not agree to the appellee’s assertion that the Courts in *Northern Pipeline* and *Crowell* established that “the right to an Article III forum is absolute unless the Federal Government is a party of record.”<sup>205</sup> Rather, Justice O’Connor, for the majority, held that “Congress, acting for a valid legislative purpose pursuant to its constitutional powers under Article I, may create a *seemingly* ‘private’ right that is 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.”<sup>206</sup>

A year later, in *Commodity Futures Trading Commission v. Schor*, the majority opinion, also written by Justice O’Connor, stated that, moreover, consent by the government or any other party was not dispositive of the boundaries between government branches:

To the extent that this structural principle [of checks and balances among federal branches of the government] is implicated in a given case, the parties cannot by consent cure the constitutional difficulty for the

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<sup>202</sup> *Northern Pipeline*, 458 U.S. at 64–67, 70 (quoting *Am. Ins. Co. v. Canter*, 26 U.S. 511, 546 (1828)).

<sup>203</sup> *Id.* at 69 (quoting *Ex parte Bakelite*, 279 U.S. 438, 451 (1929)).

<sup>204</sup> *See* *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568 (1985).

<sup>205</sup> *Id.* at 586 (“Insofar as appellees interpret that case [*Northern Pipeline*] and *Crowell* as establishing that the right to an Article III forum is absolute unless the Federal Government is a party of record, we cannot agree.”).

<sup>206</sup> *Id.* at 593–94 (emphasis added).

same reason that the parties by consent cannot confer on federal courts subject-matter jurisdiction beyond the limitations imposed by Article III, § 2. When these Article III limitations are at issue, notions of consent and waiver cannot be dispositive because the limitations serve institutional interests that the parties cannot be expected to protect.<sup>207</sup>

Instead, Justice O'Connor laid out four factors to be considered in deciding constitutionally permissible limitations on Article III jurisprudence:

[1] [T]he extent to which the “essential attributes of judicial power” are reserved to Article III courts, and, conversely, [2] the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts, [3] the origins and importance of the right to be adjudicated, and [4] *the concerns that drove Congress to depart from the requirements of Article III.*<sup>208</sup>

None of the factors were “deemed determinative, [but, rather, were viewed] with an eye to the practical effect that the congressional action will have on the constitutionally assigned role of the federal judiciary.”<sup>209</sup>

Combination of these factors with denial that the government must be a party of record in any Article I proceeding has led to controversy. For example, in the Supreme Court case of *Granfinanciera S.A. v. Nordberg*, Justice Brennan for the majority relied on *Thomas* to conclude that “the Federal Government need not be a party for a case to revolve around ‘public rights.’”<sup>210</sup> Justice Scalia, concurring in part and concurring in judgment, however, was emphatic that “[t]he notion that the power to adjudicate a legal controversy

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<sup>207</sup> *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 850–51 (1986).

<sup>208</sup> *Id.* at 851 (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 81 (1982) (emphasis added)).

<sup>209</sup> *Id.*

<sup>210</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989) (quoting *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 586 (1985)).

between two private parties may be assigned to a non-Article III, yet federal, tribunal is entirely inconsistent with the origins of public rights doctrine.”<sup>211</sup> According to Justice Scalia, the Court in *Thomas* improperly broadened the “public rights doctrine” announced in *Murray’s Lessee* beyond “rights of the public—that is, rights pertaining to claims brought by or against the United States.”<sup>212</sup> For Justice Scalia, “[w]aiver of sovereign immunity can only be implicated, of course, in suits where the Government is a party.”<sup>213</sup> “Public rights,” as a waiver of the general rule of government immunity, was replaced by the Court in *Thomas*, in Justice Scalia’s view, “by sheer force of our office,”<sup>214</sup> with “‘simply a pragmatic understanding that when Congress selects a quasi-judicial method of resolving matters that ‘could be conclusively determined by the Executive and Legislative Branches,’ the danger of encroaching on the judicial powers is reduced.’”<sup>215</sup> As a result, according to Justice Scalia, the Court in *Thomas* held “for the first time, that a purely *private* federally created action did not require Article III courts.”<sup>216</sup> This was, for Justice Scalia, “too much.”<sup>217</sup> Justice Scalia stated:

I do not think one can preserve a system of separation of powers on the basis of such intuitive judgments regarding “practical effects,” . . . . This central feature [of separation of powers] of the Constitution must be anchored in rules, not set adrift in some multifactored “balancing test”—and especially not in a test that contains as its last and most revealing

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<sup>211</sup> *Id.* at 66 (Scalia, J., concurring in part and concurring in judgment).

<sup>212</sup> *Id.* at 68.

<sup>213</sup> *Id.*

<sup>214</sup> *Id.* at 69.

<sup>215</sup> *Id.* (quoting *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. at 589) (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 68 (1982)).

<sup>216</sup> *Granfinanciera*, 492 U.S. at 69 (emphasis added).

<sup>217</sup> *Id.* at 69–70 (explaining that in *Thomas*, “[p]ragmatic understanding’ was all that counted,” but stating that “in a case-by-case evaluation of whether the danger of ‘encroaching’ on the ‘judicial powers’ (a phrase now drained of constant content) [this] is too much.”).

factor “*the concerns that drove Congress to depart from the requirements of Article III.*”<sup>218</sup>

Nevertheless, since that time the number of “factors” have accumulated, further aggravating the difficulty of administering Justice O’Connor’s “balancing test.”<sup>219</sup> For example, the Court in *Stern v. Marshall* relied on a variety of factors to conclude that the plaintiff’s “claimed right to relief does not flow from a federal statutory scheme, as in *Thomas* or *Atlas Roofing*.”<sup>220</sup> The Court held that the Bankruptcy Court, under the Bankruptcy Court Act of 1984, “lacked the constitutional authority to enter a final judgment on a state law counterclaim that is not resolved in the process of ruling on a creditor’s proof of claim.”<sup>221</sup> The Court cautioned, however, that “[g]iven the extent to which this case is so markedly distinct from the agency cases discussing the *public rights exception* in the context of such a regime, . . . we do not in this opinion express any view on how the doctrine might apply in that different context.”<sup>222</sup> In his concurrence, Justice Scalia counted “at least seven different reasons given in the Court’s opinion for concluding that an Article III judge was required to adjudicate this lawsuit . . . .”<sup>223</sup> Justice Scalia stated that “[t]he multifactors relied upon today seem to have entered our jurisprudence almost randomly,” and concluded that, “in my view an Article III judge is required in *all* federal adjudications, unless there is a firmly established historical practice to the contrary.”<sup>224</sup>

On the basis of this jurisprudence, and the confusing effect of having to consider multiple factors in a “balancing test” to assess the necessity of the government being a party to a contest over “public rights,” the better view may be to assume that, if the government is not a party to a lawsuit, then the right at issue is inherently private and that, therefore, adjudication, but for findings of fact by an

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<sup>218</sup> *Id.* at 70 (quoting *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 851 (1986) (emphasis added)).

<sup>219</sup> *Id.* (referring to Justice O’Connor’s four factors cited in *Schor*).

<sup>220</sup> *Stern v. Marshall*, 564 U.S. 462, 493 (2011).

<sup>221</sup> *Id.* at 503.

<sup>222</sup> *Id.* at 494 (emphasis added).

<sup>223</sup> *Id.* at 504 (Scalia, J., concurring).

<sup>224</sup> *Id.* at 504–05.

adjunct court, should be limited to “constitutional” courts established under Article III.

One example is post-grant examination of patents, such as by IPR. As discussed in Section III above, there is ample basis for concluding that, but for the conclusion in *Oil States* that patents are “public rights,” determinations of fact respecting patent validity might be subject to Seventh Amendment protection. Arguably, IPRs, and other forms of post-grant patent examination instituted by third parties, are not “public rights” because they are disputes between private parties, namely, between the patent owner and a private third party who is *not* the government. Then, consistent with the practice of Chancery Court at the time the U.S. Constitution was adopted, a trial court could “seek the advice of a jury in assessing the facts” underlying a question of patent validity. Even so, as asserted in *Atlas Roofing*, an administrative agency, such as the Patent Office, can be employed for “fact finding . . . , without intervention by a jury, [but] only as an adjunct to an Art. III court.”<sup>225</sup>

An Article I tribunal, such as the PTAB of the Patent Office, under this view, should only be able to operate as an adjunct to a district court, and then only in an advisory capacity as to issues of fact.

#### V. ARTICLE III JURISPRUDENCE AS APPLIED TO PATENTS OF INVENTION

Just as the distinction between private and public rights has evolved with the growth and development of American administrative law, so too have popular notions of the reach of administrative bodies over those rights, along with the introduction of new tools, such as reexamination proceedings in 1980 and now IPRs, PGRs, and CBMs with enactment of the AIA. Article I jurisdiction over “seemingly private rights,” combined with the unresolved nature of patent rights, has pitted ideas about public and private interests in patents against each other. Part V.A reviews historical limits on the government’s ability to invalidate issued patents. Part V.B attempts

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<sup>225</sup> *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 450 n.7 (1977); *see also supra* text accompanying note 198.

to identify the competing interests in patents that have led to confusion over the legitimate roles of “legislative” and “constitutional” courts, and Part V.C proposes a solution to the dilemma posed by perceived conflicting goals of patent protection.

*A. Historical Limits on the Government’s Ability to Invalidate Issued Patents*

As suggested by Justice Gorsuch in *Oil States*,<sup>226</sup> Justice Thomas’ dismissal of the bulk of nineteenth century jurisprudence regarding patents as private rights was fatal to his argument that IPRs do not violate due process of law under the Constitution.<sup>227</sup> To reiterate, and expand on the above summary of Justice Gorsuch’s dissenting opinion, there is, in fact, well-established historical precedent that clearly precludes the government from being a party to a determination of patent validity. As discussed above,<sup>228</sup> in *McCormick Harvesting Machinery Co. v. Aultman*, decided in 1898, the Supreme Court stated that, upon issuance, a patent has “become the property of the patentee,” and, therefore, an attempt to cancel an issued patent by an examiner “would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.”<sup>229</sup> While the court in *McCormick* upheld statutory provisions for reissue proceedings,<sup>230</sup> it was because such proceedings required that the patentee voluntarily surrender the patent. As stated by the Court:

If the patentee abandoned his application for reissue, he is entitled to a return of his original patent precisely as it stood when such application was made, and the patent office has no greater authority

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<sup>226</sup> See *supra* note 85 and accompanying text.

<sup>227</sup> See *supra* note 89 and accompanying text.

<sup>228</sup> See *supra* note 85 and accompanying text.

<sup>229</sup> *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609, 612 (1898).

<sup>230</sup> “Reissue” is a proceeding before the Patent Office that was originally established under the Patent Act of 1832, and is intended to correct patents that are considered wholly or partly invalid. In the Patent Act of 1870, reissue required surrender of the original patent to take effect. 4A DONALD S. CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 15.02[5] (2019).



to mutilate it by rejecting any of its claims than it has to cancel the entire patent.<sup>231</sup>

A year later, in 1899, the Court in *United States v. Duell*,<sup>232</sup> as discussed above, held that determination of validity of claimed subject matter *prior to* grant of an issued patent was a matter of “public rights,” thereby entitling the legislative branch to remove, at its discretion, what would otherwise be subject to Article III review.<sup>233</sup> This is consistent with *McCormick* and decisions by the Supreme Court that limited such public rights to patent *applications*. Moreover, treatment of letters patents generally—namely land patents and patents for invention—in the United States did not necessarily follow from practice in England. For example, the Court in *United States v. American Bell*<sup>234</sup> expressly dismissed reliance on *scire facias*<sup>235</sup> proceedings, whereby letters patent could be invalidated at the prerogative of the King<sup>236</sup>:

We have no king in this country; we have here no prerogative of the crown; and letters patent, whether for inventions or for grants of land, issue not from the president but from the United States. The president has no prerogative in the matter . . . . The patent, then, . . . is not subject to be repealed or revoked by the president, the secretary of the interior, or the commissioner of patents, when once issued.<sup>237</sup>

The reason for distinguishing between pre- and post-grant was stated broadly as a “rule” in *Michigan Lumber v. Rust*<sup>238</sup>: “[W]her-ever the granting act specifically provides for the issue of a patent, then the rule is that the legal title remains in the government until

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<sup>231</sup> *McCormick*, 169 U.S. at 610.

<sup>232</sup> See *United States v. Duell*, 172 U.S. 576 (1899).

<sup>233</sup> *Id.* at 583; see also *supra* notes 172–178 and accompanying text.

<sup>234</sup> *United States v. Am. Bell Tel. Co.*, 128 U.S. 315 (1888).

<sup>235</sup> Latin for “make known.” See *Scire Facias*, DICTIONARY, <https://www.dictionary.com/browse/scire-facias> [<https://perma.cc/WKM9-ZVXK>].

<sup>236</sup> See HELEN GUBBY, DEVELOPING A LEGAL PARADIGM FOR PATENTS 20 (2012) (“If a patent were to be declared void officially, it had to be annulled by the crown on a writ of *scire facias*.”).

<sup>237</sup> *American Bell*, 128 U.S. at 362–63.

<sup>238</sup> 168 U.S. 589 (1897).

the issue of the patent.”<sup>239</sup> The policy behind the rule, at least with respect to land patents, was made clear twenty years earlier, in *Moore v. Robbins*<sup>240</sup>:

‘A patent,’ says the court in *United States v. Stone*, ‘is the highest evidence of title, and is conclusive against the government and all claiming under junior patents or titles, until it is set aside or annulled by some judicial tribunal. In England, this was originally done by *scire facias*; but a bill in chancery is found a more convenient remedy.’

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But in all this [in the United States] there is no place for the further control of the Executive Department over the title . . . . He [the President] is absolutely without authority. If this were not so, the titles derived from the United States, instead of being the safe and assured evidence of ownership which they are generally supposed to be, would be always subject to the fluctuating, and in many cases unreliable, action of the land-office.

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The existence of any such power in the Land Department is utterly inconsistent with the universal principle on which the right of private property is founded.<sup>241</sup>

Arguably, the same reasoning can be applied to patents of invention and the Patent Office, particularly in view of the parallel often drawn between land patents and patents of invention, as expressed by the Supreme Court in *American Bell*:

The power, therefore, to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source; and, although exercised by different bureaus or officers

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<sup>239</sup> *Id.* at 593 (citation omitted).

<sup>240</sup> 96 U.S. 530 (1877).

<sup>241</sup> *Id.* at 533–34 (emphasis added) (quoting *U.S. v. Stone*, 69 U.S. 525, 535 (1864)).

under the government, are of the same nature, character, and validity, and imply in each case the exercise of the power of the government according to modes regulated by acts of congress.<sup>242</sup>

Indeed, the Supreme Court has only acknowledged a limited scope for the Patent Office to exercise authority over title after a patent has been granted. Exceptions to the Executive Department's general lack of power over patents exist where there is "fraud in the patentee," as discussed above,<sup>243</sup> or where patents are "issued unadvisedly or by mistake, or where the officer has no authority in law to grant them, or where another party has a higher equity, and should have received the patent."<sup>244</sup> In such cases, "the right of the United States to interfere . . . is its obligation to protect the public from the monopoly of the patent which was procured" by those means.<sup>245</sup> Even so, and as also discussed above,<sup>246</sup> the Supreme Court in *American Bell* affirmed only "the power of the government of the United States to get rid of a patent [that was] obtained from it by fraud and deceit," despite an act by the legislature to give "private individuals a more limited form of relief, by way of defense to an action by the patentee."<sup>247</sup>

#### *B. Private Rights vs. Protection of the Public*

A dilemma, therefore, appears in the nature of private property that would ban the government from unilaterally withdrawing a grant of patent without being a party to any challenge to its validity, but would nevertheless seem to involve an interest by the government in protecting the public from patents improperly granted. Resolution can be found in the nature of proceedings authorized by Congress to address issues of fraud by the patentee, mistake by the Patent Office, and "higher equity" among inventors. In other words, while a limited exclusionary right to inventions is granted by the Constitution, Congress has defined the manner in which patents are

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<sup>242</sup> *American Bell*, 128 U.S. at 358–59.

<sup>243</sup> See *supra* note 68 and accompanying text.

<sup>244</sup> *American Bell*, 128 U.S. at 365.

<sup>245</sup> *Id.* at 367.

<sup>246</sup> See *supra* note 83 and accompanying text.

<sup>247</sup> *American Bell*, 128 U.S. at 373.

to be granted. On one hand, if a granted patent is private property, it is protected by the Judiciary under Article III of the Constitution. On the other hand, the legislative and executive branches are charged with protecting the public's legitimate interest against mistakes made by the granting authority, which is the Patent Office.

Referring back to *Northern Pipeline*,<sup>248</sup> bankruptcy courts under the Bankruptcy Act of 1978 were declared unconstitutional by the Supreme Court because, even though designated "adjunct" courts, they issued "final judgments, which are binding and enforceable even in the absence of an appeal."<sup>249</sup> Accordingly, they could exercise "jurisdiction behind the façade of a grant to the district courts, and are exercising powers far greater than those lodged in the adjuncts approved in . . . either *Crowell*" or another Supreme Court Case, *United States v. Raddatz*.<sup>250</sup> The Court in *Northern Pipeline* viewed *Crowell* and *Raddatz* as recognizing the "delicate accommodations required by the principle of separation of powers reflected in Art. III"<sup>251</sup> that limited the powers of an adjunct court, at least in bankruptcy proceedings, by:

- (1) making "only specialized, narrowly confined factual determinations regarding a particularized area of law";
- (2) engaging in "statutorily channeled fact-finding functions";
- (3) possession of "only a limited power to issue . . . orders pursuant to specialized procedures";
- (4) susceptibility to having such orders "set aside if 'not supported by the evidence,'" instead of "the more deferential 'clearly erroneous' standard"; and
- (5) enforcement enabled only by order of a district court.<sup>252</sup>

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<sup>248</sup> See *supra* notes 199–203 and accompanying text.

<sup>249</sup> *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 85–86 (1982).

<sup>250</sup> *Id.* at 86 (citing *Crowell v. Benson*, 285 U.S. 22 (1932); *United States v. Raddatz*, 447 U.S. 667 (1980)).

<sup>251</sup> *Id.* at 83.

<sup>252</sup> *Id.* at 85.

In *Northern Pipeline*, the Court distinguished between “rights created by Congress and other rights,” including “a critical difference between rights created by federal statute and rights *recognized by the Constitution*.”<sup>253</sup> If “the right being adjudicated is not of congressional creation,”<sup>254</sup> then:

[S]ubstantial inroads into functions that have traditionally been performed by the Judiciary cannot be characterized merely as incidental extensions of Congress’ power to define rights that it has created. Rather, such inroads suggest *unwarranted encroachments upon the judicial power of the United States, which our Constitution reserves for Art. III courts*.<sup>255</sup>

In the case of *Northern Pipeline*, for example, the claims involved rights created by state law, “independent of and antecedent to the reorganization petition that conferred jurisdiction upon the Bankruptcy Court.”<sup>256</sup> The Court, therefore, upheld the District Court decision dismissing a suit for breach of contract in a United States bankruptcy court on the ground that the Bankruptcy Act of 1978, by reaching rights created by state law, was unconstitutional under Article III.<sup>257</sup>

If patents of invention ultimately are deemed to be “recognized by the Constitution,” such as by virtue of Article I, Section 8, Clause 8, which states that Congress shall have the power “[t]o promote the Progress of . . . useful Arts, by securing for limited Times to . . . inventors the exclusive right to their . . . Discoveries,”<sup>258</sup> and if those exclusive rights are ultimately held to be “private rights,” those rights would be protected by the Constitution under the Fifth Amendment, which states:

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<sup>253</sup> *Id.* at 83 (emphasis added).

<sup>254</sup> *Id.* at 84.

<sup>255</sup> *Id.* (emphasis added).

<sup>256</sup> *Id.*

<sup>257</sup> *Id.* at 88.

<sup>258</sup> U.S. CONST. art. 1, § 8, cl. 8.

No person shall be . . . deprived of . . . property, without due process of law; nor shall private property be taken for public use, without just compensation.<sup>259</sup>

Following the reasoning of *Northern Pipeline*, legislative acts that make “substantial inroads” into functions affecting the validity of granted patents, activities that traditionally have been within the exclusive purview of the Judiciary, constitute “unwarranted encroachments upon the judicial power of the United States, which our Constitution reserves for Article III courts.”<sup>260</sup> Moreover, as the Supreme Court indicated in *Williams v. United States*, such acts would be contrary to the well-established doctrine prohibiting Congress from depositing judicial power in legislative (non-Article III) courts:

[W]here a controversy is of such a character as to require the exercise of the judicial power defined by [A]rticle 3, jurisdiction thereof can be conferred only on courts established in virtue of that [A]rticle, and that Congress is without power to vest that judicial power in any other judicial tribunal, or, of course, in an executive officer, or administrative or executive board, since, to repeat the language of Chief Justice Marshall in *American Insurance Company et al. v. Canter*, . . . “they are incapable of receiving it.”<sup>261</sup>

Therefore, establishment of any tribunal empowered to retract exclusive rights secured in granted patents would “far exceed the powers that it has vested in administrative agencies that adjudicate only rights of Congress’ own creation.”<sup>262</sup>

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<sup>259</sup> U.S. CONST. amend. V.

<sup>260</sup> *Northern Pipeline*, 458 U.S. at 84.

<sup>261</sup> *Williams v. United States*, 282 U.S. 553, 578 (1933) (quoting *Am. Ins. Co. v. Canter*, 26 U.S. 511, 546 (1828)).

<sup>262</sup> *Northern Pipeline*, 458 U.S. at 84.

C. *Resolution of Competing Private and Public Interests in Patents, and Recent Decisions by the Federal Circuit*

If patent rights are private, and broad authority of the Board is an unnecessary encroachment, then resolution can be found in limitation of post-issuance review of patent rights by the PTAB to the guidelines set forth in *Northern Pipeline*.<sup>263</sup> Guidelines for the Board should be “statutorily defined,” enabling possession of “only a limited power to issue . . . orders pursuant to specialized procedures” and enforceable only by a district court, which would set aside any such order if “not supported by the evidence.”<sup>264</sup> To ignore these limiting principles would, as stated by the Court in *Northern Pipeline*,

require that we replace the principles delineated in our precedents, rooted in history and the Constitution, with a rule of broad legislative discretion that could effectively eviscerate the constitutional guarantee of an independent Judicial Branch of the Federal Government.<sup>265</sup>

Again operating on the assumption that patent rights are private, such “evisceration” may, in fact, have already been the consequence, at least with respect to patents of invention, in *MCM Portfolio LLC v. Hewlett-Packard Co.*, where the Court of Appeals for the Federal Circuit recently held that “patent rights are public rights, and their validity susceptible to review by an administrative agency.”<sup>266</sup> The Court based its decision on earlier lower court decisions that were only tangentially associated with Article III, and distinguished certain Supreme Court precedent. For example, according to the Federal Circuit in *MCM Portfolio, McCormick* was limited to reissue proceedings, which held only that, “[w]ithout statutory authorization,” cancellation of a patent without surrender of the patent by the patent owner would be a deprivation of due

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<sup>263</sup> *Id.* at 85; see also *supra* note 252 and accompanying text.

<sup>264</sup> *Northern Pipeline*, 458 U.S. at 85.

<sup>265</sup> *Id.* at 74.

<sup>266</sup> *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015).

process of law.<sup>267</sup> The Federal Circuit concluded that *McCormick* “did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent,”<sup>268</sup> and relied on the Supreme Court’s decision in *Thomas* that Congress “‘may create a *seemingly* ‘private’ right that is 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.’”<sup>269</sup> The Supreme Court’s opinion in *Stern* was also quoted, stating that “public rights doctrine [can apply] to disputes between private parties” where “the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to the limited regulatory objective within the agency’s authority.”<sup>270</sup> The Federal Circuit deemed “the PTO . . . ‘an executive agency with specific authority and expertise’ in the patent law,” and stated that “[i]t would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.”<sup>271</sup>

The court in *MCM Portfolio* drew a parallel with reexamination proceedings, which are available to “any person” who can establish, on the basis of lack of novelty, under 35 U.S.C. § 102, or obviousness, under 35 U.S.C. § 103, a “substantial new question of patentability.”<sup>272</sup> The Federal Circuit decisions of *Joy Technologies v.*

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<sup>267</sup> *Id.* at 1289 (“Without statutory authorization, an ‘attempt [by the Commissioner of Patents] to cancel a patent upon an application for reissue when the first patent is considered invalid by the examiner . . . would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.’”) (quoting *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 612 (1898)). The Court in *MCM Portfolio* also cited *American Bell* “noting lack of statutory authority for the Patent Office to cancel patents.” *Id.* (citing *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 364–65 (1888)).

<sup>268</sup> *MCM Portfolio*, 812 F.3d at 1289.

<sup>269</sup> *Id.* at 1290 (quoting *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 593–94 (1985) (emphasis added)).

<sup>270</sup> *Id.* at 1290 (quoting *Stern v. Marshall*, 564 U.S. 462, 490 (2011)).

<sup>271</sup> *Id.* at 1290–91 (quoting *Kappos v. Hyatt*, 566 U.S. 431 (2012)).

<sup>272</sup> 35 U.S.C. § 301 (1988). After enactment of the AIA only ex parte reexamination is available. From 1999 to 2011, another alternative, inter partes reexamination, which allowed greater participation by third parties beyond petitioning for reexamination, was available under 35 U.S.C. § 311. The AIA ended inter partes reexamination. See *2601 Introduction [R-07.2015]*, U.S. PAT. AND TRADEMARK OFF., <https://www.uspto.gov/web/offices/pac/mpep/s2601.html> [<https://perma.cc/438N-F4VH>].



*Manbeck*<sup>273</sup> and *Patlex Corp. v. Mossinghoff*<sup>274</sup> were, for the court in *MCM Portfolio*, “controlling authority” for the proposition that inter partes review, like reexamination in *Joy* and *Patlex*, does not violate Article III because “the issuance of a valid patent is primarily a public concern and involves a ‘right that can only be conferred by the government’ even though validity often is brought into question in disputes between private parties.”<sup>275</sup> The inference by the Court in *MCM Portfolio* was that issued patents are a concern that involves a “public right.” The Court in *Joy* was even more direct, stating that “[n]othing in *Granfinanciera* . . . casts doubt on the *Patlex* court’s holding that a valid patent involves public rights,”<sup>276</sup> and further concluded that they “need not reach *Joy*’s argument that it was deprived of private rights.”<sup>277</sup> However, the Federal Circuit in *Patlex* did not explicitly say that patents were “public rights,” but instead invoked only “favored treatment from the courts” toward “curative statutes” based on the Supreme Court decision of *Graham & Foster v. Goodcell* that hinged legislative intervention to cure “mistake of officers purporting to administer the law in the name of the Government” on a “lack of substantial equity” in an “asserted vested right.”<sup>278</sup>

Further, and contrary to the contention of the Federal Circuit in *MCM Portfolio*, the *McCormick* court did not imply that the capacity of the PTO to “correct or cancel” a patent was simply a function of “statutory authorization.”<sup>279</sup> Moreover, it would not make sense for the Court in *McCormick*, nor in *American Bell* for that matter, to do so because the result would leave the doctrine of

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<sup>273</sup> *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992).

<sup>274</sup> *Patlex Corp. v. Mossinghoff*, 758 F.2d 595 (Fed. Cir. 1985).

<sup>275</sup> *MCM Portfolio*, 812 F.3d at 1291 (quoting *Joy*, 959 F.2d at 228).

<sup>276</sup> *Joy*, 959 F.2d at 229.

<sup>277</sup> *Id.*

<sup>278</sup> *Patlex*, 758 F.2d at 603 (quoting *Graham & Foster v. Goodcell*, 282 U.S. 409, 429 (1931)). The Court in *Graham* stated:

Where the *asserted vested right*, not being linked to any *substantial equity*, arises from the *mistake of officers purporting to administer the law in the name of the Government*, the legislature is not prevented from curing the defect in administration simply because the effect may be to destroy causes of action which would otherwise exist.

*Id.* (emphasis added).

<sup>279</sup> *MCM Portfolio*, 812 F.3d at 1289.

separation of powers among the legislative, executive, and judicial branches solely to the discretion of the legislative branch—a clear misunderstanding of this fundamental concept. It should also be noted that neither *Thomas* nor *Stern* involved the grant of patent rights and, therefore, did not recognize the well-established premise asserted in *Stone* that a “patent is the highest evidence of title, and is conclusive as against the Government, and all claiming under junior patents or titles, until it is set aside or annulled by some judicial tribunal.”<sup>280</sup>

While acknowledging that patents are “property,” and that patent owners have a Fifth Amendment right to due process, Judge Newman in *Patlex* stopped short of calling patents “public rights” and cited no Supreme Court authority for that proposition. Rather, Judge Newman concluded only that patents are a “public concern” that justified the “overriding public purpose” of “curative statutes.”<sup>281</sup> Following the policy of “favorable treatment” indicated by the Court in *Graham* toward “curative statutes,” the “overriding public purpose” was given “great weight” by the district court and by the Federal Circuit in *Patlex*, and the Federal Circuit determined that Congress did not act in an arbitrary and irrational way to achieve its desired purposes.<sup>282</sup> Significantly, for our purposes, the relevant legislative history of reexamination proceedings that constituted the “overriding public purpose,” as summarized by the Federal Circuit in *Patlex*, included, as one component, the expertise of the Patent

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<sup>280</sup> *United States v. Stone*, 69 U.S. 525, 535 (1864); see also *supra* note 71 and accompanying text.

<sup>281</sup> *Patlex*, 758 F.2d at 603–04.

<sup>282</sup> *Id.* The court in *Patlex* stated:

*We conclude, as did the district court, that the overriding public purposes Congress articulated in enacting the reexamination law with retroactive effect are entitled to great weight, and that Congress did not act in an arbitrary and irrational way to achieve its desired purposes. We affirm the district court in upholding the validity of the retroactive [reexamination] statute against Gould’s challenge under the Fifth Amendment.*

*Id.* (emphasis added).

Office, as “‘an aid’ to the *trial court* ‘in making an informed decision on the patent’s validity.’”<sup>283</sup> This language is consistent with contribution by the Patent Office as a fact-finding adjunct to an Article III district court, as discussed above.

Generally, however, reexamination is conducted at the Patent Office according to “procedures established for initial examination.”<sup>284</sup> Appeal from a decision by the PTAB is to the U.S. Court of Appeals for the Federal Circuit,<sup>285</sup> and in the absence of appeal the judgment of the PTAB is enforceable. Therefore, contrary to the statement made by the Federal Circuit in *Patlex*, there is no “trial court” to be aided by reexamination, unless either the PTAB, which is part of the Patent Office under the Department of Commerce, or the Federal Circuit, which is a court of appeals, is to be so considered. Recognition of this discrepancy should have nullified the “great weight” the Federal Circuit allotted to any “overriding purpose” behind “enacting the reexamination law.”<sup>286</sup>

Overall, the Federal Circuit in *MCM Portfolio* did not rely on Supreme Court authority for the assertion that *granted* patents of invention are “public rights.” Other than *Oil States*, no such authority exists to date. Even *Patlex* and *Joy*, both of which are lower appeals court decisions, did not conclude that patents are “public rights.” The court in *Patlex* instead opted for the “public purpose of the improved administration of law” without regard for the “vested

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<sup>283</sup> *Id.* at 602 (quoting *Patent Reexamination Hearings*, *supra* note 32) (emphasis added). Specifically, as recited by the court in *Patlex*:

The bill’s proponents foresaw three principal benefits. First, the new procedure could settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases. Second, the procedure would allow courts to refer patent validity questions to the expertise of the Patent Office. *See Senate Hearings* at 1, wherein Senator Bayh said that reexamination would be “an aid” to the trial court “in making an informed decision on the patent’s validity.” Third, reexamination would reinforce “investor confidence in the certainty of patent rights” by affording the PTO a broader opportunity to review “doubtful patents.” 126 Cong. Rec. 29,895 (1980) (statement of Rep. Kastenmeier).

*Id.* (emphasis added).

<sup>284</sup> 35 U.S.C. § 305.

<sup>285</sup> *See id.* §§ 306, 141(b).

<sup>286</sup> *Patlex*, 758 F.2d at 603; *see also supra* note 282 and accompanying text.

right” that is linked to the “substantial equity” conferred by the grant of a patent,<sup>287</sup> going no further than to conclude that patents are “primarily a public concern.”<sup>288</sup> The court in *Joy*, in turn, perfunctorily demurred to *Patlex* as controlling authority,<sup>289</sup> but inferred, as did the *Patlex* court, that a “patent involves public rights.”<sup>290</sup>

The conclusion by *MCM Portfolio* that “patent rights are public rights” is not a correct interpretation of *Patlex*, which the court then held up as binding precedent. However, even if the absence of *MCM Portfolio* had limited its understanding of *Patlex* to an assertion that patents are a “public concern,” the “great weight” granted by *Patlex* to favor “curative statutes” to thereby achieve an “overriding purpose” of “substantial equity” is misguided. “Curative statutes” should not be given deference based on intent. Rather, a clear understanding of constitutional separation of powers must be applied to analyze the mechanics and effect of any new legislation in order to assess whether or not that legislation is, in fact, “curative.”

#### VI. DOUBLE JEOPARDY: PATENTS AS CONTRACTS AND THE CONSTITUTIONALITY OF OVERLAPPING UNILATERAL REVOCATION BY THE GOVERNMENT

Patents have been considered contracts since the eighteenth century when, in England, the requirement to work an invention for the public good, made in exchange for an exclusive right as a matter of judicial favor, or privilege, was substituted with a contractual right to exclude in consideration for public disclosure of how to practice that invention. This transition is the basis for modern jurisprudence in patent law, and failure to incorporate the resulting distinction in recent post-grant examination proceedings puts patentees in double jeopardy of losing those rights, contrary to the motivation behind this legislation. Part VI.A is an analysis of patents as contracts. Part VI.B establishes an affirmative link between inter partes review and

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<sup>287</sup> See *supra* note 278 and accompanying text.

<sup>288</sup> *Patlex*, 758 F.2d at 604.

<sup>289</sup> *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 229 (Fed. Cir. 1992) (“Because *Patlex* is controlling authority and has not been impaired by either of the subsequent Supreme Court cases cited by *Joy*, we reject *Joy*’s attack on that decision.”).

<sup>290</sup> *Id.*

its older cousin, *ex parte* reexamination, and explores some problems consequent to post grant examination in a non-Article III tribunal. Part VI.C is a general plea for reconsideration of all post-grant patent examination proceedings that are available to “a person who is not the owner of the patent,” as called for by the statutory provision for IPRs.<sup>291</sup>

#### A. *Patents as “Contracts”*

Regardless of whether patents are considered to be public or private rights, monopolies, franchises, or property, it is generally agreed that they are contracts between the Government and the patentee. Justice Gorsuch alluded to the contractual nature of patents in his dissent in *Oil States*, and to the continuity of that understanding as patents transitioned from “little more than feudal favors”<sup>292</sup> judged by the King’s Privy Council, to “procompetitive means to secure to individuals the fruits of their labor and ingenuity”<sup>293</sup> that were to be “adjudicated solely by the law courts” thereafter.<sup>294</sup> Justice Gorsuch quoted Walterscheid to suggest that the U.S. Constitution adopted this revised view:

The Constitution itself reflects this new thinking, authorizing the issuance of patents precisely because of their contribution to the “Progress of Science and useful Arts.” Art. 1 § 8, cl. 8. “In essence, there was a change in perception—from viewing a patent as a contract between the crown and the patentee to viewing it as a ‘social contract’ between the patentee and society.”<sup>295</sup>

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<sup>291</sup> 35 U.S.C. § 311(a) (“Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”).

<sup>292</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1382 (2018) (Gorsuch, J., dissenting).

<sup>293</sup> *Id.*

<sup>294</sup> *Id.* (quoting Adam Mossoff, *Rethinking the Development of Patents: An Intellectual History, 1550–1800*, 52 HASTINGS L.J. 1258, 1286–87 (2001)).

<sup>295</sup> *Id.* (quoting Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 3)*, 77 J. PAT. & TRADEMARK OFF. SOC’Y 771, 793 (1995)).

“Society” is, of course, represented by the government within the framework of the “social contract.”<sup>296</sup>

Contracts then, as now, presume some kind of consideration, even if that contract is with the government.<sup>297</sup> For patents, that consideration, both in England and in colonial America, typically was a requirement to work the invention.<sup>298</sup> By the late eighteenth century, however, the requirement to work an invention was replaced by a requirement that the inventor disclose the invention to the

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<sup>296</sup> See *supra* note 237 and accompanying text; see also *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 362–63 (1888) (“We have no king in this country; we have here no prerogative right of the crown . . . . The patent, then . . . is not subject to be repealed or revoked by the president, the secretary of the interior, or the commissioner of patents, when once issued.”).

<sup>297</sup> See, e.g., W.J. Kelly, *The Concept of Consideration in Government Contracts*, 10 U.S.A.F. JAG L. REV. 20, 20 (1968) (“All contracts require consideration and Government contracts no less than those between private parties must be supported by consideration to be valid and enforceable [sic.]”) (citing *Willard, Sutherland & Co. v. United States*, 262 U.S. 489 (1922); *William Atwater & Co. v. United States*, 262 U.S. 495 (1922)).

<sup>298</sup> CHRISTINE MACLEOD, *INVENTING THE INDUSTRIAL REVOLUTION: THE ENGLISH PATENT SYSTEM, 1660–1800*, at 12 (1988) (“Patentees were required to implement their ‘invention’ without delay and ensure its continuance by communicating the necessary skills to native workmen. The grant was revocable if these conditions were not met.”); see also Edward C. Waterscheid, *The Early Evolution of the U.S. Patent Law: Antecedents (5, Part II)*, 78 J. PAT. & TRADEMARK OFF. SOC’Y, 665, 670 (1996). Waterscheid quotes a patent granted by New York in 1780 to Henry Guest:

Provided nevertheless that the grant hereby made shall not take effect until the said Henry Guest shall have filed in the secretary’s office in this State, a writing containing the names and description of the materials aforesaid, and the method and process of making such blubber and oyl, or a substitute of blubber and oyl; nor until the said Henry Guest shall have a manufactory erected for the purpose, and shall have made such blubber or oyl, of the materials aforesaid, within this State.

*Id.* (quoting 1 Laws of the State of New York (Albany 1886–87) at 277–78).

public.<sup>299</sup> In the United States, since the Patent Act of 1790, patentees were required to describe their invention<sup>300</sup> and, with only some

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<sup>299</sup> H.I. DUTTON, *THE PATENT SYSTEM AND INVENTIVE ACTIVITY DURING THE INDUSTRIAL REVOLUTION 1750–1852*, at 22 (1984):

The final justification for patents was the exchange-for-secrets thesis, or the disclosure agreement. It was based on the eighteenth-century idea of contract, where society and the inventor made a bargain, one offering temporary protection, the other knowledge of new techniques.

This rationale had its origins in the Elizabethan period, although then disclosure was of a quite different form. Inventors were compelled to use the patent to introduce the trade, and to teach the mystery of the art to native tradesmen. In the early eighteenth century the form and condition of disclosure changed. Patentees now had to describe the nature and manner of their inventions in a specification. . . .

*See also* MACLEOD, *supra* note 298, at 49:

Increasing emphasis by the judiciary on accurate and full specification culminated in Lord Mansfield's decision in *Liardet v. Johnson* (1778). This stipulated that the specification should be sufficiently full and detailed to enable anyone, skilled in the art or trade to which the invention pertained, to understand and apply it without further experiment. For the first time, the recognized quid pro quo for the award of a patent was the disclosure of the invention.

<sup>300</sup> Patent Act of 1790, ch. 7, 1 Stat. 109-12 (Apr. 10, 1790) (repealed 1793) (current version at 35 U.S.C. § 112(a) (2018)). Section 2 of the Patent Act of 1790 included a requirement that:

[T]he grantee or grantees of each patent shall, at the time of granting the same, deliver to the Secretary of State a specification in writing, containing a description, accompanied with drafts or models, and explanations and models . . . of the thing or things, by him or them invented or discovered . . . .

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[The] specification shall be so particular, and said models so exact, as not only to distinguish the invention or discovery from other things before known and used, but also to enable a workman or other person skilled in the art or manufacture, whereof it is a branch, or wherewith it may be nearest connected, to make, construct, or use the same, to the end that the public may have the full benefit thereof, after the expiration of the patent term . . . .

*See also* ALAIN POTTAGE & BRAD SHERMAN, *FIGURES OF INVENTION: A HISTORY OF MODERN PATENT LAW* 53, 59 (Oxford University Press 2010). Pottage and Sherman argue that specifications in the United States were introduced on “different principles from the ones that had developed in England and Europe” at least because “the text [in the United States] was explicitly seen through the medium of a contract rather than as a grant of a privilege.” *Id.* at 53. They further stated that, “[i]n part, this was a product of the ‘republican idiom,’” which they, nevertheless, related to the notion of patents as “contracts”:

administrative interference, those descriptions have been made available to the public by the Patent Office.<sup>301</sup>

As previously discussed, Justice Thomas mischaracterized the significance of *American Bell* in *Oil States* when he explained that, “[b]y ‘issuing patents,’ the PTO ‘take[s] from the public rights of immense value, and bestow[s] them upon the patentee,’”<sup>302</sup> in that the Court in *American Bell* was not relying on the “immense value” of “public rights” to justify unilateral power of the Patent Office to decide the fate of granted patents. Rather, the Court was only referring to prior activity or omission that would permit “cancellation or vacation of an instrument” obtained from the Patent Office.<sup>303</sup> The scope of instances identified in *American Bell* for cancellation of a patent were laid out in dicta as including “fraud in the patentee,” patents “issued unadvisedly or by mistake, where the office has no authority in law to grant them, or where another party has a higher equity, and should have received the patent.”<sup>304</sup>

Patents of invention are distinct from land patents in at least one respect, in that only patents in land are taken from the public domain. Stated conversely, unlike grants of land, patents of invention, if properly granted, have never been a possession of a sovereign

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Ideas were construed as things because they could be written down . . . .

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This was reinforced by the fact that the republican idiom that underpinned American patent law (which was expressly influenced by developments in France) meant that the specification tended to be seen as a contract or bargain between the inventor and the state.

*Id.* at 59.

<sup>301</sup> *Id.* at 56. Interestingly, William Thornton, the First Superintendent of Patents, from 1802–1828, according to Walterscheid, “took the position that a specification [of a granted patent] could only be made available (a) if litigation was involved, or (b) if the inventor expressly authorized it, or (c) if the term of the patent had expired.” EDWARD C. WALTERSCHEID, *TO PROMOTE THE PROGRESS OF USEFUL ARTS: AMERICAN PATENT LAW & ADMINISTRATION, 1798–1836*, at 283 (1998)). This policy was reversed in 1825: “[S]ince 1825 it has been the policy of the United States that any issued patent is available to the public upon payment of the requisite fee.” *Id.* at 302–03.

<sup>302</sup> *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888)).

<sup>303</sup> *American Bell*, 128 U.S. at 373.

<sup>304</sup> *Id.* at 365.



entity, whether that be a hereditary monarch or a government representative.<sup>305</sup> Patents of invention, therefore, are different, despite the parallel drawn by the Court in *American Bell* that they are of the same “nature, character, and validity” as land patents and “imply in each case the exercise of the power of the government according to modes regulated by acts of Congress.”<sup>306</sup>

One consequential difference between patents of invention and land patents is the nature of the consideration offered in exchange for the grant. While abandonment or failure to make payment might be cause for revocation of a land patent, just as failure to work an invention was once a basis for revocation of a patent of invention, disclosure of an invention by a patent applicant cannot be undone. An invention is publicly disclosed once a patent of invention is granted in the United States, and this disclosure constitutes irrevocable consideration by the patent applicant in exchange for the

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<sup>305</sup> Deazley acknowledges difficulty in classifying intellectual properties, including copyright, trademark, and patent protection, as contrasted with other forms of property. See RONAN DEAZLEY, RETHINKING COPYRIGHT—HISTORY, THEORY, LANGUAGE 141, 143–144, 165 (2006). He states that “they are akin to *choses in action*, in that they are abstract legal rights . . . [and so] are not rights *in rem*. On the other hand, *neither do they represent a claim to receive some share or amount of another’s pre-existing property*, as does a *chose in action*.” *Id.* at 141 (third emphasis added). He goes on to point out that “John Locke [1632–1704] himself did not consider that his theory of property extended to intellectual properties such as copyrights and patents.” *Id.* at 143–144 n.32. Although not directly discussed by Deazley, a reason for Locke’s opinion in this regard may be that his theories, such as that of the epigraph to this Article, pre-date the Statute of Anne (1710) respecting copyright, and at that time patents were generally considered privileges granted at the discretion of the crown, as discussed above. With respect to copyright, Deazley did, however, quote a passage by Locke referencing a proposal to “*vest a priviledg in the author of the said book . . .*” *Id.* While Deazley considers intellectual properties to be monopolies, he suggests using new terminology, such as “Intellectual Property Freedoms” and “Intellectual Property Privileges,” in order to get away from entrenched views associated with the notion of “intellectual property rights,” and to thereby enable more “meaningful engagement with the implications of the interface between intellectual property and the concept of monopoly . . .” *Id.* at 165. In making this suggestion, Deazley does not acknowledge that patents generally have not been considered to be privileges since the late eighteenth century. *Cf. id.* Regardless, to avoid confusion (i.e., Deazley’s “Phil Collins” conundrum, where “the sheer weight of the collective national and international consciousness, with its embedded system of cultural significance, presents a substantial challenge” to others (such as Phil Collins, the photographer, as opposed to the musician bearing the same name)), and for the purposes of this Article, use of the phrase “intellectual property rights” will be continued. *See id.* at 163–65.

<sup>306</sup> *American Bell*, 128 U.S. at 359.

limited temporal exclusionary right to make, use, sell, offer to sell, or import the invention in the United States.<sup>307</sup>

This distinction was picked up in 2000 by the Court of Appeals for the Federal Circuit in *Semiconductor Energy Laboratory Co. v. Samsung Electronics Co.*, discussed above,<sup>308</sup> which denied defendant “Samsung’s attempt to analogize a patent to a franchise for purposes of the mail and wire fraud statutes.”<sup>309</sup> The court in *Semiconductor Energy Laboratory* relied, in particular, on the 1888 Supreme Court case *California v. Central Pacific Railroad Co.*, also discussed above, to distinguish “franchises” as legislative carve-outs from public property for development.<sup>310</sup> Implicit in this view of a “franchise” is that the subject matter over which eminent domain is exercised was first in the possession of the public and, therefore, *available* to be taken out of that domain to create the franchise. As stated by the Federal Circuit in *Semiconductor Energy Laboratory*, “[b]y contrast, the patent right to exclude a party from practicing a particular invention is never held by the sovereign, but only by the patentee after issuance.”<sup>311</sup> The exclusionary right granted by the government is obtained in exchange for disclosure by the patent applicant. That disclosure, once the patent is granted, cannot be restored if the government, as grantee, decides at some later time to reconsider, such as during inter partes review.<sup>312</sup> Any type of post-

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<sup>307</sup> Since enactment of the American Inventors Protection Act (AIPA) in 1999, patent applications are automatically published eighteen months after filing. Pre-issuance publication could only be reserved in the U.S. application if the applicant committed at the time of filing not to file in other countries. American Inventors Protection Act, Pub. L. No. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536 (1999) (codified at 35 U.S.C. § 122 (2018)). Disclosure is best viewed, at the very least, as consideration in anticipation of a grant of a patent by the PTO, subject, of course, to substantive examination by the PTO prerequisite to said grant.

<sup>308</sup> See *supra* text accompanying notes 165–70.

<sup>309</sup> *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1380 (Fed. Cir. 2000).

<sup>310</sup> See *supra* note 130 and accompanying text; see also *Semiconductor*, 204 F.3d at 1380 (“A franchise involves a transfer of extant rights previously held exclusively by the sovereign.”) (citing *California v. Cent. Pac. R.R. Co.*, 127 U.S. 1, 40 (1888)).

<sup>311</sup> *Semiconductor*, 204 F.3d at 1380.

<sup>312</sup> *Oil States*, 138 S. Ct. at 1374 (“Inter partes review is ‘a second look at an earlier administration grant’ . . . Thus, inter partes review involves the same interests as the determination to grant a patent in the first place.”) (quoting *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2144 (2016); *United States v. Duell*, 172 U.S. 576, 586 (1899)).

grant examination, therefore, creates an irrevocability problem for patentees that is compounded by the fact that the threshold for revoking a patent under post-grant procedure is a preponderance of the evidence,<sup>313</sup> which is much lower than the clear and convincing evidence standard applied by Article III courts to overcome the presumption of validity mandated by 35 U.S.C. § 282(a)(ii).<sup>314</sup>

The idea of disclosure as consideration in exchange for an exclusionary right is not new. Biagioli, for example, recites Joseph Barnes, John Fitch’s nemesis in the steamboat interference cases of the 1780’s and 1790’s,<sup>315</sup> as the first invocation of a “patent bargain” between an inventor and the public in the United States:

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<sup>313</sup> 35 U.S.C. § 316(e) (“Evidential Standard—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”).

<sup>314</sup> See, e.g., 35 U.S.C. § 282(a) (“In general—A patent shall be presumed valid.”); see also *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 101 (2011). There, the Court stated:

Our decision in *RCA* is authoritative. There, tracing nearly a century of case law from this Court and others, Justice Cardozo wrote for a unanimous Court that “there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.” Although the “force” of the presumption found “varying expression” in this Court and elsewhere, Justice Cardozo explained, one “common core of thought and truth” unified the decisions:

“[O]ne otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance. If that is true where the assailant connects himself in some way with the title of the true inventor, it is so *a fortiori* where he is a stranger to the invention, without claim of title of his own. If it is true where the assailant launches his attack with evidence different, at least in form, from any theretofore produced in opposition to the patent, it is so a bit more clearly where the evidence is even verbally the same.” *Id.* at 8, 55 S. Ct. 928 (internal citation omitted).

The common-law presumption, in other words, reflected the universal understanding that a preponderance standard of proof was too “dubious” as a basis to deem a patent invalid. *Ibid.*: see also *id.*, at 7, 55 S. Ct. 928 (“[A] patent . . . is presumed to be valid until the presumption has been overcome by convincing evidence of error”) (internal citations omitted).

*Id.* (quoting *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1 (1935)) (internal citations omitted).

<sup>315</sup> See generally THOMAS BOYD, POOR JOHN FITCH: INVENTOR OF THE STEAMBOAT (1935).

The earliest appearance of the image of the patent bargain in the United States is probably in Barnes (1792): “The property or right in a discovery being exclusively the inventor’s, having had its origin, and existing but in his mind; it follows, that a system for securing property in the products of genius, is a *mutual* contract between the *inventor* and the *public*, in which the *inventor* agrees, on *proviso* that the public will secure to him his property in, and the exclusive use of his discovery for a limited time, he will, at the expiration of such time, *cede* his right in the same to the public: thenceforth the discovery is common right, being the compensation required by the public, stipulated in the contract, for having thus secured the same.”<sup>316</sup>

Robinson is also relied upon by Biagioli as an example of expression of the notion that patents are contracts, and that disclosure is consideration given by inventors in exchange for exclusionary rights for a limited period of time. As quoted from Robinson by Biagioli:

A patent is a contract between the inventor and the public, by which the inventor, *in consideration* that the exclusive use of his invention is secured to him for a limited period of time, *confers upon the public the knowledge of the invention during that period* and an unrestricted right to use it after that period has expired . . . [.]. The specification is the instrument in which the terms of these mutual considerations and promises are declared, and on its completeness and accuracy depends the validity and the value of the contract itself.<sup>317</sup>

For Biagioli, the *quid pro quo* of “the patent bargain” conferred by the government is the specification, which, reciting Fessendon’s

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<sup>316</sup> Mario Biagioli, *Patent Republic: Representing Inventions, Constructing Rights of Authors*, 73 *SOC. RES.* 1129, 1130 n.4 (2006) (citing JOSEPH BARNES, TREATISE ON THE JUSTICE, POLICY, AND UTILITY OF ESTABLISHING AN EFFECTUAL SYSTEM OF PROMOTING THE PROGRESS OF USEFUL ARTS BY ASSURING PROPERTY IN THE PRODUCTS OF GENIUS (1792)).

<sup>317</sup> *Id.* at 1131 (quoting WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS, VOL. II (1890)) (emphasis added).

treatise of 1810, “is the price . . . the patentee is to pay for his monopoly.”<sup>318</sup>

Bottomley picks up on Biagioli’s theme, and offers language from *Liardet v. Johnson*, the first case understood to exemplify “patent as contract” doctrine, in 1778:

Hence the law requires as the price the patentee should pay to the public for his monopoly, that he should, to the very best of his knowledge, give the fullest and most sufficient description of all the particulars on which the effect depends.<sup>319</sup>

For Bottomley, disclosure of the invention came to be viewed as consideration given by the individual for the contractual grant of a limited period of exclusionary rights, which he directly links to a shift from consideration of “public good” to one of disclosure:

[T]he chances of a patent being challenged in the Privy Council had been receding since 1688 and the Court of Chancery had already emerged as a jurisdiction in which patents could be enforced. Soon after, the introduction of the specification, which became mandatory in the 1730’s, heralded a fundamental change in the nature of the patent . . . . [T]he specification requirement displaced the “public good” as the consideration on which the patent was awarded . . . .<sup>320</sup>

Bottomley views disclosure to be the patentee’s portion of the exchange that is the basis of modern intellectual property rights:

In a system of privileges [under the Privy Council], the consideration on which the grant is made is one of “utility,” that the invention is of direct economic benefit . . . . In contrast, with the introduction of the specification, the consideration of the patent grant is

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<sup>318</sup> *Id.* at n.5 (quoting THOMAS FESSENDON, AN ESSAY ON THE LAW OF PATENTS FOR NEW INVENTIONS: WITH AN APPENDIX CONTAINING THE FRENCH PATENT LAW, FORMS 49 (1810)).

<sup>319</sup> SEAN BOTTOMLEY, THE BRITISH PATENT SYSTEM DURING THE INDUSTRIAL REVOLUTION 1700–1852, at 88 (2014) (quoting *Liardet v. Johnson* (1778), 1 HPC 198).

<sup>320</sup> *Id.* at 171.

supposed to change. Now the patent is awarded for disclosing the invention via the specification. It is this reciprocal agreement . . . that underpins any modern intellectual property rights regime.<sup>321</sup>

More particularly, while patents in the sixteenth and seventeenth centuries had been granted based on the “utility,” or economic benefit to be conferred by practicing the invention, during the eighteenth century public disclosure of the invention in a specification eventually replaced the requirement for use<sup>322</sup> and patents were no longer considered privileges but, rather, common-law property rights that were not contingent upon practice of the invention by patentees.<sup>323</sup> Bottomley, therefore, concurs with Biagioli’s “theoretical schema” that an increasing reliance on sufficiency of a written description of an invention was contemporaneous with a shift in the early eighteenth century away from viewing patents as “privileges” that are granted by a monarch and judged by the Privy Council for contribution to the “public good,” and toward an equitable right in property.<sup>324</sup>

#### *B. The Link Between Inter Partes Review and Ex Parte Reexamination*

Inter partes review (as well as post-grant review and covered business methods) are linked to the older proceeding of ex parte reexamination in that all of them can be initiated by the Patent Office by “a person” who would not necessarily have standing to challenge

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<sup>321</sup> *Id.* at 46–47.

<sup>322</sup> *Id.* at 49 (“From the mid-eighteenth century onwards, the judiciary eschewed the public good as a matter for enquiry and instead concerned themselves with the sufficiency of the specification.”).

<sup>323</sup> *Id.* at 173 (“Before 1760, the beginning of the classical Industrial Revolution, the Privy Council had already yielded jurisdiction of patent cases to the equity and common law courts, and the specification had transformed the jurisprudential foundation of the entire system.”).

<sup>324</sup> *Id.* at 46–49 (“Mario Biagioli argues that it is only with this written requirement that there is a shift away from patents as early modes or privileges to patents as intellectual property rights . . . . The evidence from the [earliest] reports [where a specification was ordered] indicate developments consistent with Biagioli’s theoretical schema. Significantly, there was a concomitant decline in the extent to which the law officers examined the petition with a view to the ‘public good.’”) (citing Biagioli, *supra* note 316, at 1131).

a granted patent in an Article III court. Jurisdiction over the validity of granted patents overlaps between the Patent Office and Article III courts, putting patentees in double jeopardy of losing rights they contracted for with the government in consideration for disclosure of their inventions. Part VI.B.1 is a description of the systemic causes of overlapping jurisdiction, and Part VI.B.2 is a case study of overlapping jurisdiction in the context of reexamination, a case study that is now being replicated in more recent proceedings established for post-grant patent examination under the AIA.

### 1. Overlapping Jurisdiction Consequent to Third-Party Standing

At oral hearing before the Supreme Court, appellant Oil States attempted to distinguish between reexamination proceedings and inter partes review by stating that reexamination is “fundamentally examinational,” while inter partes review is “adjudicational.”<sup>325</sup> No real explanation was provided for this distinction during the oral hearing except for the statement by Oil States that third party participation during reexamination proceedings, whether ex parte or inter partes, was “fundamentally a proceeding between the Patent and Trademark Office, between the Government and the patent owner.”<sup>326</sup> Presumably, then, the distinction between reexamination proceedings on the one hand and inter partes review on the other would be the fact of participation by third parties, whereby the “fundamental” nature of the proceeding changes from one that is “between the Government and the patent owner” to a proceeding that “fundamentally” includes the third party. There is no mention of this distinction in any of the majority opinion, the concurrence by Justice Breyer, or Justice Gorsuch’s dissent.

Perhaps the distinction is of no practical effect constitutionally, in which case the constitutionality of reexamination may be linked to that of inter partes review, and so should be discussed along with any critique of the Supreme Court’s holding in *Oil States*. Reexamination and inter partes review are, in fact, only two of several alternative statutory provisions for post-grant examination

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<sup>325</sup> Transcript, *supra* note 14, at 4–5; *see also supra* notes 14–15 and accompanying text.

<sup>326</sup> Transcript, *supra* note 14, at 4–5.

of patents by the Patent Office. As previously discussed, post grant examination proceedings other than reexamination and inter partes review include reissue and interference, both of which date to the middle of the nineteenth century, and the new proceedings introduced with the AIA, namely, “post-grant review, covered business methods, supplemental examination and statutory derivation proceedings.”<sup>327</sup>

There is, however, at least one crucial distinction of the older proceedings of reissue and interference proceedings from ex parte reexamination, IPRs, PGRs, and CBMs, in that a third party in these more recent proceedings need not have any interest in the validity of the patent, other than as a member of the public, in order to challenge a granted patent before the Patent Office.<sup>328</sup> In interference proceedings, the Patent Office is only competent to make determinations of priority between patent applications, or between a patent application and a granted patent, and only when provoked by another patent applicant, a patentee, or *sua sponte* by the Patent Office to challenge a patent applicant. Similarly, only a patentee can petition for reissue, and reissue is contingent upon surrender of the subject patent by the patentee. In both cases, the patent applicant or patentee provoking the interference or petitioning for reissue clearly has a property right at stake beyond simply being a member of the public.

It is this capacity for third party *initiation* that renders ex parte reexaminations, IPRs, PGRs, and CBMs subject to scrutiny under constitutional separation of powers, because members of the public would lack standing in an Article III court. That the validity of issued patents can be tried in Article I, or “legislative” courts, sets up overlapping jurisdiction with “constitutional, or Article III courts. As we will see, overlapping jurisdiction is a basis for confusion that attends current jurisprudence of reexamination and AIA post-grant proceedings of IPRs, PGRs, and CBMs. However, because IPRs were the subject of *Oil States*, our constitutional analysis

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<sup>327</sup> See *supra* notes 4–7.

<sup>328</sup> Petitions for derivation proceedings under 35 U.S.C. § 135 and requests for supplemental examination under 35 U.S.C. § 257 are limited to patent applicants and patent owners respectively.



of post-grant proceedings will be limited to ex parte reexamination and IPRs; PGRs and CBMs will not be addressed, but would stand or fall with ex parte reexamination and IPRs for the reasons just introduced.

2. A Case Study in Consequences of Reexamination of Patents as Contracts—*Fresenius USA v. Baxter International*

If patents are contracts and disclosure is the consideration given by the patentee in exchange for a limited period of exclusivity, then reexamination of a granted patent and revocation of that patent without voluntary surrender of the patent by the patentee is a violation of that contract by the government that cannot be remedied, at least because the consideration of disclosure cannot be restored to the patentee. Introduction of ex parte reexamination in 1980, in fact, was premised on a failure of the patent system to “uphold [the government’s] agreement with an inventor that in exchange for disclosure of new inventions the inventor’s rights will be protected.”<sup>329</sup> At the time, ex parte reexamination was posed as a benefit to patentees that would provide greater assurance of validity without the great expense of litigation.<sup>330</sup> The proposed legislation was met with little resistance; most testimony was enthusiastically supportive, complete with that of the daughter of an inventor and founder of a company that lost a patent in litigation:

We were shocked to read the judge’s ruling and to find we had lost in all areas of our court fight—patent

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<sup>329</sup> *Patent Reexamination Hearing*, *supra* note 32, at 2.

<sup>330</sup> *See id.*; *see also supra* note 32 and accompanying text. As stated by Sen. Bayh:  
While patents are important to all businesses, they are the lifeblood to the independent or small business owner who uses the patent grant as a shield to protect their invention from stronger competitors.

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Having a patent issued [of] dubious worth is a cruel hoax that benefits no one, least of all the patent holder. It is much better to be able to go back to the Patent Office under a reexamination procedure to determine the patent’s validity than it is to spend thousands of dollars in court and wind up with an invalid patent.

*Patent Reexamination Hearing*, *supra* note 32, at 2.

infringement, trademark infringement, unfair competition, and deceptive trade. The judge had ruled against us based on gray areas of law—the obviousness doctrine and legal technicalities.<sup>331</sup>

The reality subsequent to enactment of reexamination proceedings presents a much different picture, as summarized by commentators such as Gregory Dolin, who argues that, despite provisions to curb abuse, such as elevated fees to petition the Patent Office for reexamination, patentees are put at a disadvantage.<sup>332</sup> Furthermore, reexamination has created what is effectively overlapping jurisdiction by the Patent Office and the judiciary over the validity of issued patents, and has caused great confusion that undermines the reliance placed on granted patent rights by both the patentee and the public.

For example, in *Fresenius USA, Inc. v. Baxter International, Inc.*, the Court of Appeals for the Federal Circuit vacated a district court judgment of patent infringement, stating that the plaintiff, Baxter International, Inc. (Baxter), no longer had a cause of action following cancellation of the claims at issue by the Patent Office in a reexamination proceeding.<sup>333</sup> At issue was the finality of the district court judgment in view of a determination of invalidity of those claims by the PTAB during reexamination. More specifically, the district court previously had granted a motion by Baxter for judgement as a matter of law (“JMOL”) on claims of three patents that had *not* been shown to be *invalid* and were determined by the court to be infringed by the defendant.<sup>334</sup> On appeal, the Federal Circuit reversed the district court, in part, but affirmed the district court’s grant of JMOL with respect to the claims of one of the three

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<sup>331</sup> *Patent Reexamination Hearing, supra* note 32, at 32.

<sup>332</sup> *See Dolin, supra* note 8, at 913, 947 (“In short, the system designed by Congress is working against the very goals announced by Congress. . . . The data and the case studies presented in this Article show that the current system of post-issuance review can be, and is, abused.”).

<sup>333</sup> *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (*Fresenius II*) (“In light of the cancellation of Baxter’s remaining claims, Baxter no longer has a viable cause of action against Fresenius. Therefore, the pending litigation is moot. We vacate the district court’s judgment and remand with instructions to dismiss.”).

<sup>334</sup> *See Fresenius Med. Care Holdings Inc. v. Baxter Int’l, Inc.*, No. 03-1421, 2007 WL 518804 at \*1 (N.D. Cal. Feb. 13, 2007).

patents at issue, and remanded the case to the district court to reconsider the royalty award and injunction in light of the partial reversal of the district court's decision.<sup>335</sup> On remand, the district court awarded damages to Baxter in a final judgment dated March 16, 2012, which Fresenius appealed. Baxter cross-appealed, and on May 3, 2012, the district court granted Fresenius a stay of execution of the judgment pending the outcome of the appeal.<sup>336</sup>

While *Fresenius v. Baxter* was on remand, the Federal Circuit, in a separate proceeding, affirmed on May 17, 2012<sup>337</sup> a decision by the Patent Office in a reexamination proceeding, thereafter issuing a mandate on November 2, 2012, that the claims at issue were invalid.<sup>338</sup> The holding in *Baxter* by the Federal Circuit was not appealed by Baxter, the assignee of the patent and, accordingly, the Patent Office terminated the reexamination and issued a certificate canceling the claims,<sup>339</sup> which were the same claims of the subject patent that had been held by the Federal Circuit in *Fresenius v. Baxter* to be *not invalid* and infringed.<sup>340</sup>

In *Fresenius I*, the Federal Circuit acknowledged that “the cancellation of a patent’s claims cannot be used to reopen a final damages judgment ending a suit based on those claims.”<sup>341</sup> However, for the court, the issue was whether “the judgment in this infringement case is sufficiently final so that it is immune to the effect of the final judgment in the PTO proceedings, as affirmed by this court in *In re Baxter*.”<sup>342</sup> To make this determination, the court found it “important here to distinguish between different concepts

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<sup>335</sup> See *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009) (*Fresenius I*).

<sup>336</sup> See *id.* at 1334. The outcome of the appeal was *Fresenius II*, decided July 2, 2013.

<sup>337</sup> See *In re Baxter*, 678 F.3d 1357 (Fed. Cir. 2012), *reh’g en banc denied*, 698 F.3d 1349 (Fed. Cir. 2012).

<sup>338</sup> See *Fresenius II*, 721 F.3d at 1335. The mandate by the Federal Circuit affirming the contemporaneous reexamination proceeding issued on November 2, 2012.

<sup>339</sup> See *id.*; see also *Ex parte* Reexamination Certificate, U.S. Pat. No. 5,247,434 C1 (Apr. 30, 2013).

<sup>340</sup> See *Fresenius II*, 721 F.3d at 1335.

<sup>341</sup> *Id.* at 1340.

<sup>342</sup> *Id.* at 1341.

of finality,”<sup>343</sup> concluding that the issue was not one of “dealing with finality for purposes of determining the potential res judicata effect of this infringement litigation on another suit,” but rather whether the Federal Circuit’s previous decision remanding the district court case was “sufficiently final to preclude application of the intervening final judgment in *In re Baxter*.”<sup>344</sup> The Federal Circuit held that their decision to “remand to the district court in *Fresenius I* did not end the controversy between the parties, or leave ‘*nothing for the court to do but execute the judgment.*’”<sup>345</sup> As a result, cancellation of the claims at issue by the Patent Office by the time a decision on remand could be made to execute the 2007 district court judgment mooted reconsideration of the royalty award and injunction.

In a strongly worded dissent in *Baxter*, Judge Newman excoriated the majority opinion as a holding that “violates . . . the constitutional plan,” that has unlawfully “revised, overturned or refused faith and credit”<sup>346</sup> of “[j]udgments . . . [made] within the power vested in courts by the Judiciary Article of the Constitution.”<sup>347</sup> Likewise, in a dissent to *Fresenius II*, Judge Newman did not generally contest the constitutionality of reexamination proceedings, but asserted that the “PTO can neither invalidate, nor revive, a patent whose validity the court has adjudicated,” without rendering “the court’s judgment no more than ‘advisory.’”<sup>348</sup> She then recited in her *Fresenius II* dissent the standard for finality in each of the other federal district courts,<sup>349</sup> none of which was so strict that it “leaves nothing for the court to do but execute the judgment,” as required by the majority.<sup>350</sup> According to Judge Newman and the several federal district courts, finality is specific to issues

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<sup>343</sup> *Id.* at 1340. The court quoted 18A CHARLES A. WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, *FEDERAL PRACTICE AND PROCEDURE* § 4432 (2d ed. 2002) (“Definitions of finality cannot automatically be carried over from appeals cases to preclusion problems.”).

<sup>344</sup> *Fresenius II*, 721 F.3d at 1341.

<sup>345</sup> *Id.* (quoting *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1580 (Fed. Cir. 1994)) (emphasis added).

<sup>346</sup> *In re Baxter*, 678 F.3d 1357, 1367 (Fed. Cir. 2012) (Newman, J., dissenting).

<sup>347</sup> *Id.*

<sup>348</sup> *Fresenius II*, 721 F.3d at 1349 (Newman, J., dissenting) (citing *Gordon v. United States*, 117 U.S. 697, 702 (1864)).

<sup>349</sup> *Id.* at 1355–58.

<sup>350</sup> *Id.* at 1341.

that “were finally decided in full and fair litigation.”<sup>351</sup> In this case, the decision had been made with respect to patent validity and only the issues of updating damages and the injunction consequent to that determination remained.<sup>352</sup>

Regardless of any standard for finality, the overriding issue, as stated by the district court, and as recited by Judge Newman, was the opportunity allowed for parties to game the system by employing reexamination as a “mere dilatory tactic.”<sup>353</sup> As stated by the district court:

Fresenius should not have waited until it had had a trial, had litigated motions for judgement as a matter of law and a new trial on the merits, and *then* had a favorable PTO action to request a stay. Any irreparable harm that Fresenius will suffer will be of its own making, attempting, as it did, to “game the system” by playing both fields simultaneously . . . . [T]o allow Fresenius to now derail this litigation would be to sanction the most blatant abuse of the reexamination process. *The express purpose of the reexamination procedure is to shift the burden from the courts by reducing costly and time-consuming litigation.*<sup>354</sup>

Yet the reexamination process failed to prevent costly litigation from unfolding in this case, despite the President’s Commission on the Patent System in 1966 setting before Congress the objectives to “raise the quality and reliability of the U.S. Patent” and to “reduce the expense of obtaining and litigating a patent.”<sup>355</sup>

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<sup>351</sup> *Id.* at 1354 (“All circuits impose finality and preclusion as to issues that were finally decided in full and fair litigation.”).

<sup>352</sup> *Id.* at 1359 (“Here, Fresenius contested liability and lost, by declaratory action brought in the district court, and on appeal to the Federal Circuit. All that remained on remand was an updating of the post-judgment royalty.”).

<sup>353</sup> *Id.* at 1357 n.2 (quoting Order at 6–8, *Fresenius USA, Inc. v. Baxter Int’l.*, No. 03-CV-1431 SBA, 2007 U.S. Dist. LEXIS 44107, \*16–20 (N.D. Cal. June 6, 2007) (quoting *Freeman v. Minn. Mining & Mfg. Co.*, 661 F. Supp. 886, 888 (D. Del. 1987))).

<sup>354</sup> *Id.* (emphasis added).

<sup>355</sup> See *Patent Reexamination Hearing*, *supra* note 32, at 53:

In *Baxter*,<sup>356</sup> the Federal Circuit specifically anticipated criticism that it would be “erroneously elevating the decision by the PTO over a decision by a federal district court, which decision has been affirmed by this court . . . .”<sup>357</sup> The court’s answer to such criticism was that, “this case is not about the relative primacy of the courts and the PTO, about which there can be no dispute” but, rather, it is a consequence of the court’s inability to “conclude that the PTO was barred from conducting the reexamination of the ’434 patent because of the final judgment in *Fresenius* without overruling *Ethicon* and *Swanson* . . . .”<sup>358</sup>

*Ethicon v. Quigg*, which had been decided in 1988, held that reexamination proceedings were dictated, by statute, to be conducted with “special dispatch”<sup>359</sup> and, therefore, could not be held in abeyance pending determination of litigation concerning a patent.<sup>360</sup> The Federal Circuit in *In re Swanson*<sup>361</sup> stated that courts do not uphold patent validity in civil litigation, but, rather, determine whether “a challenger who attacks the validity of patent claims . . . [has] . . . overcome the presumption of validity with clear and convincing evidence that the patent is invalid.”<sup>362</sup> To put the *Swanson* court’s point in different words, one might say that courts

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Witness the report of the President’s Commission on the Patent System in 1966. Within the boundaries defined by the Commission, the Commission identified six objectives:

*First:* To raise the quality and reliability of the US patent.

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*Fourth:* To reduce the expense of obtaining and litigating a patent.

<sup>356</sup> *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012).

<sup>357</sup> *Id.* at 1365.

<sup>358</sup> *Id.*

<sup>359</sup> *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1425–26 (Fed. Cir. 1988) (“*All reexamination proceedings* under this section, including any appeal to the Board of Patent Appeals and Interferences, *will be conducted with special dispatch* within the Office.”) (emphasis added) (quoting 35 U.S.C. § 305) (1988)).

<sup>360</sup> *Id.* at 1426. The Court stated:

The issue for us is whether “special dispatch” contemplates that a reexamination be suspended pending the outcome of a district court case involving allegations of invalidity of the same patent. We conclude that it does not.

*Id.*

<sup>361</sup> *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008).

<sup>362</sup> *Id.* at 1377 (citing 35 U.S.C. § 282).

can properly decide whether, under the clear and convincing evidence standard, a granted patent is *not invalid*. Because validity is presumed, courts are not in fact tasked with deciding whether a patent is valid in an affirmative sense.

For the Federal Circuit, therefore, while patent reexamination will not be stayed pending the outcome of litigation concerning the same patent, and the Patent Office, at any rate, is not bound by determinations of validity made by a court, a court is not free to uphold the validity of a patent previously determined to be invalid in a separate reexamination proceeding. Moreover, as stated in *Ethicon*, “if a court finds a patent invalid, and that decision is either upheld on appeal or not appealed, the PTO may discontinue its reexamination.”<sup>363</sup> This, according to the court in *Ethicon*, is consistent with *Blonder-Tongue Laboratories, Inc. v. University Illinois Foundation*, which “held that where a patent has been declared invalid in a proceeding in which the ‘patentee has had a full and fair chance to litigate the validity of his patent,’ the patentee is collaterally estopped from re-litigating the validity of the patent.”<sup>364</sup> In other words, while the patentee is collaterally estopped from re-litigating the validity of the patent found invalid by the Patent Office during reexamination or by another court, the Patent Office or another court can strike down a patent as invalid, despite a previous decision by either the Patent Office or an Article III Court to the contrary.

In effect, while the Patent Office and Article III courts are both able to rule against the validity of a patent previously found valid or not invalid, respectively, in separate proceedings, neither the Patent Office nor Article III courts can uphold a patent in the face of a final contrary decision. The requirement of “special dispatch” put upon the Patent Office in reexamination proceedings<sup>365</sup> may well not “elevate a decision by the PTO over the federal circuit court.” Nevertheless, this requirement does highlight that statutory post-grant examination proceedings made available to third parties gives

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<sup>363</sup> *Ethicon*, 849 F.2d at 1429.

<sup>364</sup> *Id.* (quoting *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333 (1971)).

<sup>365</sup> 35 U.S.C. § 305. Both inter partes review and post-grant review are required to come to a “final determination” within one year of the institution of proceedings, with an extension for “good cause” not to exceed six months. 35 U.S.C. §§ 316(a)(11), 326(a)(11).

rise to the problem of overlapping jurisdiction between the Patent Office and the Article III courts—a problem that, indeed, the special dispatch requirement exacerbates.

*C. A Plea for Reconsideration of Post-Grant Patent Examination*

Clearly, the odds are stacked against patentees, and the opportunities for gamesmanship are many. Both of these factors seem to belie any original intent of the drafters of reexamination or any third-party post-grant examination legislation purporting to protect patentees from unrealistic expectations of the value of their patents, or that they are being provided with a low-cost alternative to litigation that would assist them in making appropriate business decisions about enforcement of their intellectual property.<sup>366</sup>

In her dissent, Judge Newman in *Baxter* stated that she supported the “concept of reexamination as an efficient and economical alternative to litigation in appropriate cases.”<sup>367</sup> Her concern was with “the distortion of this purpose,” which, according to Judge Newman, “was not intended to undermine the finality of judicial process . . . [and thereby] “negate the repose provided by adjudication.”<sup>368</sup>

The issues raised in *Fresenius v. Baxter* and *In re Baxter* are not limited to reexamination, but extend to IPRs, PGRs, and CBMs, and appear to be manifesting in these other proceedings as time goes on.<sup>369</sup> Perhaps support for post-grant examination as a whole should

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<sup>366</sup> See, e.g., *supra* text accompanying note 330.

<sup>367</sup> *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1369 (Newman, J., dissenting).

<sup>368</sup> *Id.* Interestingly, though, Judge Newman also observed, like Professor Dolin, that the “only patents that are reexamined, like the only patents that are litigated, are patents on inventions that are of value.” *Id.* Dolin stated in his 2015 article, for example:

[A]lthough the post-issuance review proceedings (whether of the pre- or post-AIA variety) have ostensibly been designed to eliminate “the worst patents,” they are not the ones that end up as the focus of these proceedings . . . . It is the patents that are economically valuable that get the most attention . . . . The perverse result is that it is the “best” rather than the “worst” patents that are subject to post-issuance review.

Dolin, *supra* note 8, at 911–12 (citations omitted).

<sup>369</sup> The potential for gamesmanship consequent to overlapping jurisdiction of post-grant examination proceedings created by the AIA can be seen in recent cases, such as *Versata*



be reconsidered; the goal of providing an “economic alternative to litigation in appropriate cases” arguably has not been met by proceedings that can be initiated by “members of the public.” To the contrary, whatever certainty patentees believe is conferred by the presumption of validity associated with a granted patent has been seriously undercut by the alternative path of legislated third-party-initiated post-issuance examination, whether it be by *ex parte* reexamination, post-grant review, *inter partes* review, or covered business method proceedings. The problems associated with these alternatives to litigation stem largely from what is, in effect, overlapping jurisdiction between the executive and judicial branches over patent validity that exacerbates uncertainty for patent holders, particularly those trying to make business decisions on the basis of granted patents.

The key to resolving the high level of uncertainty associated with overlapping jurisdiction among government branches is to remove that jurisdiction from one of those governing branches. In this case, history provides a clear choice. Patents have been considered to be private property since the founding of this country<sup>370</sup> and

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*Development Group, Inc. v. SAP America, Inc.*, where the Federal Circuit affirmed the finality of a damages award despite apparently reopening that judgment for modification, and in the face of an intervening verdict of invalidity by the PTAB consequent to a CBM proceeding, 793 F.3d 1306 (Fed. Cir. 2015); *see also* *Opticurrent, LLC v. Power Integrations, Inc.*, 2019 U.S. Dist. LEXIS 94615 \*1 (N.D. Cal. June 5, 2019). In *Opticurrent*, the plaintiff filed an emergency motion to enter a backdated judgment that would nullify a reexamination proceeding initiated by the defendant based on evidence the defendant deliberately withheld during an infringement trial. Separately, the Patent Office has made precedential at least two IPRs, *NHK Spring Co., Ltd. v. Intri-Plex Technologies, Inc.*, No. IPR2018-00752 (P.T.A.B. Sept. 12, 2018) and *Valve Corp. v. Electronic Scripting Products, Inc.*, Nos. IPR2019-00062, IPR2019-00063, IPR2019-00084 (P.T.A.B. Apr. 2, 2019), and made informative two other cases, *Becton Dickenson & Co. v. B. Braun Melsungen AG*, No. IPR2017-01586 (P.T.A.B. Dec. 15, 2017) and *Kayak Software Corp. v. IBM Corp.*, CBM2016-00075 (P.T.A.B. Dec. 15, 2016); setting forth and applying factors that are intended to curb abuse of post-grant examination proceedings. However, the proper channel for alleviation of those concerns is not reliance on self-restraint by the Patent Office, but, rather, to remove the overlap of jurisdiction that is at the root of the conflict enabling much abuse.

<sup>370</sup> *See, e.g.*, Mossoff, *supra* note 25, at 700 (“Nineteenth century courts concluded that patents were constitutional private property based on a logical development in both patent and constitutional law.”).

have a long history of regulatory oversight.<sup>371</sup> While it is true that the grant of an exclusionary right to a patentee for a limited period of time embraces both private and public aspects in that the property right is held privately against public interests, the patentee has bargained for that exclusionary right by disclosing the patented invention to the world. As a contract, such disclosure constitutes consideration that, unlike working a plot of land or practicing an invention, cannot be returned or extinguished. Therefore, the consideration of disclosure put up by patentees in exchange for a limited period of exclusivity should be honored by the Patent Office upon grant of exclusionary rights. Mistake on the part of the Patent Office, or even fraud on the part of patentees, will, of course, negate the value of that consideration, but these are fair game as defenses to infringement or in declaratory judgment actions before an Article III court. Post-grant examination by the Patent Office should be limited to fact finding as an adjunct to litigation before district courts, subject to a substantial evidence standard that would allow the Patent Office to apply its technical expertise to matters of fact.<sup>372</sup> Failure to so limit post-grant examination proceedings will perpetuate the erosion of confidence currently underway in American patent law.

#### CONCLUSION

The Supreme Court in *Stern* provided a narrow path for adjudication under Article I by expressly refraining from “any view on how the doctrine [of public rights exception] might apply in [a] different context [than that of a state law counterclaim].”<sup>373</sup> However, despite potentially relevant Supreme Court decisions and dicta in *Thomas* and *Granfinanciera*, the better view under the weight of

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<sup>371</sup> See JERRY L. MASHAW, *CREATING THE ADMINISTRATIVE CONSTITUTION: THE LOST ONE HUNDRED YEARS OF AMERICAN ADMINISTRATIVE LAW* 5 (2012) (“[T]he first regulatory agency established outside of any executive department at the national level was not the ICC [Interstate Commerce Commission, in 1887]; it was the Patent Office, created ninety-seven years earlier.”).

<sup>372</sup> See *supra* text accompanying note 261. For a discussion of the development and role of the substantial evidence standard during expansion of administrative law in the early twentieth century, see generally DANIEL R. ERNST, *TOCQUEVILLE’S NIGHTMARE: THE ADMINISTRATIVE STATE EMERGES IN AMERICA, 1900–1940* (2014).

<sup>373</sup> *Stern v. Marshall*, 564 U.S. 462, 494 (2011); see also *supra* text accompanying note 221.

Supreme Court precedent with respect to patent validity (but for the recent decision by the Court in *Oil States*), is that determination of the validity of issued patents does not include the government as a party and, therefore, only private rights are involved.

To conceptualize patents within the narrow framework of “franchises” is profoundly misleading, because from such a perspective their fate would seem to become merely a function of privileges to be maintained at the discretion of a sovereign. Rather, a patent historically has been, and should continue to be, conceived of as a contract governing a property transaction between the government and the patentee. This contract has two key features: the patentee holds private rights conferred by the government in consideration of the patentee’s disclosure; and the contract is cancellable only pursuant to review by an independent and neutral branch of government.

Jurisdiction over the validity of granted patents should, therefore, be solely under Article III. Statutory provisions for post grant examination at the Patent Office should be limited to an advisory capacity as an adjunct to a federal district court and address only issues of fact. Such factual determinations coming from the Patent Office should be subject to review for substantial evidence by a district court in order to pass constitutional muster.