

PATENTS AS PROPERTY: *OIL STATES* AND ITS IMPLICATIONS ON THE TAKINGS CLAUSE

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INTRODUCTION

In 2011, Congress passed the Leahy-Smith America Invents Act (AIA),¹ marking a radical reform of the patent system. Among the many changes implemented by the AIA, Congress introduced inter partes review (IPR), a new administrative proceeding for adjudicating patent validity disputes.² Utilized by parties seeking to invalidate issued patents, the proceeding, held by the Patent Trial and Appeals Board (PTAB), has been as popular as it has been polarizing in the patent community.³ IPRs have invalidated a large number of patents which has subjected the proceeding to both legislative and judicial challenges.⁴ Recently, the Supreme Court was faced with an IPR challenge with the potential of rendering the entire IPR system unconstitutional. The case, *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*,⁵ represents the closest a challenge has come to invalidating such an important fixture of the reformed patent system under the AIA.

The decision issued by the Supreme Court in *Oil States* upheld the constitutionality of IPRs as a valid adjudicatory proceeding under Article III by applying the public rights doctrine.⁶ Essentially, the Court reasoned that

¹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

² Sec. 6, § 311, 125 Stat. at 299.

³ See *infra* notes 22–24.

⁴ Since the introduction of the AIA, 9870 IPR petitions have been filed, accounting for ninety-three percent of all PTAB proceedings. Of those instituted, eighty percent of patents have had one or more claims invalidated. PATENT TRIAL & APPEAL BOARD, U.S. PATENT & TRADEMARK OFF., TRIAL STATISTICS: IPR, PGR, CBM (2019), https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-09-30.pdf [<https://perma.cc/Q86P-N3AN>].

⁵ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018).

⁶ *Id.* at 1373 (“Inter partes review falls squarely within the public-rights doctrine. This Court has recognized, and the parties do not dispute, that the decision to *grant* a patent is a matter involving public rights—specifically, the grant of a public franchise. Inter partes review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO’s authority to conduct that reconsideration. *Thus, the PTO can do so without violating Article III.*” (emphasis added)).

patents are public franchises, a form of property that is granted by the government for a public purpose.⁷ Although there has been judicial evidence of classifying patents as private property,⁸ the Court concluded that patents, for the purposes of determining IPR constitutionality under Article III, should be characterized as public franchises.⁹ Pursuant to the public rights doctrine, the PTAB, as part of the United States Patent and Trademark Office (USPTO), was permissibly granted the adjudicatory authority to decide the validity of issued patents under the provisions of the AIA.¹⁰ The characterization of patents as public franchises, rather than private property, ultimately led the Court to decide that patents were within the jurisdiction of an administrative body.¹¹

While the Court emphasized that its decision in *Oil States* is narrow,¹² the implications of the decision are unavoidably broad. Although noting that the *Oil States* decision did not implicate property determinations under the Takings Clause¹³ and the Due Process Clause,¹⁴ it is remiss to think that the characterization of patents as public franchises for Article III purposes can have no impact on subsequent challenges. Parties, in fact, have already taken the Court's nudge, filing a class action suit claiming that government revocation of patents through IPRs without just compensation are unconstitutional as a violation of the Takings Clause.¹⁵ While it remains to be seen how the Court will potentially rule on a Takings Clause challenge, contemplating the application of the Takings Clause to patent invalidation

⁷ *Id.* (“Specifically, patents are ‘public franchises’ that the Government grants ‘to the inventors of new and useful improvements.’” (internal citations omitted)); see *Seymour v. Osborne*, 78 U.S. 516 (1870) (introducing the term “public franchise” to recognize the form of property granted to a patent holder).

⁸ See *infra* Section I.B.2.

⁹ *Oil States*, 138 S. Ct. at 1373 (“Inter partes review involves one such matter: reconsideration of the Government’s decision to grant a public franchise.”).

¹⁰ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 7, § 6, 125 Stat. 284, 313 (2011).

¹¹ See *Oil States*, 138 S. Ct. at 1373.

¹² *Id.* at 1379 (“We emphasize the narrowness of our holding. We address the constitutionality of inter partes review only.”).

¹³ U.S. CONST. amend. V.

¹⁴ *Id.*

¹⁵ Class Action Complaint, *Christy, Inc. v. United States*, No. 1:18-cv-00657-MMS (Fed. Cl. May 9, 2018); Steve Brachmann, *Class Action Lawsuit Filed Against U.S. Government Alleging PTAB Violates Takings Clause and Due Process*, IPWATCHDOG (May 11, 2018), <https://www.ipwatchdog.com/2018/05/11/class-action-lawsuit-against-u-s-government-alleging-ptab-violates-takings-claus-due-process/id=97088> [perma.cc/J9NH-4DXE].

proceedings will require a property analysis in which *Oil States* will undoubtedly play a part.

This Case Note explores the bases for the Court's decision in *Oil States* and the implications it will have on future litigation. In Part I, this Case Note provides context to the issues faced in the *Oil States* decision by first defining the IPR proceeding and then explaining the distinction between the types of property rights at issue. Part II then details the factual and procedural history of *Oil States*, followed by the majority's opinion, the concurrence, and the dissent. With a focus on property characterization, Part III then explores the government's relationship with patents that led to the Court's decision in *Oil States* and the reasoning behind the Court's endorsement of recognizing patents as public franchises. Finally, Part IV evaluates the implications of the *Oil States* decision, particularly by analyzing the merits of the recent constitutional challenge to IPRs under the Takings Clause.

I. BACKGROUND OF FOUNDATIONAL CONCEPTS

A. *What Is Inter Partes Review?*

Inter partes review is an internal proceeding of the USPTO introduced in the America Invents Act of 2011 by which a party may challenge the validity of the claim(s) of a granted patent.¹⁶ Third parties may file a petition to institute an IPR with the PTAB, which then decides whether the petition should be instituted under the standard of reasonable likelihood of success.¹⁷ Upon institution, the parties engage in a trial-like proceeding in front of a panel of three administrative patent judges who then decide whether the patent is invalid.¹⁸ IPRs are subject to limited bases of invalidation and are only available to parties who are seeking to invalidate patents under novelty or obviousness challenges.¹⁹

¹⁶ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6, § 311, 125 Stat. 284, 299 (2011).

¹⁷ *Inter Partes Review*, USPTO (July 17, 2014, 6:57 PM), <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> [https://perma.cc/EG2B-935R].

¹⁸ Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 CALIF. L. REV. 141, 162 (2019).

¹⁹ *Id.* at 158–59.

The IPR proceeding sought to replace its predecessor, inter partes reexamination, as well as provide an alternative to costly federal court litigation.²⁰ In this way, the IPR proceeding was developed as a cost-effective and relatively quick proceeding for third parties challenging patents.²¹ Given these advantages over litigation, IPRs have been increasingly popular.²² However, this popularity has not provided immunity from debates in and out of the courts.²³ While the implementation of IPRs has resulted in litigation and numerous legislative proposals,²⁴ the most serious challenge to the proceeding was the contention that it was unconstitutional in *Oil States*.²⁵

B. *Defining the Property and Rights Theories in Debate*

The controversy over IPRs, and thus the decision in *Oil States*, is grounded in the unique property status of patents and the historical debate concerning how to characterize them.²⁶ The main source of contention is whether patents are considered private property or public franchises.²⁷ This property characterization in turn implicates whether patents fall within private or public rights. The private versus public rights debate is relevant

²⁰ *Inter Partes Review*, FISH & RICHARDSON, <https://fishpostgrant.com/inter-partes-review> [<https://perma.cc/4G95-439G>].

²¹ *Id.*

²² 9,870 IPR petitions have been filed since the implementation of the AIA. *See supra* note 4 and accompanying text.

²³ Alden Abbott, *Constitutional and Economic Policy Problems Raised by Inter Partes Review (IPR) Suggest Congress Should Consider Acting*, HERITAGE FOUND. (Dec. 12, 2016), <https://www.heritage.org/economic-and-property-rights/commentary/constitutional-and-economic-policy-problems-raised-inter> [perma.cc/YH7B-9M7U].

²⁴ STRONGER Patents Act of 2018, H.R. 5340, 115th Cong. (2018) (focusing mainly on changing the rules and standards of the IPR proceeding to remedy its perceived flaws).

²⁵ 138 S. Ct. 1365 (2018).

²⁶ *See id.*

²⁷ *See* Davida H. Isaacs, *Not All Property Is Created Equal: Why Modern Courts Resist Applying the Takings Clause to Patents, and Why They Are Right to Do So*, 15 GEO. MASON L. REV. 1, 28–29 (2007) (“While courts have indeed described patents as a form of ‘property,’ that debate is only the beginning of the analysis because the Supreme Court has made clear that not all ‘property’ is created equal.”).

not only to what rights are afforded to patent owners, but also, as was the case in *Oil States*, to where disputes can be adjudicated.²⁸

1. The Distinction Between Public and Private Rights

In resolving an alleged violation of rights, determining whether rights are private or public dictates the role of the judiciary and the nature of the government's relationship with the individual.²⁹ The public rights doctrine, introduced in *Murray v. Hoboken Land & Improvement Co.*,³⁰ created a distinction between sects of individual rights, including where and by whom they are permitted to be adjudicated.³¹ While private rights involve matters between private individuals under the law, public rights involve those between the government and individuals under its authority regarding actions of the executive and legislative branches.³² Although these issues may be resolved by judicial determination, Congress ultimately has the power to determine whether to place certain public rights within the purview of Article III jurisdiction.³³ Indeed, Congress may delegate adjudication of public rights to administrative and legislative bodies.³⁴ On the other hand, private rights firmly reside within the jurisdiction of Article III courts and may not be removed to other adjudicatory bodies.³⁵ Private rights, such as

²⁸ See *infra* Section I.B.1; see also John Golden, *Private Property and Public Franchise: Patents Under the Supreme Court's "Public-Rights Doctrine,"* PROJECT ON FOUND. PRIV. L. (Apr. 30, 2018), <http://blogs.harvard.edu/nplblog/2018/04/30/private-property-and-public-franchise-patents-under-the-supreme-courts-public-rights-doctrine> [perma.cc/9HGF-FRDQ].

²⁹ See Mila Sohoni, *Agency Adjudication and Judicial Nondelegation: An Article III Canon*, 107 NW. U. L. REV. 1569, 1584–87 (2013).

³⁰ *Murray v. Hoboken Land & Improvement Co. (Murray's Lessee)*, 59 U.S. 272 (1856).

³¹ *Id.* at 275–76.

³² *Crowell v. Benson*, 285 U.S. 22, 50 (1932). It is worth noting that public rights have been vaguely defined by the Court, relying generally on the involvement of the government in disputes with others. *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 69 (1982) (noting that merely defining a public right as a matter between the government and an individual is sufficient).

³³ *Crowell*, 285 U.S. at 50.

³⁴ Sohoni, *supra* note 29, at 1572.

³⁵ *N. Pipeline Constr. Co.*, 458 U.S. at 70 (“Our precedents clearly establish that *only* controversies in the former [public rights] category may be removed from Art. III courts and delegated to legislative courts or administrative agencies for their determination. Private-rights disputes, on the other hand, lie at the core of the historically recognized judicial power.” (internal citations omitted)).

those of common law, equity, or admiralty, are historically recognized as reserved for exclusive judicial power.³⁶

2. The Distinction Between Private Property and Public Franchises

For purposes of this discussion, the status of property is a distinct, yet intertwined concept within the dichotomy of public and private rights. The general construction of property can be divided into subsets, including the concepts of private property and public franchises.³⁷ Private property inherently provides its owner with relatively secured rights of exclusive use and ownership.³⁸ Private property is founded in the laws of nature, endowing owners with a right to generally use their own property without interference.³⁹ As a form of private right, private property also imputes the privilege of Article III court adjudication.⁴⁰ Moreover, private property is afforded constitutional protection under the Takings Clause of the Fifth Amendment, a provision prohibiting the government from taking private property without justified public use and just compensation.⁴¹ It is under this principle that private property is protected from governmental abuse and property owners are secure in their ownership.⁴²

The Court in *Oil States*, however, designated patents as “public franchises’ that the Government grants ‘to the inventors of new and useful

³⁶ *Id.*

³⁷ See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) (noting that property comes in various forms, including the specific subset of a public franchise).

³⁸ 1 WILLIAM BLACKSTONE, COMMENTARIES *133–36.

³⁹ *Id.*

⁴⁰ Sohoni, *supra* note 29, at 1584–88 (explaining private property as a private right that is entitled to Article III adjudication or appellate jurisdiction); The Editorial Bd., *Patents and Property at the Supremes*, WALL ST. J. (Nov. 26, 2017, 4:03 PM), <https://www.wsj.com/articles/patents-and-property-at-the-supremes-1511730198> [<https://perma.cc/Y3RK-NZWW>].

⁴¹ U.S. CONST. amend. V (“[N]or shall private property be taken for public use, without just compensation.”); Tom Reed, *Eminent Domain Abuse Violates Private Property Rights*, THE HILL (July 2, 2015, 8:00 AM), <https://thehill.com/blogs/congress-blog/246691-eminent-domain-abuse-violates-private-property-rights> [<https://perma.cc/DVH4-U692>].

⁴² Adam Mossoff, *Who Cares About What Thomas Jefferson Thought About Patents? Reevaluating the Patent “Privilege” in Historical Context*, 92 CORNELL L. REV. 953 (2007) [hereinafter Mossoff, *Reevaluating the Patent Privilege*].

improvements.”⁴³ As creatures of law, public franchises are not entitled to all the rights of private property but only to those granted by statute.⁴⁴ However, public franchises are similarly entitled to a right of exclusive use, albeit subject to the government’s will.⁴⁵ Because public franchises involve the relationship between the government and an individual, they, by definition, affect public rights and are subject to the public rights doctrine.⁴⁶ As such, public franchises may be permissibly adjudicated outside Article III courts.⁴⁷ Therefore, the Court’s characterization of patents as public franchises holds significance for the rights afforded to patent owners, the future of IPRs, and the implications of the *Oil States* decision.

II. *OIL STATES ENERGY SERVICES V. GREENE’S ENERGY GROUP*

A. *Factual and Procedural Background*

Oil States Energy Services, LLC, is an oilfield service company and the owner of U.S. Patent No. 6,179,053 (hereinafter, the ‘053 patent).⁴⁸ Entitled “Lockdown Mechanism for Well Tools Requiring Fixed-Point Packoff,” the patent covers an apparatus and method for securing a well tool mandrel in a position where the mandrel is affixed to a fixed-point in the well for hydraulic fracturing.⁴⁹ Upon unauthorized use by Greene’s Energy Group, LLC, Oil States sued in federal district court for infringement of the ‘053 patent in 2012.⁵⁰ In response, Greene’s Energy both counterclaimed patent invalidity and petitioned the PTAB to institute an IPR regarding ‘053 claims

⁴³ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (internal citations omitted); see *Seymour v. Osborne*, 78 U.S. 516, 533–34 (1870) (emphasizing patents are public franchises as contemplated by the Constitution and the laws of Congress).

⁴⁴ *Public Franchise*, FAM. GUARDIAN, <https://famguardian.org/Publications/PropertyRights/R5frnch.html> [<https://perma.cc/V4DZ-X8RU>].

⁴⁵ *Id.*

⁴⁶ *Oil States*, 138 S. Ct. at 1373.

⁴⁷ *Id.*

⁴⁸ *Greene’s Energy Grp., LLC v. Oil States Energy Servs., LLC*, No. 2014-00216, 2015 Pat. App. LEXIS 5328 (P.T.A.B. May 1, 2015).

⁴⁹ Lockdown Mechanism for Well Tools Requiring Fixed-Point Packoff, U.S. Patent No. 6,179,053 (filed Aug. 12, 1999) (issued Jan. 30, 2001).

⁵⁰ Plaintiff’s Original Complaint and Request for Preliminary and Permanent Injunction, *Oil States*, 138 S. Ct. 1365 (No. 6:12-cv-611), 2012 WL 3917043.

1 and 22, arguing the claims were invalid as anticipated by prior art.⁵¹ After determining a reasonable likelihood of invalidity, the PTAB then instituted the IPR petition.⁵²

In parallel proceedings,⁵³ the district court and PTAB arrived at different conclusions. In the district court proceeding, the court's construction of the language of the claims precluded Greene's Energy's challenge of invalidity based on prior art.⁵⁴ However, the PTAB issued a final written decision, acknowledging the court's conclusion but ultimately finding that the claims were in fact anticipated by prior art.⁵⁵ Oil States appealed the PTAB's decision to the Federal Circuit Court of Appeals.⁵⁶ Oil States challenged the PTAB's finding of invalidity, as well as the constitutionality of IPRs as a violation of Article III court jurisdiction and the Seventh Amendment.⁵⁷ The Federal Circuit affirmed the PTAB's decision without an opinion, and the Supreme Court granted certiorari on the constitutional issues raised on appeal.⁵⁸

B. *The Decision*

After granting certiorari, the Supreme Court faced the issue of whether IPRs violate Article III jurisdiction over patents. Oil States, which initiated the constitutional challenge, argued that patent matters involve private rights and, therefore, IPRs impermissibly adjudicate disputes that are reserved for Article III courts.⁵⁹ The Court began its analysis by recognizing the distinction between public rights and private rights for purposes of

⁵¹ *Oil States*, 138 S. Ct. at 1372.

⁵² *Id.*

⁵³ The institution of an IPR is barred when a party brings a civil action challenging the validity of a patent. However, when a party counterclaims patent invalidity in an infringement suit, the party is permitted to petition for a concurrent IPR proceeding within the statutory timeframe. 35 U.S.C. § 315 (2018).

⁵⁴ *Oil States*, 138 S. Ct. at 1372–75.

⁵⁵ *Id.* at 1372.

⁵⁶ *Id.* A PTAB decision may be appealed to the Court of Appeals for the Federal Circuit. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

⁵⁷ *Oil States*, 138 S. Ct. at 1372. For purposes of this analysis, only the Article III court jurisdiction challenge will be discussed.

⁵⁸ *Id.*

⁵⁹ Reply Brief for Petitioner, *Oil States*, 138 S. Ct. 1365 (2018) (No. 16-712), 2017 WL 5591730.

Article III judicial authority.⁶⁰ Congress, the Court noted, has the power to delegate adjudication of public rights to entities besides Article III courts.⁶¹ The Court defined the public rights doctrine as encompassing issues between the government and those under its authority that arise from executive and legislative constitutional functions.⁶² The Court unequivocally declared that patents are public franchises as they are governed by statute and are subject to the public rights doctrine.⁶³ Therefore, the Court held that the IPR proceeding does not violate Article III and is a valid exercise of administrative adjudication over matters involving public rights.⁶⁴

Oil States refuted that contention by relying on cases that recognized patents as invoking private property rights in the inventor, therefore making patents private—not public—rights.⁶⁵ The *Oil States* Court, however, negated Oil States' argument by demonstrating that the decisions they relied on were shaped by the law of the time, the Patent Act of 1870.⁶⁶ Because administrative proceedings were not included in any provision, an accurate reading of those cases is limited to the statutory framework of the Act.⁶⁷ As such, the Court noted that those cases do not bear on Congress's decision to

⁶⁰ *Oil States*, 138 S. Ct. at 1373. The distinction between public and private rights is of particular importance when considering whether one is entitled to resolution or appeal in an Article III court. Private rights are those that belong to individuals as opposed to the public and are entitled to Article III adjudication or appellate jurisdiction over administrative adjudication. Public rights, however, are those that involve legal entitlements to the public as a whole and may be conclusively resolved by administrative agencies. Sohoni, *supra* note 29, at 1584–88.

⁶¹ “Those precedents have given Congress significant latitude to assign adjudication of public rights to entities other than Article III courts.” *Oil States*, 138 S. Ct. at 1373 (citing *Stern v. Marshall*, 564 U.S. 462, 488–92 (2011)).

⁶² *Id.* at 1372–73.

⁶³ *Id.* at 1373 (“This Court has recognized, and the parties do not dispute, that the decision to *grant* a patent is a matter involving public rights—specifically, the grant of a public franchise.”).

⁶⁴ *Id.* at 1374.

⁶⁵ *Id.* at 1375 (citing *United States v. American Bell Tel. Co.*, 128 U.S. 315 (1888); *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898); *Brown v. Duchesne*, 60 U.S. 183 (1856)); see Reply Brief for Petitioner, *supra* note 59, at 16 (citing *Cammeyer v. Newton*, 94 U.S. 225 (1876)).

⁶⁶ *Oil States*, 138 S. Ct. at 1376 (recognizing that the Patent Act of 1870 shaped the decisions supporting patents as private property).

⁶⁷ *Id.* at 1376 (“That version of the Patent Act did not include any provision for post-issuance administrative review. Those precedents, then, are best read as a description of the statutory scheme that existed at that time. They do not resolve Congress' authority under the Constitution to establish a different scheme.”).

broaden the scope of administrative review, and therefore, do not implicate the instant case.⁶⁸

Moreover, the Court refuted the dissent's argument that, traditionally, patent validity disputes were handled in the courts and so must remain there exclusively.⁶⁹ According to the majority, patents, as controlled by the public rights doctrine, can be adjudicated in many ways, including by way of congressional delegation to administrative agencies.⁷⁰ Finally, the Court found unpersuasive Oil States' argument that IPRs resemble an unconstitutional exercise of judicial power in a trial-like proceeding outside of an Article III court.⁷¹ The Court rejected the assertion that simply because the administrative proceeding shares trial-like features of an Article III court, IPRs are an improper adjudicatory vehicle.⁷²

Summarizing its decision, the Court emphasized that its holding was narrow.⁷³ It expressly stated that its decision addressed only the constitutionality of IPRs in the Article III context.⁷⁴ For purposes of this analysis, it is of particular importance to note that the Court concluded its opinion with a disclaimer that the property classification of patents as public franchises in this case should not suggest that patents are not property under the Takings Clause or the Due Process Clause.⁷⁵ Although a historical evaluation of case law and statutory schemes reveals a discrepancy in property ideologies concerning patents, the Court ultimately ruled in favor of IPR constitutionality.⁷⁶ The PTAB, as an administrative agency, according to the Court, has adjudicatory authority over patents, which are considered public franchises and therefore public rights.⁷⁷

⁶⁸ *Id.*

⁶⁹ *Id.* at 1378 (“Historical practice is not decisive here because matters governed by the public-rights doctrine ‘from their nature’ can be resolved in multiple ways . . .”).

⁷⁰ “[M]atters governed by the public-rights doctrine ‘from their nature’ can be resolved in multiple ways: Congress can ‘reserve to itself the power to decide,’ ‘delegate that power to executive officers,’ or ‘commit it to judicial tribunals.’” *Id.* at 1378 (quoting *Ex parte Bakelite Corp.*, 279 U.S. 438, 451 (1929)).

⁷¹ *Id.* at 1378.

⁷² *Id.*

⁷³ *Id.* at 1379.

⁷⁴ *Id.* (“We emphasize the narrowness of our holding. We address the constitutionality of inter partes review only.”).

⁷⁵ *Id.* (“Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”).

⁷⁶ *Id.*

⁷⁷ *Id.* at 1374.

C. *The Concurrence*

Justices Breyer, Ginsburg, and Sotomayor joined in the majority, recognizing IPRs as a constitutional proceeding under the public rights doctrine.⁷⁸ They wrote separately to acknowledge that there are instances in which private rights may also be adjudicated outside of Article III courts.⁷⁹

D. *The Dissent*

Justice Gorsuch, joined by Chief Justice Roberts, dissented from the majority's opinion. The dissent discredited the Court's recognition of patents as public franchises, and instead relied on past notions of patents as a private right that could only be revoked in an Article III court.⁸⁰ The dissent claimed that the AIA impermissibly removed Article III jurisdiction over reconsideration of an issued patent and deprived patent owners of a constitutionally protected procedure.⁸¹ Further, the dissent referred to the English patent system, which acted as a model for the American system, to support the assertion that patents, and their revocation, were generally under the jurisdiction of English courts.⁸² Although the English system may have served as an example in some ways, the dissent also acknowledged that the Framers sought to reject the English practice of granting patents as a matter of grace by drafting the Patent Clause as granting patents as a matter of right.⁸³ Against this backdrop, the dissent turned to cases that established issued patents as private property outside the jurisdiction of the USPTO.⁸⁴ The dissent ultimately concluded that the Court's decision represented a departure from the Article III constitutional guarantee historically afforded to patents.⁸⁵

⁷⁸ *Id.* at 1379 (Breyer, J., concurring).

⁷⁹ *Id.*

⁸⁰ *Id.* at 1380 (Gorsuch, J., dissenting).

⁸¹ *Id.*

⁸² *Id.* at 1383.

⁸³ *Id.* at 1383–84.

⁸⁴ *Id.* at 1384–85; *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 608–09 (1898).

⁸⁵ *Oil States*, 138 S. Ct. at 1385–86 (Gorsuch, J., dissenting).

III. HISTORY AND JUSTIFICATIONS SHAPING THE *OIL STATES* DECISION

The Court and parties relied on prior case law and historical ideologies to shape their arguments about the rights afforded to patents as a means of deciding the constitutionality of IPRs.⁸⁶ Embedded in the reasoning of many patent opinions is acknowledgement of the fact that the patent is a privilege and a creation of the government, and therefore a public franchise.⁸⁷ The limited monopoly granted with a patent is a statutory creation, and, as such, is subject to changes that occur in a dynamic government.⁸⁸ Many attribute the conception of characterizing patents as public franchises to Thomas Jefferson, who viewed patents as an incentive for societal utility, rather than a natural property right borne to the inventor.⁸⁹ Proponents of Jefferson's patent theory, and thus, that of the public franchise characterization, recognize that the underlying principle of patent law is not to secure an individual with an inherent right, but to promote utilitarian values of public advancement.⁹⁰

Such a view was endorsed by the *Oil States* Court, which relied on the public franchise characterization of patents in *Seymour v. Osborne*.⁹¹ While notions of public protection had been established as the essence of the patent system, *Seymour v. Osborne* introduced the term “public franchise” to articulate the type of property conferred by a patent grant.⁹² The *Seymour* Court prefaced its decision with the acknowledgement that in patent infringement proceedings, determination of property rights is imperative and often has significant implications on the issues involved in the dispute.⁹³

⁸⁶ *Id.*

⁸⁷ See *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 36–37 (1923); *Kendall v. Winsor*, 62 U.S. 322, 328–29 (1858); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 666 (1944) (“The patent is a privilege. But it is a privilege which is conditioned by a public purpose.”).

⁸⁸ *Crown Die & Tool Co.*, 261 U.S. at 40 (“Patent property is the creature of statute law and its incidents are equally so and depend upon the construction to be given to the statutes creating it and them, in view of the policy of Congress in their enactment.”).

⁸⁹ Mossoff, *Reevaluating the Patent Privilege*, *supra* note 42, at 959–60; *Graham v. John Deere Co.*, 383 U.S. 1, 7 (1966).

⁹⁰ Mossoff, *Reevaluating the Patent Privilege*, *supra* note 42, at 962 (Jefferson “forcefully advanced the utilitarian and economic justification of the patent system—the primary justification for patents today.”).

⁹¹ *Seymour v. Osborne*, 78 U.S. 516 (1870).

⁹² *Id.* at 533.

⁹³ *Id.*

The Court followed by explicitly stating that patents are public franchises—that is, they are entitled to the protections afforded to that of the franchise subset of property.⁹⁴ Relying on the explicit language of *Seymour*, the *Oil States* Court found historical justification for its stance on the characterization of patents as public franchises.⁹⁵

The judicial recognition of patents as public franchises introduced in *Seymour* has been recognized in subsequent judicial decisions and patent doctrine.⁹⁶ A more recent decision endorsing the public franchise characterization of patents is *Pfaff v. Wells Electronics, Inc.*⁹⁷ In the context of an invalidity challenge, the Court was faced with the issue of whether the inventor's acts represented an entrance into the commercial market implicating a donation to the public domain and forfeiture of the right of exclusivity of an issued patent.⁹⁸ Underpinning the Court's reasoning that a forfeiture of rights had occurred was acknowledgement that the patent was an instrument used to balance societal advancement through disclosure and reward for discovery.⁹⁹ The *Pfaff* Court cited *Seymour v. Osborne* and the notion that as public franchises, patents cannot protect inventions that have

⁹⁴ *Id.* The Court explained:

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 same to practice for the public benefit, as contemplated by the Constitution and sanctioned by the laws of Congress.

Id. (emphasis added).

⁹⁵ “Specifically, patents are ‘public franchises’ that the Government grants ‘to the inventors of new and useful improvements.’” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *Seymour*, 78 U.S. at 533).

⁹⁶ See *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665–67 (1944) (recognizing patent rights are limited to the terms of the grant); *Graham v. John Deere Co.*, 383 U.S. 1, 3 (1966) (acknowledging patentability is subject to the powers of Congress).

⁹⁷ *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998).

⁹⁸ *Id.* at 67–68.

⁹⁹ “[T]he 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.” *Id.* at 63.

already been introduced into the public domain.¹⁰⁰ To remove an invention from the public domain would be contrary to the ultimate goal of granting patents for the public's betterment.¹⁰¹ Given that the inventor's choice to introduce his invention to the public prior to obtaining patent protection led to forfeiting patent rights, it followed that patent rights are a function of governmental authority rather than a natural right created by the invention.¹⁰²

On the contrary, *Oil States* and the dissent argued that there is ample support for exclusive Article III jurisdiction over patents as a form of private property. One such case, *McCormick Harvesting Machine Co. v. Aultman*,¹⁰³ dealt with infringement of a patent that had been partially invalidated in its application for reissue.¹⁰⁴ The Supreme Court acknowledged that once a patent has been allowed, it is the property of the patent owner, is removed from the jurisdiction of the Patent Office, and can only be canceled or corrected by the courts.¹⁰⁵ These statements have been taken as evidence of the Court's approval of patents as private property.¹⁰⁶ While it may be conceded that there was a period of "propertization" of patents by some courts, the *Oil States* majority thought that *McCormick* and its counterparts must be analyzed in the context and statutory scheme of that time.¹⁰⁷ The original Patent Act of 1790¹⁰⁸ was not codified to accommodate the expansive administrative entity that is the current state of the government. The mere mention of arts and sciences in the Constitution did not endow patent holders with an inalienable right; rather, the Constitution instilled in

¹⁰⁰ *Id.* at 63–64.

¹⁰¹ *Id.* at 64.

¹⁰² *Id.*

¹⁰³ *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898).

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 608. The Court reiterated the notion that once a patent has been approved, it is no longer under the jurisdiction of the USPTO. *Id.*

¹⁰⁶ Andrew Williams, *Oil States Preview Take II—Just What Did the Supreme Court Hold in McCormick Harvesting Machine v. Aultman*, PATENT DOCS (Nov. 21, 2017), <http://www.patentdocs.org/2017/11/oil-states-preview-take-ii-just-what-did-the-supreme-court-hold-in-mccormick-harvesting-machine-v-aul.html> [<https://perma.cc/5W3B-BQXX>].

¹⁰⁷ The term "propertization" is used by critics to condemn the expansion of intellectual property rights beyond the limited monopoly which was intended by the Constitution. Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 699 (2007) [hereinafter Mossoff, *Patents as Constitutional Private Property*].

¹⁰⁸ Patent Act of 1790, ch. 7, 1 Stat. 109.

Congress the power to govern patents as a function of statute with the ability to make changes the government deemed fit.¹⁰⁹ Therefore, the omission of undeveloped administrative proceedings in the early versions of the Patent Act does not preclude the government from implementing procedures in its own statutory creations.¹¹⁰ Had *McCormick* been decided today, the words of the AIA could neither have been used to support a finding of exclusive Article III jurisdiction, nor of inherent private property rights in patents.¹¹¹

Subsequent legislation, including the AIA, has modified patent adjudicative jurisdiction in light of the changing nature of our government.¹¹² With a growing population and heightened demand on the government branches, the administrative state has expanded accordingly, impacting the patent system.¹¹³ The ability to use legislation to enforce changes in adjudicative authority supports the fact that patents are not instilled with an inherent quality that requires them to be adjudicated exclusively in Article III courts.¹¹⁴ Congress's decision to delegate adjudicative authority to an administrative entity is thus a permissible exercise of its power.

In introducing IPRs, the AIA expanded the USPTO's administrative power, providing a trial-like proceeding solely under the authority of an administrative agency.¹¹⁵ Contrary to the arguments of Oil States and the dissent, the fact that these disputes may be pursued in federal court does not in and of itself make the administrative proceeding unconstitutional, nor

¹⁰⁹ See Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 270 (2007); see also *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923).

¹¹⁰ Isaacs, *supra* note 27, at 38 ("Indeed, Congress could legislate that no additional patents would be granted, and an inventor would have no constitutional basis for demanding any exclusive right to his invention.").

¹¹¹ See *supra* note 66 and accompanying text.

¹¹² Benjamin & Rai, *supra* note 109, at 279.

¹¹³ Peter L. Strauss, *The Place of Agencies in Government: Separation of Powers and the Fourth Branch*, 84 COLUM. L. REV. 573, 574 (1984) ("The past century has witnessed the profuse growth of legislation assigning to special adjudicative tribunals—administrative agencies and other article I courts—the power to hold trial-type hearings that might otherwise have been placed in the article III courts."); see Benjamin & Rai, *supra* note 109, at 309.

¹¹⁴ See Sohoni, *supra* note 29, at 1571–72.

¹¹⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 6(a), § 311(a), 125 Stat. 284, 299 (2011).

does it provide patent owners with inherent private rights.¹¹⁶ In fact, patent claims were given jurisdiction in a federal court, the Court of Claims, by an act of legislation, similar to the act of legislation providing IPRs as an alternative proceeding to determine patent validity.¹¹⁷ The AIA's adoption of a proceeding that emulates federal court litigation cannot be unconstitutional based on the fact that it was created by Congress to adjudicate the validity of other creations of Congress.¹¹⁸

The constitutionality of IPRs is grounded in the nature of the patent system and the growth of administrative governance. The patent system, dictated by *quid pro quo*, rewards the inventor, but was ultimately designed to benefit the public under Congress's direction.¹¹⁹ As such, the privilege extended by Congress to inventors is subject to congressional enactments, including congressionally-authorized administrative proceedings.¹²⁰ Therefore, the Court's decision upholding the constitutionality of IPRs in *Oil States* compiled historical notions of the objectives of the patent system with the characterization of patents as public franchises under the public rights doctrine.¹²¹

IV. IMPLICATIONS OF *OIL STATES* ON THE TAKINGS CLAUSE CHALLENGE

A. *Historical Underpinnings of Patents Under the Takings Clause*

The classification of patents as property is essential not only to the discussion of adjudicatory jurisdiction of IPRs, but also to the protection afforded under the Takings Clause. The Constitution's Fifth Amendment asserts that the government cannot take an individual's private property for public use without just and adequate compensation to the individual.¹²² Through the intersection of administrative and property law, this protection has expanded from physical unconstitutional government acts under the

¹¹⁶ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378–79 (2018).

¹¹⁷ Tucker Act of 1887, ch. 359, 24 Stat. 505 (codified as amended at 28 U.S.C. § 1491 (2018)).

¹¹⁸ Strauss, *supra* note 113, at 574; *see also* *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923).

¹¹⁹ Timothy R. Holbrook, *Possession in Patent Law*, 59 SMU L. REV. 123, 125 (2006).

¹²⁰ *See* Strauss, *supra* note 113.

¹²¹ *Oil States*, 138 S. Ct. at 1379.

¹²² U.S. CONST. amend. V.

Takings Clause to regulatory takings as well.¹²³ While the Takings Clause has undoubtedly acted as a safeguard for real private property, it has been debated whether this clause extends to patents.¹²⁴ In fact, the *Oil States* Court's notion that the property characterization under the Takings Clause may be different than that of *Oil States* expressly demonstrates this divide.¹²⁵

Just as there was a period of time where courts recognized the "propertization" of patents under their contemporary laws, there was a parallel recognition of application of the Takings Clause to patent disputes involving government use of patented inventions.¹²⁶ As posited in cases like *Cammeyer v. Newton* and *James v. Campbell*, patents were regarded as constitutional private property, subject to the Takings Clause.¹²⁷ From the language in these cases, patents were considered to be endowed with the privileges of real private property, which unequivocally included protection from the government under the Takings Clause.¹²⁸ However, as noted by the *Oil States* Court, this view was directly impacted by the state of the law and patent system at that time, rather than the inherent nature of patents.¹²⁹ The changing needs of the patent system and resulting legislation, however, changed how patents were viewed in relation to the Takings Clause. This is mainly attributed to the passage and amendments of the Tucker Act,¹³⁰ which provided the Court of Claims (now the Court of Federal Claims) jurisdiction over claims against the government.¹³¹ The amendments that

¹²³ *Pa. Coal Co. v. Mahon*, 260 U.S. 393, 415 (1922) (expanding Takings Clause application to unconstitutional regulatory actions taken by the government).

¹²⁴ Camilla A. Hrdy & Ben Picozzi, *The AIA Is Not a Taking: A Response to Dolin & Manta*, 72 WASH. & LEE L. REV. ONLINE 472, 475 (2016) (responding to scholars who view IPRs as effectuating an unconstitutional taking and rejecting that premise by demonstrating that patents are not considered private property subject to the Takings Clause).

¹²⁵ *Oil States*, 138 S. Ct. at 1379 ("[O]ur decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.").

¹²⁶ See Mossoff, *Patents as Constitutional Private Property*, *supra* note 107 at 698–99.

¹²⁷ *Cammeyer v. Newton*, 94 U.S. 225 (1876); *James v. Campbell*, 104 U.S. 356, 358 (1881); see Mossoff, *Patents as Constitutional Private Property*, *supra* note 107, at 708.

¹²⁸ *Cammeyer*, 94 U.S. at 234–35 ("Agents of the public have no more right to take such private property than other individuals under that provision [Sect. 22. of the Patent Act] . . ."); *Campbell*, 104 U.S. at 358 (The United States government "confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation . . .").

¹²⁹ See *Oil States*, 138 S. Ct. at 1376.

¹³⁰ Tucker Act of 1887, ch. 359, 24 Stat. 505 (codified as amended at 28 U.S.C. § 1491 (2018)).

¹³¹ *Id.*

resulted in the 1910 version of the Act introduced a patent owner's right to sue the government in the Court of Claims for unauthorized use of patents.¹³² While patent infringement claims against the government had been haphazardly enforced through congressional reference and common law,¹³³ the statute provided a venue and remedy for patent infringement by the government under statutorily justified eminent domain doctrine.¹³⁴ Subsequent amendments to the statute resulted in the current version of 28 U.S.C. § 1498, which has maintained its primary objective of providing patent owners a private right of action against unauthorized government use.¹³⁵

This explicit declaration of jurisdiction over patent infringement claims against the government has been interpreted by courts to mean that without such statutory support, patents are not inherently protected from government use by the Takings Clause.¹³⁶ Such an interpretation was the premise of the Federal Circuit's holding in *Zoltek Corp. v. United States*.¹³⁷ In *Zoltek*, the corporation, which had been assigned a patent for metallic window blinds, sued the government under 28 U.S.C. § 1498(a) for infringement.¹³⁸ Upon appeal to the Court of Appeals for the Federal Circuit, the court reversed the lower court's decision that the plaintiff could assert patent infringement as a Fifth Amendment taking.¹³⁹ The court reasoned that the purpose of 28 U.S.C. § 1498 was to provide a means of suing the United States for patent infringement.¹⁴⁰ Yet, if government use of a patented invention without compensation was considered a taking, this statutorily-authorized right to sue the government for patent infringement

¹³² Pub. L. No. 61-305, 36 Stat. 851 (1910) (codified as amended at 28 U.S.C. § 1498 (2018)); Lionel Marks Lavenue, *Patent Infringement Against the United States and Government Contractors Under 28 U.S.C. § 1498 in the United States Court of Federal Claims*, 2 J. INTELL. PROP. L. 389, 408, 415 (1995).

¹³³ Lavenue, *supra* note 132, at 408–11.

¹³⁴ H.R. REP. NO. 61-1288, at 1 (1910); Lavenue, *supra* note 132, at 408, 411–12.

¹³⁵ 28 U.S.C. § 1498 (2018).

¹³⁶ Joshua I. Miller, *28 U.S.C. § 1498(A) and the Unconstitutional Taking of Patents*, 13 YALE J.L. & TECH. 1, 3 (2011).

¹³⁷ *Zoltek Corp. v. United States*, 442 F.3d 1345, 1350–53 (Fed. Cir. 2006).

¹³⁸ *Id.*

¹³⁹ *Id.* at 1353 (“In sum, the trial court erred in finding that Zoltek could allege patent infringement as a Fifth Amendment taking under the Tucker Act, and we reverse.”).

¹⁴⁰ *Id.* at 1351–52.

would be unnecessary.¹⁴¹ Ultimately, it was decided that government use of a patented invention was considered infringement and not a taking.¹⁴²

B. *The Takings Clause Challenge to the Constitutionality of IPRs Will Not Succeed*

As noted by the Supreme Court in *Oil States*, the constitutionality of IPRs under the public rights doctrine is a narrow holding.¹⁴³ Specifically, the Court acknowledged that the property classification of patents may be different when applied to Takings Clause challenges, which is also dependent on the property status of patents.¹⁴⁴

The aforementioned class action seeks to take advantage of the Court's blatant hint as a way for dissatisfied IPR opponents to invalidate the proceeding on other grounds.¹⁴⁵ In so doing, the challengers are attempting to analogize the reconsideration of an issued patent by an administrative entity as an unconstitutional taking of a protected right under the Takings Clause.¹⁴⁶

Under the Constitution, the government may not take private property for a public use without just compensation.¹⁴⁷ Despite the view of some scholars,¹⁴⁸ it is not enough to merely recognize patents as a general form of property for purposes of the Takings Clause.¹⁴⁹ Therefore, to even

¹⁴¹ *Id.* "Had Congress intended to clarify the dimensions of the patent rights as property interests under the Fifth Amendment, there would have been no need for the new and limited sovereign immunity waiver." *Id.* at 1352–53.

¹⁴² *Id.*

¹⁴³ *Oil States Energy Servs., LLC, v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018).

¹⁴⁴ *Id.*

¹⁴⁵ See Class Action Complaint, *supra* note 15; Brachmann, *supra* note 15.

¹⁴⁶ A Takings Clause challenge to an invalidation proceeding was already attempted against IPR's predecessor, *ex parte* reexamination. The Court refused to consider invalidation of a patent as an unconstitutional taking under the Takings Clause, emphasizing that the statute's public policy interests overwhelmed the patent owner's rights. See *Patlex Corp. v. Mossinghoff*, 771 F.2d 480, 488 (Fed. Cir. 1985).

¹⁴⁷ U.S. CONST. amend. V.

¹⁴⁸ Shubha Ghosh, *Reconciling Property Rights and States' Rights in the Information Age: Federalism, the "Sovereign's Prerogative" and Takings after College Savings*, 31 U. TOL. L. REV. 17, 41–42 (1999) (stating that patents are property for purposes of the Takings Clause).

¹⁴⁹ Miller, *supra* note 136, at 1; Mossoff, *Patents as Constitutional Private Property*, *supra* note 107, at 701–02 (noting that classifying patents as merely property is insufficient for Takings Clause

contemplate any application of the Takings Clause to the invalidation of patents would first require a determination of whether patents were private property in the eyes of the Constitution.¹⁵⁰ In *Oil States*, the Court expressly identified patents as public franchises, upholding historical precedents and rejecting characterizations of patents as private property.¹⁵¹ As such, the only way to apply the Takings Clause to government invalidation of patents would be to undermine the *Oil States* holding rejecting patents as private property.

Just as the constitutionality of IPRs under Article III required a property analysis of patents, so too would a case involving the Takings Clause.¹⁵² While the purpose for the property status determination may be different, that is, for government revocation under the Takings Clause rather than adjudication jurisdiction under Article III, both involve essentially the same analysis. Based on the justifications for the *Oil States* Court's conclusion that patents are subject to the public rights doctrine, the current Takings Clause lawsuit challenging the constitutionality of IPRs will likely yield to the public franchise precedent of *Oil States*.

Yet, even if the Takings Clause was somehow found to be applicable to patents as private property, as some may contend, the Court would then have to decide whether the invalidation of issued patents via IPRs constitutes an actual taking as prohibited by the Constitution.¹⁵³ Although an invalidated patent has undeniably passed the initial scrutiny of the USPTO, the invalidation proceeding merely acts as a correction for a mistakenly approved patent.¹⁵⁴ If it is found that a patent is actually invalid, it cannot be

application); see Isaacs, *supra* note 27, at 28–29 (“Forms of ‘property’ established solely as a matter of governmental discretion, such as patents, may be entitled to procedural due process protection, but are not automatically entitled to Takings Clause protection.”).

¹⁵⁰ Proponents of application of the Takings Clause to patents mistakenly believe patents are private property as an established concept. See Ghosh, *supra* note 148, at 42. In fact, some read the Takings Clause as protecting “property” as opposed to private property. Miller, *supra* note 136, at 1. In contrast, this Case Note’s analysis contemplates whether patents are private property before considering Takings Clause applicability.

¹⁵¹ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018).

¹⁵² Miller, *supra* note 136, at 14.

¹⁵³ See Ghosh, *supra* note 148, at 36–42 (detailing when government actions constitute a taking pursuant to the Takings Clause).

¹⁵⁴ Greg Stohr & Susan Decker, *Patent ‘Death Squad’ System Upheld by U.S. Supreme Court*, BLOOMBERG (Apr. 24, 2018, 10:03 AM), <https://www.bloomberg.com/news/articles/2018-04-24/patent-death-squad-system-upheld-by-u-s-supreme-court> [https://perma.cc/B372-L9PH].

considered revocation of a vested private property right, but simply the return of something to the public that should never have left the public domain in the first place.¹⁵⁵ Moreover, the fact that this decision is made by an administrative entity rather than a federal court does not change the nature of the result.¹⁵⁶ Because a finding of invalidity in an Article III court would not be considered a taking, an analogous proceeding constitutionally delegated to an administrative body by Congress cannot be considered a taking.¹⁵⁷ And while reliance on the limited monopoly granted to the inventor with an issued patent is recognized, it does not overwhelm the simple conclusion that invalidated patents via IPRs are not takings sought to be protected by the Constitution.¹⁵⁸ To hold as such would undermine the patent system, including other post-issuance proceedings like *ex parte* reexamination and post-grant review, in which the USPTO reevaluates patent validity.¹⁵⁹

Moreover, the enactment of 28 U.S.C. § 1498 demonstrates Congress's belief that patent disputes do not inherently fall within the scope of Takings Clause protection.¹⁶⁰ The statute, recognizing a private cause of action for unauthorized government use of a patent, closely aligns with the sentiments of the Takings Clause.¹⁶¹ Just as the Takings Clause prevents the government

¹⁵⁵ The government reserves the right to revoke a benefit it created by statute without it being considered a taking. Therefore, patents, as statutory creations, may be deemed invalid post-issuance without being subject to the Takings Clause. Isaacs, *supra* note 27, at 38–39 (“Accordingly, if at some point Congress decides that the harm from the existing scope of patent protection is greater than the benefit, the Takings Clause does not require compensation for reducing or discontinuing that protection.”).

¹⁵⁶ See *supra* note 70; *Oil States*, 138 S. Ct. at 1378; see also Benjamin & Rai, *supra* note 109, at 279 (demonstrating that administrative adjudication is common among executive and legislative departments).

¹⁵⁷ See *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 608–09 (1898) (noting that the courts have the authority to invalidate or correct patents).

¹⁵⁸ Hrdy & Picozzi, *supra* note 124, at 479.

¹⁵⁹ See generally Joseph D. Rossi, *Three Ways to Challenge Patent Validity Under the America Invents Act*, LEXOLOGY (Mar. 2, 2015), <https://www.lexology.com/library/detail.aspx?g=aac8d580-73bc-487b-9289-b9b73dde3166> [<https://perma.cc/M647-8HPV>].

¹⁶⁰ Mossoff, *Patents as Constitutional Private Property*, *supra* note 107, at 712 (“This suggests that patentees lacked constitutional security for their property until Congress enacted these patent-specific provisions. The Federal Circuit ran with this doctrinal explanation in its recent decision in *Zoltek*, relying on the Tucker Act to deny securing patents under the Takings Clause.”).

¹⁶¹ The language of 28 U.S.C. § 1498(a) mimics the language of the Takings Clause, acting as an eminent domain statute. See *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 307 (1912) (“[W]e

from taking private property for public use without just compensation, 28 U.S.C. § 1498 prohibits the government from using a patent in the absence of authorization and without compensation.¹⁶² The enactment of this statute strongly suggests that the Takings Clause does not apply to patents as a constitutional safeguard as it would be clearly redundant.¹⁶³

However, based on *Zoltek*, it may be argued that the fact that government infringement of a patent does not amount to a taking can coexist with patents still being property subject to the Takings Clause.¹⁶⁴ But the fact that government infringement, resembling government actions that the Takings Clause seeks to prohibit, is not considered a taking, weakens the IPR Takings Clause challenge.¹⁶⁵ If government use of an individual's patent for a public purpose is not considered a taking, it is unlikely that invalidation of a patent could be considered a taking. Invalidation is not a usurpation of vested property rights with a plan for public use; it is merely restoring a mistakenly privatized idea back into the public domain.¹⁶⁶ In this way, the protection afforded to patent holders under 28 U.S.C. § 1498 not only supports a finding that a Takings Clause challenge to IPRs would be unsuccessful, but also bolsters the assertion that patents are not considered constitutional private property.

C. *Two Distinct Patent Property Ideologies Cannot Coexist*

It is curious that the Supreme Court would even suggest that IPRs may be subject to a Takings Clause challenge when the Court emphatically defined patents as public franchises rather than private property.¹⁶⁷ If the two analyses are mutually exclusive, is it possible that two property regimes can coexist in terms of defining patents? If the Takings Clause challenge were

think there is no room for doubt that the statute [28 U.S.C. § 1498] makes full and adequate provision for the exercise of the power of eminent domain for which, considered in its final analysis, it was the purpose of the statute to provide.”).

¹⁶² *Crozier*, 224 U.S. at 305–06.

¹⁶³ See Mossoff, *Patents as Constitutional Private Property*, *supra* note 107.

¹⁶⁴ *Id.* at 713; *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006).

¹⁶⁵ *Hrdy & Picozzi*, *supra* note 124, at 480–81 (emphasizing that IPRs fall into the category of curative statutes that merely correct governmental errors, and thus, are outside the scope of an actual taking).

¹⁶⁶ See *supra* text accompanying note 155.

¹⁶⁷ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018).

plausible, as the Court suggests,¹⁶⁸ then it must mean patents can be considered constitutionally-protected private property in certain contexts.

Protection from government use under the Takings Clause is reserved for constitutionally recognized private property.¹⁶⁹ Applying the Takings Clause successfully to the latest IPR challenge, or any other dispute, would unequivocally promote patents as private property. Determining whether application of the Takings Clause can coexist with the *Oil States* holding is contingent on whether the courts value consistency in a per se characterization of patents.¹⁷⁰ Courts should be more inclined to develop a cohesive jurisprudential record, cognizant of contemporaneous judicial doctrine and court decisions.¹⁷¹ Evaluating Takings Clause challenges in the patent context requires coupling the decisions of *Oil States*, defining patents as public franchises, and *Zoltek*, refusing to apply the Takings Clause to unauthorized government use of a patent. Taking this into consideration, finding invalidation proceedings unconstitutional under the pretense of the Takings Clause would reveal gaping inconsistencies in the competing judicial analyses.

However, to not adopt a per se rule on patent classification and interpret property status on a case-by-case basis seems counterintuitive to the goals of judicial economy.¹⁷² It would not make sense to consider patents as public franchises for Article III adjudication considerations, yet as private property under a Takings Clause challenge. Therefore, the Court's suggestion in *Oil States*, that patents may be private property for purposes of the Takings Clause, cannot be reconciled with the nearly identical property-based analyses, despite being in different contexts. Considering that characterizing patents as private property for Takings Clause purposes cannot coexist with the decision in *Oil States*, it would be remiss to recognize patents as anything other than public franchises, and even more, to contemplate IPRs as an unconstitutional taking.

¹⁶⁸ *Id.* at 1379.

¹⁶⁹ Mossoff, *Patents as Constitutional Private Property*, *supra* note 107, at 708.

¹⁷⁰ See generally John E. Coons, *Consistency*, 75 CALIF. L. REV. 59, 60 (1987) (discussing the merits and drawbacks of judicial consistency when applying a rule of law to similar cases).

¹⁷¹ Richard A. Epstein, *The Unfinished Business of Horne v. Department of Agriculture*, 10 N.Y.U. J.L. & LIBERTY 734, 735–37 (2016) (recognizing the need to integrate cases of Takings Clause doctrine, rather than relying on narrow constructions of court opinions).

¹⁷² See Coons, *supra* note 170, at 61.

CONCLUSION

After examining the debate of the property status of patents and its historical justifications, characterizing patents as public franchises is an accurate depiction of the patent system and its purpose. The powers granted to Congress to issue patents for the public purpose embody the privileges and limitations of the public franchise, and thus, are justifiably considered public rights. Under the public rights doctrine, it is within Congress's power to delegate authority to an administrative agency to adjudicate the validity of patents. Therefore, the *Oil States* Court's reliance on the public rights doctrine sufficiently supports the constitutionality of IPRs in the face of an Article III challenge.

Whether intended or not, the Court's decision and reasoning in *Oil States* has and will have significant implications on patent disputes dependent on property determinations. The Takings Clause class action alleging IPRs are an unconstitutional taking by the government is one such example. Although application of the Takings Clause to patents has been disputed, the public franchise determination in *Oil States*, as well as the implementation of an eminent domain-inspired statute specifically for government use of patents, support a finding that patents are not considered private property constitutionally protected by the Takings Clause. Additionally, reevaluating the validity of a patent by an administrative entity cannot be considered a taking in the sense contemplated by the Constitution. Therefore, in patent disputes, particularly in IPR constitutional challenges, a consistent characterization of patents as public franchises should be maintained in light of the principal utilitarian purpose of the patent system.