



IPRs Are a Constitutional Exercise of Congressional Authority to Empower an Administrative Agency to Determine the Validity of Patents

BY: MELVIN C. GARNER

On June 12, 2017, the United States Supreme Court granted Oil States Energy Services' ("Oil") petition for certiorari to review the Federal Circuit's summary affirmance of a Patent and Trial Appeal Board ("PTAB") decision. The grant of certiorari was to determine: "Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury."^[1]

The petition also sought review of the PTAB's process for allowing amendments and its "broadest reasonable interpretation of patent claims." Although these other issues raise valid concerns, the Court chose not to address them, and they are not considered here.

The petitioner Oil makes two main arguments in challenging the constitutionality of *inter partes* review ("IPR"):

(1) Patent "infringement cases today *must* be tried to a *jury*, as their predecessors were more than two centuries ago." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (emphasis added). At a minimum, the Constitution requires that an **Article III judge** adjudicate all cases in law and in equity arising under federal law. U.S. CONST. art. III. (Pet. 11) (emphasis added).

(2) Patents create property rights, protected by the Constitution. **Once a patent is granted, it "is not subject to be revoked or cancelled by the President, or any other officer of the Government"** because "[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property." *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 608-09 (1898). (Pet. 17) (emphasis added)

Analysis of both arguments shows that they do not support the conclusion that IPRs are unconstitutional. In particular, patent

infringement cases are not patent validity cases (although validity can be a subsidiary issue), and the selected statements from old cases relied on by Oil do not establish that patents are private rights, which can only be revoked by an Article III court with a jury.

1. Patent Validity Does Not Need to be Determined in an Article III Court Before a Jury

Controversies that *may* be decided in the federal courts are identified in Article III, Section 2 of the Constitution, and include "all Cases, in Law and Equity, arising under [the] Constitution, the Laws of the United States, and Treaties made, or which shall be made." Certainly, patent validity is within the purview of the federal courts.^[2] Also, the Seventh Amendment provides a constitutional right to a jury trial if such a right existed at common law in 1791.^[3] It is clear that at common law before 1791, and up until today, an Article III judge and jury could decide the validity of a patent; however, what is not clear is whether they are the only ones who can do so. In other words, although an Article III judge and jury are sufficient to determine validity, are they necessary?

a. An Article III Court is Not Necessary for a Patent Validity Determination

The Supreme Court has "long recognized that, in general, Congress may not '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.'"^[4] If a suit is within federal jurisdiction, then the test for Article III is whether the case "is made of 'the stuff of the traditional actions at common law tried by the courts at Westminster in 1789.'"^[5] In order to "preserve the integrity of judicial decisionmaking," Congress cannot "confer the Government's 'Judicial Power' on entities outside Article III."^[6]

The cases relied upon by Oil, however, are patent infringement cases. IPRs are patent validity

cases, not infringement cases. At most, patent validity may be determined in a modern patent infringement case as an affirmative defense to infringement.

In England in the eighteenth century, only chancery courts had the power to revoke a patent upon request of a private citizen. The chancery court was not a law court at Westminster. See Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1684 (Dec. 2013) (“Lemley”).

What an Article III judge has that an Article I administrative judge lacks is lifetime tenure and no diminution of compensation. This protects the Article III judge from undue political influence. What the typical Article III judge lacks in determining patent validity is a relevant technical background and an in-depth knowledge of patent law, backgrounds that the Administrative Patent Judges (APJs) of the PTAB must have. Thus, the public is more likely to get a proper determination of the validity of the patent from the Article II proceeding than from the Article III one.^[7] Concern about political influence on ALJs is moderated by the fact that the patent would not exist at all if the same agency judging it had not granted it in the first place.

b. A Jury is Not Necessary for a Patent Validity Determination

The Seventh Amendment ensures a jury trial right if that right existed in 1791. *Curtis v. Loether*, 415 U.S. 189, 193 (1974). Professor Lemley provides a detailed analysis of the use of juries in eighteenth-century England:

[I]n England in the eighteenth century, only chancery courts had the power to revoke a patent upon request of a private citizen. And chancery courts had no power to convene a jury. [However, juries] could pass on the validity of a patent in two circumstances. First, a chancery court might seek the advice of a jury in assessing the facts underlying a *scire facias* petition. . . . Second, and more commonly, when a patentee sued for damages at common law rather than seeking an injunction in equity, matters of fact—including what factual issues existed concerning validity—were given by the law courts to the jury. . . . [A] ruling in the law courts could not invalidate a patent altogether, as a ruling of invalidity does today. In the law courts, invalidity as we understand

it today didn’t exist. The doctrines we think of today as rendering a patent invalid instead provided personal defenses to a particular infringer.

Lemley at 1684-86. Since there was no right to a jury in a pure invention patent validity case in 1791, there is no requirement for a jury trial for a patent validity determination now.

An Article III jury trial in which patent validity is determined is essentially judicial review of an administrative agency action, i.e., the original grant of the patent by the Patent Office. The Supreme Court has held that there is no constitutional right to jury review of administrative agency decisions. See *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 455 (1977); *Cox v. United States*, 332 U.S. 442, 453 (1947). The Supreme Court has also held that the Patent Office is an administrative agency subject to the normal rules of the Administrative Procedure Act. *Dickinson v. Zurko*, 527 U.S. 150, 154–55 (1999).

In 1791, juries did evaluate the validity of patents in infringement cases, but they did not review the work of an administrative agency in the sense they do today. Further, a jury’s determination that a patent was invalid in 1791 simply provided a personal defense to infringement; it did not mean (as it does today) that the patent was nullified. Judgments in England during this time period that a patent was invalid as to everyone were the province of the writ of *scire facias*, which required petitioning the King (i.e., the executive). See Lemley at 1683-84.

Therefore, there is no right to a jury in a pure patent-validity determination.

2. The Status of Patent Rights as Property Does Not Mean that all Determinations about Patents must be Handled by an Article III Court

Oil relies heavily on the language in *McCormick*, i.e., “[o]nce a patent is granted, it ‘is not subject to be revoked or cancelled by the President, or any other officer of the Government’ because ‘[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property.’” Pet. 17 (citing 169 U.S. at 608-09) (emphasis added). Oil takes this language out of context to assert that the Patent Office cannot determine the validity of a patent and that such a determination must be made by a jury in an

Article III court.

a. The Limitations of the Language in *McCormick*

There are at least three problems with reliance on *McCormick*. First, *McCormick* dealt with a reissue situation in which the patentee had asked the PTO to correct the patentee's error, not a re-examination situation in which the PTO is being asked to correct its own error. In contrast, the IPR is a curative statute invoked by a third party to correct an error made by the Patent Office in granting an invalid patent. The fact that it is the government's mistake that is being corrected speaks to the public nature of the right in question.

Second, in *McCormick*, the context of the statement is important in order to understand it. During a reissue proceeding, the Examiner found invalid certain original claims of the patent. Rather than appeal that decision, *McCormick* withdrew the request for reissue and obtained a return of its original patent. In a later infringement suit, the defendant tried to get the court to determine that these claims were invalid based on the determination during the reissue proceeding. The Supreme Court determined that since the reissue request had been withdrawn and the original patent had been returned, the determination of the Examiner had no effect.

Third, the Supreme Court in *McCormick* did not rule on the constitutionality of the reissue procedure, and the quoted statement is dicta. This case from 1898 is of questionable value in determining the constitutionality of an agency tribunal. Under current Supreme Court analysis, this question turns on whether the right adjudicated by the agency is a "public right" or a "private right." See *Stern v. Marshall*, 564 U.S. 462 (2011). The determination of the validity of a patent by the Patent Office is a determination of a public right. However, a suit for infringement of the patent against a third party is the exercise of a private right, which must be handled by an Article III forum. Additionally, a jury is required if requested by the parties.

b. The Nature of the Patent Property Right

If the patent right is taken to be a property right that is indistinguishable from other property rights for all purposes, then it is a private right and can only be taken away from the owner by an Article III court and thus the IPR procedure is

unconstitutional. However, a close examination of the property right in an idea as established by a patent shows that it is primarily a creation of government and is much different from other property, such as real estate or even copyright. In fact, a patent is a federally created property right and thus a public right. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015); *Patlex Corp v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

Land exists without the need for government, and ownership of land existed even before government. The government's role in real estate is to register the ownership of land so that in a proceeding involving it by an Article III court or a state court, it is easier to determine the true owner. This is especially true in the face of changes in ownership due to sales and inheritance. See e.g. *Martin v. Hunter's Lessee*, 14 U.S. 304 (1816). Copyright is similar. A person can create a work of art without the government, and that work exists independent of government. Government registration of a copyright merely aids in a determination of the owner.

Certainly people can get ideas for new and useful machines without government. However, no protection is provided for ideas in the abstract. In fact, society has always valued the free exchange of ideas. For example, if a farmer operating a gristmill with the power of horses were to have the idea to substitute a water mill on a stream for the horse, no protection for that idea would be extended to the farmer. Neighboring farmers would be free to create the same type of mill on their property. At best, without government, ideas can be protected by keeping them secret. But where that is not possible, they can be copied by all for the benefit of society.

The patent right is created by government action as the statement from *McCormick* even acknowledges. At least in the United States, the granting of a patent is not a registration process. Rather, a patent application is examined to ensure that the claim that will be protected is directed to a physical embodiment of the idea, not an abstract idea. In fact, the claim defines the right that is created. In contrast, the right to a copyright is defined by the creation of the work of art. A patent claim is often analogized to a description of the metes and bounds in a real estate deed. However, in real estate, the land exists without the deed, and the metes and bounds are merely an attempt to define what

exists in nature. Without the government grant of a patent claim, there is no patent property.

In the patenting process, a determination is made that the idea expressed in the claim is new and not obvious. In this determination, the claim as presented is compared to prior art patents, publications, and public uses. In the case of real estate, the land is not new. It always just was. A piece of land in another county has no effect on the land in question. In copyright, the requirement is originality, not novelty. The creation of a similar work in another county has no effect on the copyright. Thus, unlike other property, the patent right is created by government to protect some ideas created by individuals in a limited way. *Patlex*, 758 F.2d at 604.

c. The Holding in *McCormick* Explained

McCormick states that once a patent has issued “it has passed beyond the jurisdiction of [the Patent] Office and is not subject to be revoked or cancelled by the . . . Government. It has become the property of the patentee, and as such is entitled to the same legal protection as other property.” 169 U.S. at 608-09. Thus, the *McCormick* court did not engage in the “public” versus “private” right analysis required by *Stern*. Also, *McCormick* seems to take the position that the quality of the right changes upon issuance by the Patent Office. This suggests that it was a public right during its creation but somehow changed to a private right for some undisclosed reason upon issuance.

The cases that the *McCormick* court relies upon for the cited statement do not support the broad interpretation that Oil asserts. For example, *United States v. Schurz*, 102 U.S. 378 (1880), involved the ownership of land, not patents on an invention. In *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 533 (1870), the Court held that “inventions secured by letters patent are “property” of the patentee, and as such are entitled to protection as any other property, consisting of a franchise, during the term for which the franchise or the exclusive right is granted.” It did not relate to whether those rights could be adjudicated in the very agency that granted them. To the same effect is *Cammeyer v. Newton*, 94 U.S. 225 (1876). However, in *Cammeyer*, the issue was whether the government could make use of the invention with compensation to the patentee. In *United States v.*

American Bell Telephone Co., the Court held that the United States could bring an action in federal court to cancel a patent allegedly procured by fraud—i.e., it authorized “the power of the government of the United States to get rid of a patent obtained from it by fraud and deceit.” 128 U.S. 315, 373 (1888). Thus, *McCormick* cannot be taken as holding that government has no power to revoke a patent.

3. Analysis of IPRs Under the “Public Rights” Exception Shows that They are Constitutional

a. Under the Principles Set Forth in *Stern*, the Patent Right is a Public Right

Although *McCormick* did not address it, the Supreme Court in *Stern v. Marshall* did address the “public right” exception; the Court recognized that its prior decisions held:

that there [is] a category of cases involving “public rights” that Congress could constitutionally assign to “legislative” courts for resolution. [This] “public rights” exception extend[s] “only to matters arising between” individuals and the Government “in connection with the performance of the constitutional functions of the executive or legislative departments . . . that historically could have been determined exclusively by those” branches.

564 U.S. at 485 (citations omitted).

Stern confirmed that Congress cannot “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.” *Id.* at 489 (citations omitted). The Court also recognized that “[a]t 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 of the courts of the United States, as it may deem proper.” *Id.* at 507 (citations omitted).

The “public right” exception extends to cases “where the Government is involved in its sovereign capacity under . . . [a] statute creating enforceable public rights,” while “[w]holly private tort, contract, and property cases, as well as a vast range of other cases . . . are not at all implicated.” *Id.* at 490 (citations omitted). The Court has continued, however, to limit the exception to cases in which 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 a limited regulatory objective within the agency's authority. *Id.* at 490-92.

The *Stern* Court set forth a number of factors to be considered on the issue of whether the right is considered public or private, which include the following:

(a) the assertion of agency authority involves only “a narrow class of common law claims” in a “particularized area of law”;

(b) the area of law in question was governed by “a specific and limited federal regulatory scheme” as to which the agency had “obvious expertise”; and

(c) orders were “enforceable only by order of the district court.”

Id. at 491 (citations omitted).

Applying these factors to the IPR proceeding shows that a determination of patent validity is a determination of a public right which the PTO can make under legislative direction.

In support of its petition, Oil notes that Supreme Court precedent holds that patent infringement cases must be tried to a jury in an Article III court. (Pet. 11). However, the IPR proceeding does not involve infringement decisions—it involves only validity, which may be a defense in an infringement action. Thus, the IPR involves only “a narrow class of common law claims,” i.e., the invalidity defense in an infringement case. Further, patent law certainly is a “particularized area of law.”

Patent validity is an area of law governed by “a specific and limited federal regulatory scheme” as to which the agency has “obvious expertise.” The entirety of Title 35 of the U.S. Code establishes the federal regulatory scheme by which patents are granted. Without this scheme there are no patents to inventions. Not only does the Patent Office in general have obvious expertise in the determination of patent validity, since that is its main function, the PTAB of the PTO has exceptional expertise. In order to perform their job, Examiners must have a technical education and knowledge of patent law. Such Examiners make validity determinations on their own when they reach Primary status. The Administrative Patent Judges (APJ) of the PTAB have similar or even more technical education than Examiners

and typically have more training in patent law than Examiners. Examiners are not required to be patent attorneys, but the APJs are. Finally, PTAB decisions are made by three APJs, as opposed to a single examiner.

Compare this to a jury trial in an Article III court where neither the judge nor jury is required to have a technical background or experience in patent law.

Finally, the decision of the PTAB declares that: (1) the patent claims are maintained; (2) some of them are canceled (or, in rare cases, amended); or (3) all of the claims are found to be invalid.

The PTAB, however, takes no further action. It would require a district court to give effect to the ruling by dismissing a suit brought on a patent whose claims are determined to be invalid.

While the Supreme Court has never directly addressed the issue of whether a PTO procedure determining validity is constitutional, several Federal Circuit cases have applied the “public rights” doctrine to make such a determination.

b. The Federal Circuit has Properly Applied the “Public Rights” Exception to Find Reexamination and IPR Constitutional.

In *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), the court applied a “public rights” exception analysis to determine whether the patent reexamination statute at the time violated the Constitution. The Federal Circuit in that case affirmed “the constitutionality of legislative courts and administrative agencies created by Congress to adjudicate cases involving ‘public rights’” and found that “the grant of a valid patent is primarily a public concern.” *Id.* at 604. The court noted that “[t]he reexamination statute’s purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted.” *Id.* at 604. Also, *Patlex* distinguished *McCormick* on the basis that it did not “forbid[] Congress [from] authoriz[ing] reexamination to correct governmental mistakes, even against the will of the patent owner. A defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.*

In *Joy Technologies, Inc. v. Manbeck*, the court held that “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.” 9 59 F.2d 226, 228 (Fed. Cir. 1992) (quoting and citing *Patlex*, 758 F.2d at 604).

More recently in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), the Federal Circuit specifically applied the Supreme Court’s “public rights” analysis from *Stern v. Marshall* to find that an IPR proceeding is constitutional. The *MCM* Court cited *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 571 (1985), which held that the statutory scheme in the Federal Insecticide, Fungicide, and Rodenticide Act, which allows the Environmental Protection Agency to determine compensation between private parties, does not violate Article III. The *MCM* court noted that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” 812 F.3d at 1290 (citing 473 U.S. at 583). It also cited *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833, 854 (1986), in which the Supreme Court upheld the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”) for customers of commodity brokers seeking reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations. The *MCM* court then concluded that patent reexamination and inter partes review are indistinguishable from the agency adjudications held permissible in the *Thomas* and *Schor* cases.

The PTAB’s involvement in the determination of patent validity “is thus a quintessential situation in which the agency is adjudicating issues under federal law.” *MCM*, 812 F.3d at 1291. “Congress devised an ‘expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.’” *Id.* (citing *Stern*,

564 U.S. at 494 (quoting *Crowell v. Benson*, 285 U.S. 22, 46 (1932))). The teachings of the Supreme Court in *Thomas*, *Schor*, and *Stern* compel the conclusion that assigning review of patent validity to the PTO is consistent with Article III.

4. Conclusion

The decision in *Oil* will turn on whether the patent right in the context of a validity determination is considered a “private” or a “public” right. Reference to common law in eighteenth-century England should not determine the case since there were no cases based only on the invalidity of a patent of invention that was tried at law before a jury. As explained above, the better analysis is that it is a “public” right and IPRs are constitutional. Some of the other issues raised by the petition but not taken up by the Court deserve some consideration in some forum.

[1] *Oil States Energy Services LLC v. Greene’s Energy Group, LLC*, 639 Fed. App’x 639 (Fed. Cir. 2016), *petition for cert. filed*, 2016 WL 6995217 (U.S. Nov. 23, 2016) (No. 16-712).

[2] *See* U.S. CONST. art. I, § 8, cl. 8; 35 U.S.C. § 1 *et seq.*

[3] *Curtis v. Loether*, 415 U.S. 189, 193 (1974).

[4] *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (quoting *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1855)).

[5] *Stern*, 564 U.S. at 484 (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring)).

[6] *Stern*, 564 U.S. at 484.

[7] This assumes the PTAB uses fair procedures and does not engage in the actions that the Petitioner was unable to get the Supreme Court to hear.



Oil States Energy Services, LLC v. Greene's Energy Group, LLC: Patent Rights, Public or Private and Whose Thoughts and Ideas are They Anyway?[\[1\]](#)

BY: **ROBERT J. RANDO**

INTRODUCTION

"[C]ommunal ownership violates every instinct of human nature. It destroys initiative, nullifies free agency, suppresses inventive exploration, minimizes the dignity of the individual and makes a god out of an abstract thing called 'The State'- to which is delegated complete, unrestricted control over life, liberty and property. . . . Like so many other weak systems of government, it can survive only in an atmosphere of a slave state, ruled by a king or a dictator."

~W. Cleon Skousen, The First 2,000 Years: From Adam To Abraham

This article addresses the issue before the United States Supreme Court in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, which concerns the constitutionality of the America Invents Act of 2011 ("AIA") post-grant *inter partes* review ("IPR"). The views expressed herein are based upon the constitutional jurisprudence related to the question, which analyzes the status of the patent right as a public property right or a private property right. The conclusions and views also comprise the interpretation of the Patent & Copyright Clause of the United States Constitution; the intent and purpose of the clause as articulated by the Framers of the Constitution; and an understanding of the natural law attributes of life, liberty and property.

The article provides an analysis and conclusions suggested by a review of the principles, precepts, and concepts outlined above. It does not present, and should not be interpreted as presenting, an expression of any opinion regarding the utility of a legislatively promulgated post-grant review proceeding that is properly constructed in fidelity with the U.S. Constitution. Nor does it address the thousands of hardworking U.S. Patent & Trademark Office ("USPTO") patent examiners toiling to issue high quality patents, and the hundreds of dedicated, thoughtful and highly competent Patent Trial and Appeals Board

("PTAB") Administrative Patent Judges ("APJ") tasked to conduct PTAB IPR trials within the confines and administrative construct of Congress' mandate in the AIA.

Instead, this article specifically addresses the question of whether a provision of a statute (*e.g.*, the AIA), enacted by an Article I Congress and executed by an Article II Executive Agency (the USPTO) violates the U.S. Constitution Article III Separation of Powers and the Bill of Rights' Seventh Amendment right to a jury.

I. Administrative Agency IPRs are an Unconstitutional Usurpation of, and Intrusion on, the Article III Separation of Powers and a Denial of the Seventh Amendment Right to a Jury Trial

A. It is Improper for an Administrative Agency Adjudicative Body to Invalidate Patents because It Violates the Article III Separation of Powers

The separation of powers under the United States Constitution is the backbone of our tripartite system of government. Conflicts between and among the three branches of government arise in many circumstances relating to the governance of the People and the constitutional authority for a particular branch to exercise its power. Recent twenty-first century examples include conflicts over war powers, health care and immigration.[\[2\]](#) Ultimately, these conflicts are resolved by the Supreme Court.

Oil States illustrates another such conflict between the three branches of government with respect to the constitutionality of adjudicating patent validity disputes in administrative tribunals created under Article I enumerated powers and operating in Article II Agencies rather than the constitutionally required Article III Court adjudication of those disputes.

The Supreme Court's jurisprudence, deciding the constitutionality of conflicting jurisdictional authority among the three branches, in this instance is based on an analysis addressing

“public rights” (e.g., disputes between a private party and the government or between private parties concerning public property rights) and “private rights” (e.g., disputes between private parties concerning private property rights).

The public/private property rights dichotomy, and the conflict among the three branches of government have presented themselves in this case involving the adjudication of a dispute between private parties concerning the validity of rights secured to an individual inventor under a lawfully issued United States patent certificate. The patent certificate was issued based upon the sovereign’s promise of exclusivity for a limited period of time in exchange for the individual inventor’s disclosure of his private creative thoughts and ideas.

B. Background of the Patent Law Adjudication Conflict Issue

Article I, Section 8, Clause 8, of the United States Constitution provides the explicitly enumerated power of Congress to secure for inventors the exclusive right to their inventions for a fixed period of time in exchange for disclosure of the invention to the public:

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

United States patent laws developed through the common law and from an early act of Congress. In 1952, Congress codified much of today’s U.S. patent law (the Patent Act of 1952). With few exceptions, the law remained as codified in the Patent Act of 1952 until 2011 when Congress enacted a major overhaul in the law in the form of the AIA.

Pursuant to the AIA, Congress authorized, *inter alia*, the Article II executive branch agency that administers the United States patent system, the Commerce Department’s USPTO, to establish an administrative tribunal proceeding to decide challenges to the validity of a U.S. patent issued by the USPTO. The administrative agency tribunal charged with this function is the PTAB. These Article II administrative agency proceedings are referred to as IPRs and are conducted by Article I APJs.

This change in the patent law is troublesome because prior to the AIA any adversarial challenge to the validity of a U.S. patent and

determination to revoke or cancel the patent was decided by the Article III courts. Additionally, it is significant to note that besides running afoul of historical precedent, the IPR proceedings function without a jury, operate under different evidentiary standards and presumptions, and employ different methods of interpreting the language of the patent. Additionally, as noted above, there is no Seventh Amendment right to a jury, which is common with Article I-created administrative agency tribunal proceedings.

These distinctions between the Article III court adjudication of disputed patent validity and Article II administrative tribunals inform the question that is before the Supreme Court in *Oil States*: whether separation of powers and the Seventh Amendment are violated by a congressional act (e.g., the AIA) empowering an Article II administrative agency tribunal to assert judicial power concerning the property rights between private parties embroiled in a private dispute, and whether those property rights are “private” property rights or “public” property rights.

C. The Integrity of the U.S. Patent System and Fidelity to the Constitutional Imperative to Incentivize Innovation and Creative Aspirations, Secure the Intellectual Property Rights to Individuals, and Provide Uniform and Stable Patent Laws Rely upon the Proper Separation of Powers in Enforcing Those Rights

So great moreover is the regard of the law for private property, that it will not authorize the least violation of it; no, not even for the general good of the whole community.

~ William Blackstone

The question of the constitutionality of administrative agency adjudication of patent validity is of utmost importance in preserving the integrity of the United States patent system and the viability of the constitutional imperative to promote progress and innovation.^[3]

This important mandate is clearly stated by James Madison in Federalist Paper No. 43, in the section referring to the enumerated power:

A power “to promote the progress of science and useful arts, by securing for a limited time, to authors and inventors, the exclusive right, to their respective writings and discoveries.”

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions *seems with equal reason to belong to the inventors*. The public good fully coincides in both cases, with the claims of individuals. The States cannot separately make effectual provisions for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress.^[4]

There is no greater evidence of the success of this constitutional imperative than the United States' position as the leading worldwide economic and technological powerhouse. The success of the U.S. patent system, relying on the quid pro quo of disclosure by the individual of his/her most private and intimate creative thoughts in exchange for the promise of a limited period of time for exclusivity over the use of those private thoughts has spurred innovation through inspiration of others to build upon and/or around disclosed inventions to achieve the proverbial "better mouse trap."

As recognized by the Framers of the Constitution, the right to inventions is a natural right that belongs to inventors not to the public. Thus, there can be no mistake that the right is a "private" right, rather than a "public" right.

D. An Inventor's Disclosure of His/Her Private Creative Thoughts Should Enjoy the Same Protection as Disclosure of any Other Private Thoughts

"Every man has a property in his own person. This nobody has a right to, but himself."

~ John Locke

In other contexts, the Supreme Court recognizes the Constitution's guarantees that an individual's innermost private thoughts (the genesis of all intangible intellectual property) are private and entitled to protection from compelled or induced disclosure (e.g., Fifth Amendment right against self-incrimination). Likewise, once expressed or disclosed, these private thoughts are afforded protection as well (e.g., First Amendment free speech and Fourth Amendment protection against illegal search and seizure).

Private property rights emanating from an individual's private thoughts and ideas should be afforded no less constitutional protection merely

because they involve intellectual property thoughts. In fact, these should arguably carry greater weight since the government induces the individual inventor to disclose such private thoughts and ideas in exchange for the promise of limited exclusivity. The mere fact that the government issues a patent, evidencing this agreement between the inventor and the government, is insufficient in itself to transform these valuable private rights into a public right. In fact, the patent laws recognize the distinction in that disclosed but not claimed subject matter is considered dedicated to the public domain rather than retained by the disclosing inventor.^[5] Similarly, once a patent expires, the claimed private rights are then considered public domain. Congress has recently affirmed the necessity to protect these private thoughts as private property rights by passing legislation, with overwhelming bipartisan support, nationalizing trade secret protection.^[6] Simultaneously trivializing the rights as public property rights after inducing the individual to disclose these nationally protected valuable secrets (inventions) denies the proper constitutional protection for those private thoughts and rights and renders the quid pro quo of the Patent/Copyright clause agreement illusory.

The founding fathers recognized the necessity for the independence of the third branch of government by providing for lifetime appointment and non-diminution of compensation for judges.^[7] In Federalist Paper No. 10, James Madison articulated the important recognition of the "faction" impact on a democracy and a republic.^[8] In Federalist Paper No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic.^[9] And in Federalist Paper No. 78, Hamilton provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence, providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*.^[10]

Congressional enactment of the AIA followed many years of lobbying for its enactment. Those efforts promoted and pushed for the legislation that, in the case of IPRs, runs counter to the constitutional imperative behind congressional authority to enact laws *that promote the progress of innovations by providing strong, stable protection for intellectual property*. The evidence that IPRs have the opposite effect and weaken intellectual property protection is undeniable.

Furthermore, the combination of IPR patent invalidation rates, recent legislation nationalizing trade secret protection, and curtailment of patent-eligible subject matter, further depletes patent protection and disincentivizes promoting innovation and progress—all contrary to the constitutional imperative.

E. IPRs Violate the Three Principles of Article I, Section 8, Clause 8 of the U.S. Constitution

The constitutional imperative of Article I, Section 8, Clause 8, as gleaned from its plain language and recognized by the Framers, provides three specific purposeful goals:

(1) *Incentivizing innovation and creative aspirations*; (2) *Securing intellectual property rights to the individual (rather than the state or the public)*; (3) *Uniformity of Protection for Intellectual Property Rights*.[\[11\]](#)

The administrative agency adjudication of patent validity in an IPR proceeding is counter to the constitutional imperative and violates its three principles.

1. Incentivizing Innovation and Creative Aspirations

There is an ample body of evidence that the IPR's 80% patent invalidation rate disincentivizes innovation and creative aspirations. Confidence in the valuation of patented technology has all but disappeared. The expense of acquiring a patent that has a mere 20% chance of surviving a validity challenge post-issuance deters the necessary investment in research and development required for innovation. Roulette wheels in Las Vegas casinos offer better odds for a return on investment. IPR proceedings violate the *incentivizing* principle of the constitutional imperative.

2. Securing Intellectual Property Rights to the Individual Rather Than the State (the Public)

Inducing an inventor to disclose his/her private creative thoughts in exchange for securing those rights to the individual, in accordance with the constitutional guarantee of securing the rights to the individual, requires the sovereign to honor and protect those rights as private (belonging to the individual), rather than confiscating them, post-issuance of the patent certificate, as public property. Anything less violates the *securing* principle of the constitutional imperative.

3. Uniformity of Protection for Intellectual

Property Rights

The bizarre reality of two different adjudicative standards for the same determination (*e.g.*, patent invalidity) by the administrative agency in PTAB trials and by Article III courts deciding patent disputes is counter to the uniformity principle underlying the constitutional imperative (*e.g.*, PTAB broadest reasonable interpretation (“BRI”) or BRI claim construction based upon preponderance of the evidence and absence of presumption of validity, compared with Article III courts’ *Phillips*’ ordinary meaning claim construction based upon clear and convincing standard and presumption of validity). The inconsistency, derived from a lack of uniformity, is compounded by the unpredictability of finality and binding authority in those patent validity determinations that occur with multiple parallel-tracked validity determinations in the two separate fora concerning validity of the same challenged patent claims.

Congressional exercise of its enumerated powers in this context has violated the principles behind the constitutional imperative and exceeded its authority by usurping the authority of the third branch to set uniform standards for adjudicating patent validity disputes consistent with the constitutional imperative.

F. IPRs are not the Talismanic Solution in the Quest for Improved Patent Quality and Patent Law Reform

To be sure, patent quality is in the best interest of all stakeholders and the integrity of the United States patent system. It is commendable that Congress has attempted to achieve this goal. Unfortunately, IPRs, while paved with good intentions, have put the patent system on a dangerous road to a chaotic demise.

Solutions for improving patent quality need to be accomplished at the front-end administrative process and not at the expense of the constitutional imperative and the separation of powers on the back-end enforcement regime. Robust and comprehensive examination practices at the application stage achieves the goal consistent with congressional authority and the constitutional mandate.

For its part, the Supreme Court has rendered recent decisions in patent cases that reign in “bad actors” on the enforcement back end.[\[12\]](#) These cases equip trial courts with the necessary tools

to combat abusive patent enforcement tactics without stifling the incentive to innovate, entrepreneurial investment in new technologies, and the disclosure of the private thoughts of inventors and innovators.

Unfortunately, the system has gone off the rails with Congress' empowerment of an administrative agency to assume the heretofore judicial function of adjudicating private party disputes over patent validity simultaneously with the Article III courts under vastly different and inconsistent procedures.

G. The Constitutional Imperative of the Patent System is Not Disputed

The issue of constitutionally guaranteed patent protection for individual inventors is non-controversial from a right or left political perspective. It is about what is right and wrong with IPRs and its adverse impact on the U.S. patent system vis-a-vis the balance of power between the branches of our tripartite form of government.

As evidenced by many of the Supreme Court's unanimous opinions in patent cases, the fundamental constitutional rights emanating from Article I, section 8, Clause 8, provide a singular foundation of principles that cannot be denied. The strength of these protections for the individual has been the lynchpin of the superior technological progress and economic success enjoyed over the history of our republic. One need only compare American progress with that of repressive regimes that do not honor and support strong protection for the private intellectual property rights of the individual to realize the genius of the Founding Fathers and Framers behind the constitutional imperative.

The basis for the constitutional provision has served the country well throughout our history and should provide the basis for determining whether an act of Congress achieves or violates the constitutional imperative. And when, as here, it is evident that an act of Congress (*i.e.*, the AIA provision establishing the IPR administrative agency adjudication of patent validity disputes and cancellation) is contrary to the constitutional imperative, the Supreme Court's historical precedent, and the antecedent common law, then that provision must be struck down as an unconstitutional violation of the separation of powers and the Seventh Amendment right to a jury trial.

The Court has recognized in many other cases involving the Bill of Rights and separation of powers that Congress and/or the Executive has over-stepped its authority. Here, the separation of powers and the Seventh Amendment are at the heart of this case.

If the judicial branch does not abide and protect its own constitutional independence and authority and the individual's protections under the Bill of Rights, no other branch can.

II. Evolution of Public Property Rights v. Private Property Rights

A. Article III Separation of Powers

In 1855, in *Murray's Lessee v. Hoboken Land & Improvement Co.*, the Supreme Court declared that Congress has the power to delegate disputes over public rights to non-Article III courts.^[13] The Court specifically held that "there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them . . . but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper." *Id.* at 281. This Article I public rights carve-out from Article III courts was first recognized by the Court in the context of disputes between the government and private parties. *Id.*

In 1921, in *Block v. Hirsh*, the Court extended the doctrine to disputes between private parties concerning public rights.^[14] The Court upheld the constitutionality of a District of Columbia statute authorizing an administrative agency to determine fair rents for holdover tenants as provided by the statute in a dispute between a private party landlord and private party tenants. *Id.*

In 1929, in *Ex parte Bakelite Corp.*, the Court held that an adversarial proceeding by a company against a competitor for unfair importation practices under federal law did not need to be heard in an Article III court.^[15] In *Bakelite*, the Court addressed the question of the constitutionality of "legislative courts." *Id.* at 451-52. The case concerned executive power to levy tariffs and create a Tariff Commission to conduct hearings pursuant to the Tariff Act of 1922. *Id.* at 446. Determinations by the Tariff Commission were appealable to the Court of Customs Appeals. The Court declared that the Court of Customs Appeals was a legislative court, *i.e.*, an Article I court. Thus, regarding matters

purely within the scope of the legislative or executive branches, they may reserve to themselves the power to create new forums to decide disputes or delegate the adjudicatory function to administrative agency tribunals. *Id.* at 451.

More recently, in 1985, the Supreme Court in *Thomas v. Union Carbide Agricultural Products Co.*, upheld the binding arbitration scheme of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”).^[16] Under FIFRA, pesticide manufacturers seeking to register a pesticide were required to submit health, safety, and environmental data to the Environmental Protection Agency (“EPA”). *Id.* at 571-72. The data could be utilized by the EPA in approving registrations by other manufacturers, but compensation for its use was owed to the earlier registrant. The amount could be determined by agency arbitration instead of in an Article III court. The Court in *Thomas* held that this statutory scheme does not violate Article III, noting that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” *Id.* at 583. It followed that “Congress, acting for a valid legislative purpose 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.” *Id.* at 593-94.

The following year, in 1986, the Court in *Commodity Futures Trading Commission v. Schor* used the same rationale to uphold the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”), for customers of commodity brokers to seek reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations.^[17]

The Court expanded the Article I and Article II administrative agency adjudication of disputes between private parties concerning arguably private property rights in reliance upon its asserted nexus between the private rights and the public regulatory scheme or moreover the governmental interest in the outcome and resolution of those disputes. One can question this rationale and whether it presents an “open-ended” basis for unfettered expansion of

regulatory control by the two political branches of the U.S. Government without the checks and balances of the co-equal non-political third branch. Certainly, a connection can be drawn between these cases and the massive expansion of Article I and Article II *regulatory agencies* and *regulatory power* over daily activities related to private property rights.

Concern over the open-endedness of this unfettered power is evident in the 2011 case *Stern v. Marshall*, 564 U.S. 462 (2011), in which the Court issued its most expansive pronouncement on the standard for applying the public rights doctrine. In *Stern*, the Court continued to apply the analysis of public rights doctrine to disputes between private parties in “cases in which 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 a limited regulatory objective within the agency’s authority. . . . [W]hat makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action.” *Id.* at 498.

The Court, however, held that the dispute between the parties in *Stern* concerned a claim *sounding in tort*, and *thus, could not be adjudicated by an Article I bankruptcy court.* *Id.* at 494. Rather, under Article III, an Article I bankruptcy court could not enter judgment on a state law counterclaim sounding in tort because state law counterclaims “[do] not flow from a federal statutory scheme, . . . [are] not completely dependent upon adjudication of a claim created by federal law,” and do not involve “a situation in which Congress devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.” *Id.* at 493-94 (citations omitted).

Most notably, under the *Stern* analytical framework, Article I and Article II tribunal adjudications *are prohibited* if the federal claim had antecedents in the common law in 1789, and those agency tribunals acting as factfinder in private disputes must receive plenary review in an Article III court to be considered constitutionally sound. *See id.* at 484-85.

This “historical antecedents” test is determined by examining whether a claim existed at common law in 1789, and if so, its resolution implicates the

“judicial power,” and thus a non-Article III tribunal may not finally adjudicate it at the trial level. The Article III purpose, its system of checks and balances, and the integrity of judicial decision making would be denied if the other branches of the federal government could confer the government’s “judicial power” on entities outside Article III. That is why since *Murray’s Lessee* it has long been recognized that Congress may not “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.” 59 U.S. 272 (1856).

When a suit is made of “the stuff of the traditional actions at common law tried by the courts at Westminster in 1789” and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts. *Stern*, 564 U.S. at 484. The Constitution assigns that job—resolution of “the mundane as well as the glamorous, matters of common law and statute as well as constitutional law, issues of fact as well as issues of law” —to the judiciary. *Id.* at 495.

Nevertheless, the Court went on to recognize that Article III precedent “has not been entirely consistent.” *Id.* at 497. As Justice Scalia’s concurrence stated, this realization of how the *Stern* outcome was reconciled with every “not . . . entirely consistent” holding of the past has led reasonable jurists to believe that there were no less than seven distinct legal standards announced in the majority opinion. *Id.* at 507 (Scalia, J., concurring).

It is important to note that none of the public rights cases involve the disclosure of private thoughts induced by the sovereign, and, under the historical antecedent test, non-Article III tribunals may not finally adjudicate patent disputes at the trial level. Also, as in *Stern*, under the common law, violations of patent rights have been treated as a tort.

It is also noteworthy that the Court has recently held in *Matal v. Tam*, 137 S. Ct. 1744, 1760-61 (2017), in the context of trademark rights, that like copyrights, trademarks are “private” speech. Additionally, as pointed out by Justice Thomas (joined by Justice Scalia) in his dissenting opinion in *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293 (2015):

[T]he right to adopt and exclusively use a trademark appears to be a *private property*

right that “has been long recognized by the common law and the chancery courts of England and of this country.” Trade-Mark Cases, 100 U. S. 82, 92, 25 L. Ed. 550, 1879 Dec. Comm'r Pat. 619 (1879). As the Court explained when addressing Congress’ first trademark statute, enacted in 1870, the exclusive right to use a trademark “was not created by the act of Congress, and does not now depend upon it for its enforcement.” *Ibid.* “The whole system of trademark property and the civil remedies for its protection existed long anterior to that act, and have remained in full force since its passage.” *Ibid.* Thus, it appears that the trademark infringement suit at issue in this case might be of a type that must be decided by “Article III judges in Article III courts.” *Stern*, 564 U. S. at 484, 131 S. Ct. 2594, 180 L. Ed. 2d 475, 495.

B&B Hardware, 135 S. Ct. 1293, 1317 (emphasis added).

The same is true for patent rights since the patent law developed from the common law.

B. Article III Separation of Powers in Invention and Land Patent Cases

In addition to patents for inventions, the U.S. government has issued patents for land grants. *United States v. Stone*, 69 U.S. 525, 535-38 (1864). Patents for invention and patents for land are treated the same way under the relevant law. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 358-59 (1888). The Supreme Court in several cases during the nineteenth century declared that a patent for either invention or land, once issued, is private property that has left the authority of the granting office.

The Court in *American Bell Telephone Company* compared Article I, Section 8, Clause 8, with Article IV Section 3, Clause 2, and stated that “the 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 bureau or officers under the government, are of the same nature, character and validity. . . .” *Id.* The Court held that to take away a patent after issuance invokes “private” rights—namely, fully vested property rights. *Id.* at 370. The Court found that the invention “has been taken from the people, from the public, and made the private property of the patentee. . . .” *Id.*

The Court has held, with respect to both patents for invention and patents for land, that it is an unconstitutional encroachment on Article III courts for the executive to affect an issued patent in any way. *Id.* In *American Bell Telephone Company*, the Court found 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. . . .” *Id.* at 365. Any determinations as to whether a patent has been improvidently granted must be made by courts of law. The agency that issues the patent provides evidence of a grant by an officer who issues it acting magisterially and not judicially. *Id.* Such office or officer is not competent to cancel or annul the act of his predecessor. *Id.* That is a judicial act, and requires the judgment of a court. *Id.*

The Supreme Court in *McCormick Harvesting Machine Co. v. C. Aultman & Co.*, 169 U.S. 606, 609 (1898), held that a patent, upon issuance, is not supposed to be subject to revocation or cancellation by any executive agent. *Id.* The Court held that it is an invasion of the province of Article III courts for the executive branch to revoke or cancel a patent as invalid. *Id.* at 612.

The Court reasoned 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 cancelled by the President, or any other officer of the government. *Id.* at 608-09. It has become the property of the patentee, and as such is entitled to the same legal protection as other property. *Id.* The court noted that the only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatsoever, is vested in the courts of the United States, and not in the department which issued the patent. And in this respect a patent for an invention stands in the same position and is subject to the same limitations as a patent for a grant of land.

There are numerous land patent cases preceding the invention patent cases that reached the same conclusion. In *United States v. Stone*, 69 U.S. 525, 535 (1864), the Court determined that an Article I tribunal lacked the authority to void a patent for land.

In *Moore v. Robbins*, 96 U.S. 530 (1878), the Court decided a dispute as to whether the Secretary of the Interior could rescind a patent for land where multiple parties claimed ownership over the same tract. *Id.* The Court reasoned that Article III courts are the sole venue for adjudication once a patent has been issued and become the private property of the patentee. The question of contested rights is within the jurisdiction of the land patent granting authority (the Land Office), but once the patent has been awarded to one of the contestants, and has been issued, delivered, and accepted, all right to control the title or to decide on the right to the title has passed from the Land Office and the executive. *Id.* at 532-33. Any disputes concerning the land patent must be decided by Article III courts. *Id.*

Similarly, in *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 293 (1890), the Court, relying on the same rationale to prevent officers of the Land Department from requiring two competing land owners to appear regarding the patents’ validity, stated that it “is always and ultimately a question of judicial cognizance.” *Id.* The Court held that only the Article III courts could hear the case. *Id.* at 301-02.

In both the invention and land patent cases, the dispute arose as a result of a challenge to the validity of the granted patent. Whether the challenge is fueled by the issuing body’s mistake or negligence, the same consequence obtains—the issuing agency cannot adjudicate the dispute. Once the grant has occurred, the right is a private property right. Any dispute as to the patentee’s private property must be heard by an Article III tribunal. Otherwise, it violates the Article III separation of powers.

The harm to the rule of law that arises whenever persons other than Article III judges wield the judicial power is not overstated. The presumption of lifetime tenure and the prohibition against salary diminution is that it eliminates or minimizes the political influence on Article III judges. The lifetime tenure and no salary diminution requirement of Article III provide the greatest opportunity to maintain the independence of the federal judiciary. Also, the Article II advise and consent role for Senate confirmation of Presidential nominees to Article III courts guarantees the People a representative voice in the vetting process. These protections do not exist in the administrative agencies of the Executive branch, whose employees perform

their duties *within the bureaucracy subject to the power and authority of agency leaders, the President, and/or Congress.*

C. The Public Rights Exception Violates the Seventh Amendment Right to a Jury

The Seventh Amendment provides that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved”[\[18\]](#)

The public rights exception for administrative agency tribunals runs afoul of the Seventh Amendment right to a trial by jury with respect to the PTAB IPRs challenging the validity of patents. As pointed out in the discussion of the Supreme Court’s invention patents and land patents, the dispute is one that should be viewed as a private property rights case and not a public property rights case. Moreover, historically in the United States, the issues of patent validity have been adjudicated in Article III courts.

Additionally, the Seventh Amendment right to a jury trial is violated under the Court’s historical antecedent test. Under the English Common law of the eighteenth century (at the time of the framing of the United States Constitution), the validity of patents sounded in common law. Such was the case whether incident to an infringement action or as a direct action to revoke in the Chancery Court of law and equity (since the factual determinations were actually tried in the common law courts because only they had the power to empanel juries).[\[19\]](#) Accordingly, any distinction between validity determinations and infringement actions is misplaced.

Patent infringement actions inherently rely upon the validity of the patent at issue. This is true whether decided by adjudication of the affirmative defense, counterclaim, stipulation, or the presumption of validity. The issues of patent infringement and patent validity are inextricably linked. Congress recognized this aspect of patent enforcement in the AIA one-year time bar for IPR petitions when the patent at issue is the subject of a patent infringement lawsuit.[\[20\]](#)

Similarly, since the right to a jury trial is waivable, any patent dispute conducted by an Article III judge without a jury differs significantly from the PTAB IPR proceeding in that the litigants engage in the process knowing that their voluntary conduct waives the jury right. Patent holders faced with the challenge in IPRs are not afforded the opportunity to waive

the jury right. And, of course, the separation of powers constitutional deficiency is not present since the matter is still tried as an Article III adjudicated proceeding.

While no Supreme Court case has addressed the specific question raised regarding the Seventh Amendment violation posed by PTAB IPRs (prior to the pending case), guidance may be gleaned from the Court’s decision in *Granfinanciera, S.A. v. Nordberg*. 492 U.S. 33 (1989):

Although “the thrust of the Amendment was to preserve the right to jury trial as it existed in 1791,” the Seventh Amendment also applies to actions brought to enforce statutory rights that are analogous to common law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity or admiralty.

Id. at 41- 42 (citations omitted).

[Congress] lacks the power to strip parties contesting matters of private right of their constitutional right to a trial by jury . . . to hold otherwise would be to permit Congress to eviscerate the *Seventh Amendment’s* guarantee by assigning to administrative agencies or courts of equity all causes of action not grounded in state law, whether they originate in a newly fashioned regulatory scheme or possess a long line of common-law forebears. The Constitution nowhere grants Congress such puissant authority. “[L]egal claims are not magically converted into equitable issues by their presentation to a court of equity,” nor can Congress conjure away the *Seventh Amendment* by mandating that traditional legal claims be brought there or taken to an administrative tribunal.

Id. at 51-52 (emphasis added).

In *Granfinanciera*, a common law claim arose in an Article I bankruptcy court. *Id.* The Court held that a bankruptcy trustee was constitutionally entitled to a jury trial in an action to recover a fraudulent conveyance, as such suits are matters of private rights. *Id.* at 55-56. The Court found that although the common law claim arose in an Article I (bankruptcy) court, the Seventh Amendment right to a jury still applied. *Id.* at 63-64.

III. Resolution of the Critical Constitutional Issues Raised by IPRs is Necessary to Insure

the Integrity and Strength of the United States Patent System

“Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place.”

~Frederic Bastiat

The passage of the AIA was a culmination of efforts spanning several years of congressional efforts; and the product of a push by the companies at the forefront of the twenty-first century new technology business titans. The legislation brought about monumental changes in the patent law in the way that patents are procured (first inventor to file instead of first to invent) and how they are enforced (the administrative challenges to patent validity through the PTAB IPRs).

The 113th and 114th Congresses also grappled with then newly proposed patent law reforms that, if enacted, would have presented additional tectonic shifts in the patent law. Major provisions of the proposals included: fee-shifting measures (requiring loser pays legal fees—counter to the American rule); strict detailed pleadings requirements, promulgated without the traditional Rules Enabling Act procedure, which exceed those of the *Twombly/Iqbal* standard applied to all other civil matters in federal courts; and the different standards applicable to patent claim interpretation between the PTAB IPR proceedings and Article III court litigation concerning patent validity.

The executive and administrative branch have also been active in the patent law arena. President Obama was a strong supporter of the AIA and in his 2014 State of The Union Address essentially stated that, with respect to the proposed patent law reforms aimed at “patent troll” issues, we must innovate rather than litigate. Additionally, the USPTO has embarked upon an energetic overhaul of its operations in terms of patent quality and PTO performance in granting patents, and the PTAB has expanded to over 250 administrative law judges in concert with the AIA IPRs’ strict timetable requirements.

The Supreme Court, along with the other branches of the U.S. government, has raised the profile of patent cases to historical heights. From 1996 to the present term, there has been a steady

increase in the number of patent cases decided by the Court. For example, patent cases decided during the 2014-2015 term the patent cases constituted almost ten percent of the Court’s docket. Prior to the last two decades, the Supreme Court would rarely include more than one or two patent cases in a docket that was much larger than those we have become accustomed to over the more recent terms.

The need for strong protection of intellectual property rights is greater now than it was at the dawn of our Republic. Our Forefathers and the Framers of the U.S. Constitution recognized the need to secure those rights in Article 1, Section 8, Clause 8. James Madison provides clear insight for its significance in the Federalist Paper No. 43 (the only reference to the clause in the Federalist Papers). It is contained in the first Article section dedicated to the enumerated powers of Congress. The clause recognizes the need for uniformity of the protection of IP rights; securing those rights for the individual rather than the state; and incentivizing innovation and creative aspirations.

Underlying this particular enumerated power of Congress is the same struggle that the Framers grappled with throughout the formulation of the new Republic: how to promote a unified nation while protecting individual liberty. The fear of tyranny and protection of the “natural law” of individual liberty is a driving theme for the Constitution and throughout the Federalist Papers.

In Federalist Paper No. 10, James Madison articulated the important recognition of the “faction” impact on a democracy and a republic. In Federalist Paper No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic. And in Federalist Paper No. 78, Alexander Hamilton provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*.

All of these related themes are relevant to Article I, Section 8, Clause 8, and at the center of intellectual property protections then and now. The Federalist Paper No. 10 recognition that a faction may influence the law has been playing itself out in the halls of Congress in the time period leading up to the AIA and in connection

with more recent patent law reform debate. The large tech companies of the past, new tech, new patent-based financial business model entities, and pharma factions have been the drivers, proponents, and opponents of certain of these efforts.

To be sure, some change is inevitable, and both beneficial and necessary in an environment of rapidly changing technology where the law needs to evolve or conform to new realities. However, changes not grounded in the founding principles of the Constitution and the Patent/Copyright Clause (*i.e.*, uniformity, secured rights for the individual, incentivizing innovation and protecting individual liberty) run afoul of the intended purpose of the constitutional guarantee.

Although the Sovereign does not benefit directly from the fruits of the innovator, enacting laws that empower the King, and enables the King to remain so, has the same effect as deprivation and diminishment of the individual's rights and effectively confiscates them from him/her. Specifically, with respect to intellectual property rights, effecting change to the laws that do not adhere to these underlying principles, in favor of the faction that lobbies the most and the best in the quid pro quo of political gain to the governing body threatens to undermine the individual's intellectual property rights and hinder the greatest economic driver and source of prosperity in the country.

All of these vital intersecting factors are resonating with the critical issues to be decided regarding the constitutionality of PTAB IPRs. The public property rights/private property rights jurisprudence can be clarified, and vital issues related to the strength of invention patent protection in the United States can be secured, through resolving the fundamental question of the constitutionality of Article II versus Article III adjudication of invention patent validity.

IV. CONCLUSION

IPRs, as promulgated by Congress and as currently administered, are an unconstitutional usurpation of the Article III separation of powers and violate the Seventh Amendment's right to a jury.

[2] *See, e.g.*, Hamdan v. Rumsfeld, 548 U.S. 557 (2006) (war powers); Nat'l Fed'n of Indep. Bus. v. Sebelius, 132 S. Ct. 2566 (2012) (Affordable Care Act); Zivotofsky v. Kerry, 135 S. Ct. 2076 (2015) (naturalization/immigration).

[3] *See* U.S. CONST. art. I, § 8, cl. 8.

[4] The Federalist No. 43 (James Madison) (emphasis added).

[5] Miller v. Brass Co., 104 U.S. 350, 352 (1882) (“[T]he claim of a specific device or combination, and an omission to claim other devices or combinations *apparent on the face of the patent*, are, in law, a dedication to the public of that which is not claimed. It is a declaration that that which is not claimed is either not the patentee's invention, or, if his, he *dedicates it to the public.*”) (emphasis added).

[6] Defend Trade Secrets Act, Pub. L. 114-153, 130 Stat. 376 (2016) (codified at 18 U.S.C. § 1836 *et seq.*).

[7] U.S. CONST. art. III, § 1.

[8] The Federalist No. 10 (James Madison).

[9] The Federalist No. 51 (James Madison).

[10] 5 U.S. 137 (1803).

[11] The Federalist No. 43 (James Madison).

[12] *See, e.g.*, Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016) (district court's discretion to award enhanced damages and appellate review by abuse of discretion standard); Highmark Inc. v. Allcare Mgmt. Sys., 134 S. Ct. 1744 (2014) (abuse of discretion standard for appellate review of attorney's fees award); Octane Fitness v. ICON Health & Fitness, 134 S. Ct. 1749 (2014) (“exceptional case” standard for award of attorney's fees).

[13] 59 U.S. 272 (1855).

[14] 256 U.S. 135 (1921).

[15] 279 U.S. 438, 460-61 (1929).

[16] 473 U.S. 568, 571 (1985).

[17] 478 U.S. 833, 854 (1986).

[18] *See* U.S. CONST. amend. VII.

[19] *See* Ex Parte Wood & Brundage, 22 U.S. 603, 614-615 (1824).

[20] *See* 35 U.S.C. § 315 (2012).