

**BRIDGING THE GAP BETWEEN THE  
FEDERAL COURTS AND THE UNITED  
STATES PATENT & TRADEMARK  
OFFICE: THE JOURNAL OF SCIENCE  
AND TECHNOLOGY LAW  
SYMPOSIUM**

**THE CONSTITUTIONALITY OF ADMINISTRATIVE  
PATENT CANCELLATION**

**GREG REILLY\***

*Prepared for the Boston University JSTL Symposium “Bridging the Gap between the Federal Courts and the USPTO,” this article evaluates claims that adjudication of the validity of issued patents in the United States Patent and Trademark Office is unconstitutional. The constitutional challenges result from the expansion of administrative options to challenge and cancel issued patents in the America Invents Act of 2011 and have received favorable reception within the patent community and garnered at least some attention from the Federal Circuit and Supreme Court. This positive reception is surprising because the constitutional challenges are legally quite weak.*

*Although the challenges contend that Article III prohibits administrative adjudication of issued patents, the Patent Office review procedures involve limited review of federal statutory rights in a specialized area of law within the Patent Office’s expertise and in furtherance of the Patent Office’s core regula-*

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\* Assistant Professor of Law, IIT Chicago-Kent College of Law. Thanks to the editors of the Boston University School of Law Journal of Science and Technology for the invitation to participate in this symposium and to my fellow participants for useful discussions. Thanks to Allison Haas and Jonathan Jianu for research assistance. For helpful discussions and comments on this and earlier versions, thanks to Paul Gugliuzza, Dmitry Karshtedt, and Megan LaBelle.

*tory objective in evaluating and issuing patent claims. Supreme Court precedent indicates that Congress can use its Article I powers to opt for administrative adjudication in such circumstances without any Article III barriers. This is confirmed by the fact that Article III courts retain significant power over patent validity issues, both on direct review from the Patent Office cancellation proceedings and through the parallel track for challenging patent validity in district court litigation.*

*Nor is a challenge based on the Seventh Amendment right to a jury trial likely to succeed, as the Supreme Court has indicated that in the administrative context the Seventh Amendment issue is subsumed by the Article III analysis. The Takings and IP Clauses also would not bar Patent Office adjudication and cancellation of issued patents (and have only been raised in passing). In sum, because the Patent Office review procedures for issued patents are well within the mainstream of modern administrative adjudication, a finding that administrative patent cancellation is unconstitutional would not just undo Congress's policy choices for the patent system but would also threaten large swaths of the administrative state.*

### Introduction

The America Invents Act of 2011 (“AIA”) significantly altered the distribution of power within the patent system. In particular, the AIA created several new procedures by which the validity of issued patents can be challenged in the United States Patent and Trademark Office (“Patent Office” or “PTO”). These procedures have proven very popular, with the docket of the Patent Trial and Appeal Board (“PTAB”), the part of the Patent Office that resolves these challenges, beginning to rival the patent docket of the federal district courts.<sup>1</sup> In the post-AIA patent system, the PTAB undoubtedly challenges the federal courts’ traditional primacy in adjudicating matters involving issued patents.

Like any redistribution of power, the expansion of the Patent Office’s power over issued patents has created dissatisfaction in some quarters. The high rates of invalidation in the PTAB sparked, at least initially, significant concern in the patent community, resulting in the overly dramatic characterization of the PTAB panels as “death squads killing property rights.”<sup>2</sup> Commentators also expressed concerns about supposedly inconsistent results in parallel federal court litigation and PTAB proceedings, with the PTAB invalidating patent claims even after a district court judgment rejected the invalidity challenge.<sup>3</sup> Some have worried that serial challenges to patents in the PTAB and courts might constitute problematic harassment from a policy perspective.<sup>4</sup>

Perhaps unsurprisingly, others dissatisfied with the AIA’s redistribution of power in the patent system have not limited themselves to questioning Congress’s policy choices or advocating for statutory revocation of, or modifications to, the AIA post-issuance proceedings. Rather, they have resorted to constitutional challenges to administrative adjudication and cancellation of issued patents. These challenges primarily contend that Patent Office post-issuance review is unconstitutional because the PTAB judges lack the security of employment and salary that Article III mandates for federal judges and because the PTAB proceedings lack the jury trial rights provided for in the Seventh Amendment.<sup>5</sup>

The United States Court of Appeals for the Federal Circuit squarely rejected these challenges in *MCM Portfolio LLC v. Hewlett-Packard Co.*<sup>6</sup> However, litigants continue to make constitutional challenges to Patent Office post-

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<sup>1</sup> John M. Golden, *Working Without Chevron: The PTO As Prime Mover*, 65 DUKE L.J. 1657, 1666-67 (2016).

<sup>2</sup> *Id.* at 1668.

<sup>3</sup> Paul R. Gugliuzza, *(In)Valid Patents*, 92 NOTRE DAME L. REV. 271, 277 (2016).

<sup>4</sup> See Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 68 (2016).

<sup>5</sup> See *infra* Part I.B.

<sup>6</sup> *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015) [hereinafter *MCM Portfolio*].

issuance review.<sup>7</sup> These challenges have made some progress at both the Supreme Court and the Federal Circuit. The Supreme Court “relisted” two certiorari petitions challenging Patent Office post-issuance review for consideration at a second conference, which normally indicates that the Court is relatively close to granting certiorari.<sup>8</sup> In a subsequent case, the Supreme Court called for a response to the certiorari petition from the United States after the United States had waived its response.<sup>9</sup> The Federal Circuit denied initial hearing en banc in a case involving a constitutional challenge to Patent Office post-issuance review but did so over the vigorous dissents of two judges.<sup>10</sup> The constitutional challenges to Patent Office post-issuance review also have received favorable receptions in leading patent law media outlets.<sup>11</sup>

All of this positive attention is somewhat puzzling. The constitutional challenges to administrative adjudication and cancellation of issued patent rights are legally quite weak. Although the Supreme Court has struggled to articulate a clear and consistent test for when adjudication by administrative agencies is permissible under Article III, Patent Office post-issuance review falls comfortably within the mainstream of administrative adjudication.<sup>12</sup> To strike this type of adjudication down as unconstitutional under Article III would not just disturb Congress’s policy choices for the patent system but would also threaten significant, well-established portions of the modern administrative state.

More specifically, Supreme Court precedent supports at least three analyti-

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<sup>7</sup> See, e.g., Dennis Crouch, *Whether a Patent Right Is a Public Right*, PATENTLYO (Feb. 16, 2017), <http://patentlyo.com/patent/2017/02/whether-patent-public.html> [<https://perma.cc/PBL5-SRBY>] (describing new challenge at the Federal Circuit).

<sup>8</sup> See John Elwood, *Relist Watch*, SCOTUSBLOG (Oct. 6, 2016), <http://www.scotusblog.com/2016/10/relist-watch-88/> [<https://perma.cc/SW2A-NRFC>].

<sup>9</sup> Kelcee Griffis, *Justices Want USPTO to Weigh in on PTAB Constitutionality*, LAW360 (Mar. 1, 2017), <https://www.law360.com/articles/896824/justices-want-uspto-to-weigh-in-on-ptab-constitutionality> [<https://perma.cc/X5VU-FCQA>].

<sup>10</sup> *Cascades Projection LLC v. Epson Am. Inc.*, Nos. 2017-1517, 1518, —F.3d—, slip op. (Fed Cir. May 11, 2017).

<sup>11</sup> Crouch, *supra* note 7 (suggesting that 19<sup>th</sup> century Supreme Court case supports unconstitutionality); Robert P. Greenspoon, *Conservative Ideology Will Rebuild the Patent System*, IPWATCHDOG (Jan. 30, 2017), <http://www.ipwatchdog.com/2017/01/30/conservative-ideology-rebuild-patent-system/id=77717/> [<https://perma.cc/9TZ3-MAU9>] (describing Federal Circuit’s *MCM Portfolio* decision as having “oxymoronically labeled the private property of an invention patent as a ‘public right,’ a label calculated to salvage clearly unconstitutional aspects of the 2011 America Invents Act (AIA)”); see also Michael Rothwell, *Patents and Public Rights: The Questionable Constitutionality of Patents Before Article I Tribunals After Stern v. Marshall*, 13 N.C. J. L. & TECH. 287 (2012) (evaluating favorably Article III and Seventh Amendment arguments).

<sup>12</sup> See *infra* Part II.

cal frameworks for evaluating whether non-Article III adjudication is permissible – Article III appellate review, public rights versus private rights, and policy-oriented balancing – with uncertainty as to the exact relationship between them.<sup>13</sup> Administrative adjudication and cancellation of issued patents is clearly constitutional under any of these frameworks. In particular, patent rights are rights created by federal statute over which Congress has significant power to specify the forum for adjudication; post-issuance review advances the expert Patent Office’s primary regulatory function of evaluating and issuing patents; PTAB adjudication is limited to only some issues within a specialized area of law and the PTAB’s powers are limited to cancellation of patents; ample Article III appellate review of the PTAB’s decisions exists; the power of the Article III district courts to consider patent validity remains virtually untouched; and patentees have demonstrated at least some measure of consent by choosing to participate in the patent system (rather than using non-patent means to protect their inventions) despite knowing of the possibility of administrative adjudication and cancellation of issued patents.<sup>14</sup> Nor is the Seventh Amendment a barrier to Patent Office post-issuance review because, in the administrative context, the Seventh Amendment imposes no greater limits on agency adjudication than does Article III.<sup>15</sup>

The constitutionality of administrative adjudication and cancellation of issued patents is not free from any doubt – the indeterminacy of the precedent in this area makes that impossible. In particular, the Patent Office has a less significant regulatory function than other administrative agencies that, under Supreme Court precedent, may make its adjudicatory functions more troubling.<sup>16</sup> More significantly, unlike the independent agencies at issue in prior Supreme Court cases upholding administrative adjudication, the PTAB is part of an executive branch agency run by political appointees who serve at the pleasure of the President, and the PTAB judges owe their jobs, salaries, and performance reviews to political appointees.<sup>17</sup> This raises greater concerns about the potential for partiality and political domination of the PTAB, the very concerns that Article III seeks to avoid. Although these issues are not insignificant, they are outweighed by the other factors demonstrating that Patent Office post-issuance review is well within the permissible scope of administrative adjudication under Article III.

In arguing otherwise, the recent constitutional challenges to AIA post-issuance review focus on three flawed arguments. First, in an argument that smacks of the type of patent exceptionalism that the Supreme Court has re-

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<sup>13</sup> See *infra* Part II.A.2.

<sup>14</sup> See *infra* Part II.

<sup>15</sup> See *infra* Part III.A.

<sup>16</sup> See *infra* Part III.C.2.

<sup>17</sup> See *infra* Part III.D.2.

peatedly rejected, the challenges sidestep the Supreme Court's modern Article III precedent by contending that an (at best) ambiguous 19th century case already held administrative adjudication and cancellation of issued patents to be unconstitutional.<sup>18</sup> Second, these claims incorrectly conflate the "private property" status of patent rights with the "private rights" within the meaning of the Article III precedent that are less susceptible to administrative adjudication.<sup>19</sup> Third, the challenges incorrectly contend that because patent validity may have been litigated in courts at law in 1789, it is a common law claim less susceptible than federal statutory rights to Article III adjudication.<sup>20</sup> In truth, the constitutional challenges seem less focused on a careful analysis of the Supreme Court precedent than on dissatisfaction with Congress's policy choices in creating and structuring Patent Office post-issuance review.<sup>21</sup>

To be clear, this Article provides only a descriptive, doctrinal analysis of the constitutionality of administrative adjudication and cancellation of issued patents. The goal is to evaluate the constitutional challenges and predict the likely outcome. For that reason, this Article takes Supreme Court precedent at face value, without questioning whether the precedent is right or wrong. For example, this Article accepts the Supreme Court's prior description of the patent system as a pervasive regulatory scheme, without questioning whether the Supreme Court's characterization is correct. Likewise, the Article does not make any normative judgments about the wisdom of either the Supreme Court's Article III precedent or Congress's policy choices in creating Patent Office post-issuance review proceedings. Finally, the Article does not address whether specific procedures or practices in PTAB adjudication violate procedural due process rights. The sole question addressed is whether Patent Office post-issuance review was within Congress's power to create or whether it is prohibited by the Constitution.

Part I provides an overview of administrative adjudication and cancellation of issued patents, as well as the constitutional challenges that have been raised to it. Part II evaluates the constitutional challenges under Article III. Part III evaluates the constitutional challenges under the Seventh Amendment, as well as less common arguments that Patent Office post-issuance review constitutes an unconstitutional taking of private property or violates the powers given to Congress in the IP Clause.

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<sup>18</sup> See *infra* Part II.

<sup>19</sup> See *infra* Part II.C.1.

<sup>20</sup> See *infra* Part II.C.1.

<sup>21</sup> Cf. Greg Reilly, *How Can the Supreme Court Not "Understand" Patent Law?*, 16 CHI.-KENT J. INTELL. PROP. 292 (2017) (suggesting that contentions that the Supreme Court does not understand patent law really reflect disagreement with the Supreme Court's policy choices for patent law).

I. THE CONTEXT FOR THE CONSTITUTIONALITY OF POST-ISSUANCE REVIEW

The traditional distribution of power within the patent system assigned the Patent Office the primary role of reviewing patent applications and issuing patents, and the Article III courts the primary role of adjudicating cases involving issued patents. The Patent Office has long had an additional, small role in adjudicating the validity of issued patents, but over the past forty years, and especially since enactment of the AIA, that role has greatly expanded. As the Patent Office has moved into the realm previously assigned to the Article III courts, those dissatisfied with Congress's restructuring of the patent system and/or the results of Patent Office validity decisions have increasingly challenged the constitutionality of the Patent Office's expanded role in adjudicating the validity of issued patents, particularly under Article III and the Seventh Amendment. This Part provides the context for evaluating these constitutional challenges, providing first an overview of administrative adjudication and cancellation of issued patents and then an overview of the recent constitutional challenges.

*A. Administrative Challenges to Issued Patents*

1. Modern Patent Office Post-Issuance Review

For most of its history, the patent system has had two primary prongs. First, patent rights are acquired through an application and examination process in the Patent Office, an executive branch administrative agency within the United States Department of Commerce, to determine whether the statutory requirements for obtaining a patent have been satisfied.<sup>22</sup> Second, patent rights are enforced through infringement lawsuits in the ordinary Article III federal district courts throughout the country, which determine both whether the defendant is violating the exclusive rights provided by the patent and whether the patent meets the statutory requirements and should have issued in the first place ("validity").<sup>23</sup> Decisions in each context can be appealed to the U.S. Court of Appeals for the Federal Circuit, an Article III court with nationwide jurisdiction over patent appeals, and then potentially to the Supreme Court.<sup>24</sup>

More recently, Congress has altered the long-standing structure of the patent system by introducing several procedures by which patents can be challenged in the Patent Office after issuance as erroneously granted, procedures that have

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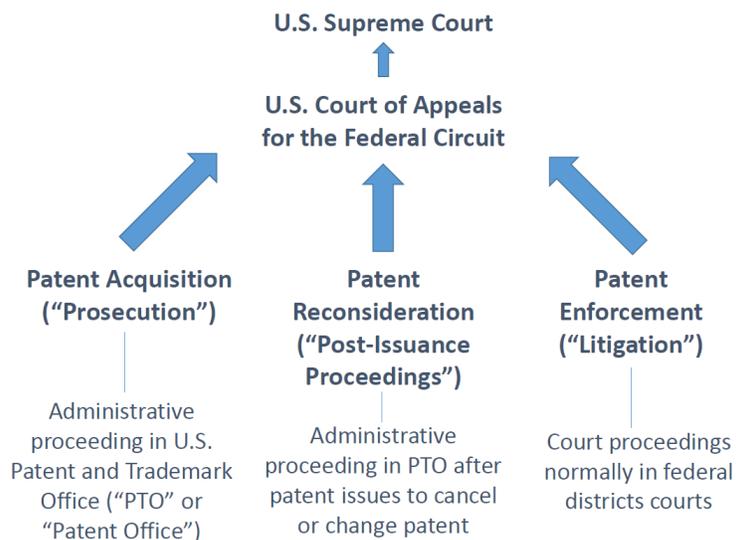
<sup>22</sup> See 35 U.S.C. §§ 100-123 (2010); Mark A. Lemley and Carl Shapiro, *Probabilistic Patents*, 19 J. ECON. PERSP. 75, 77-79 (2005).

<sup>23</sup> ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 51-55 (6th ed. 2013).

<sup>24</sup> Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 474 (2011) (stating that during patent acquisition, only patent denials, not grants, can be appealed).

proven very popular. These post-issuance proceedings effectively create a third prong to the patent system distinct from both patent acquisition and patent enforcement: administrative challenges to issued patents. Like patent examination and litigation, decisions in post-issuance proceedings can be appealed to the Federal Circuit and potentially the Supreme Court. The current structure of the patent system is depicted in the following chart.

### Structure of Patent System



The modern history of Patent Office post-issuance review began in 1981, when Congress created *ex parte* reexamination procedures. Any person can file a request for *ex parte* reexamination, and the Patent Office institutes reexamination if there is “a substantial new question of patentability” for lack of novelty or non-obviousness based on printed prior art.<sup>25</sup> The process of *ex parte* reexamination is similar to initial examination, proceeding *ex parte* between the patentee and the patent examiner, without any participation from the requester or other interested parties.<sup>26</sup> At the end of reexamination, the challenged patent claims are either confirmed, cancelled, or amended.<sup>27</sup> A patentee can appeal a decision adverse to patentability to the Federal Circuit. Consistent with the Administrative Procedure Act, the Federal Circuit’s review is

<sup>25</sup> See U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURES § 2209 (9th ed. 2015) [hereinafter MPEP], <https://www.uspto.gov/web/offices/pac/mpep/> [<https://perma.cc/B8UQ-HPRW>].

<sup>26</sup> See *id.*

<sup>27</sup> 35 U.S.C. § 307 (2010).

limited to the administrative record, with questions of law reviewed de novo and factual findings for substantial evidence.<sup>28</sup>

In 1999, Congress added a second form of post-issuance review – inter partes reexamination – initiated and conducted similarly to ex parte reexamination.<sup>29</sup> The major difference for present purposes was that the party requesting inter partes reexamination was allowed to participate by filing written comments addressing examiner decisions or patentee responses and was permitted to appeal adverse decisions to the Federal Circuit.<sup>30</sup>

The America Invents Act of 2011 substantially changed and expanded Patent Office post-issuance proceedings. It replaced inter partes reexamination with inter partes review as of September 16, 2012.<sup>31</sup> Inter partes review allows any party to challenge an issued patent for lack of novelty or non-obviousness based on printed prior art from nine months after the patent issues through the life of the patent.<sup>32</sup> Inter partes review is instituted if it is “more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”<sup>33</sup> Inter partes review differs from initial examination and reexamination in that it is an adversarial proceeding involving both the patentee and requester that includes discovery, an oral hearing, and other court-like features.<sup>34</sup> It also proceeds before a three judge panel of the Patent Trial and Appeals Board (PTAB), rather than before a patent examiner.<sup>35</sup>

The AIA added three other post-issuance proceedings. First, post grant review allows any party to challenge a patent on any basis within nine months of issuance.<sup>36</sup> Post grant review is initiated and conducted similarly to inter partes review.<sup>37</sup> Second, covered business method patent review (a temporary program lasting until 2020) allows a party accused of patent infringement to

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<sup>28</sup> 35 U.S.C. § 306 (2011); *In re Swanson*, 540 F.3d 1368, 1374-75 (2008) [hereinafter *Swanson*]; see also 5 U.S.C. § 706 (1966)(providing general standards for appellate review of administrative agency action); *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999) [hereinafter *Dickinson*] (holding review of Patent Office decisions subject to the APA).

<sup>29</sup> See MPEP, *supra* note 25, at § 2609.

<sup>30</sup> 35 U.S.C. §§ 314(b)(2), 315(b) (2010), amended by Leahy-Smith America Invents Act (Sept. 16, 2011).

<sup>31</sup> 35 U.S.C. § 311 (2013).

<sup>32</sup> A party cannot challenge a patent in inter partes review if it previously filed a civil action challenging the patent. See Sarah Tran, *Patent Powers*, 25 HARV. J. L. & TECH. 609, 634-35 (2012).

<sup>33</sup> *Id.* at 634.

<sup>34</sup> Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1981-83 (2013).

<sup>35</sup> *Id.* at 1974.

<sup>36</sup> Tran, *supra* note 32, at 631-632.

<sup>37</sup> *Id.* at 633-34.

file a challenge in the Patent Office on any basis for patentability, but only if the patent covers “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.”<sup>38</sup> Covered business method patent review is initiated and proceeds similarly to post grant review and inter partes review.<sup>39</sup> Third, derivation proceedings allow a party to challenge a patent or patent application within one year of the application’s publication on the ground that the subject matter of a claim was derived, or copied, from the challenger.<sup>40</sup> Like the other AIA procedures, derivation proceedings occur before the PTAB with trial-like procedures.<sup>41</sup>

Decisions in inter partes review, post grant review, and covered business method patent review can be appealed by either party to the Federal Circuit.<sup>42</sup> Like reexamination, the Federal Circuit reviews these decisions pursuant to ordinary APA appellate review standards: substantial evidence for factual findings and de novo for legal conclusions.<sup>43</sup> Derivation decisions also can be appealed to the Federal Circuit.<sup>44</sup> Additionally, however, a party dissatisfied with the outcome in derivation, like a dissatisfied patent applicant, can file a civil action challenging the decision and is not limited to the administrative record in the civil action.<sup>45</sup> When no additional evidence is introduced in the civil action, the district court must apply the standard APA appellate review standards, but when new evidence is introduced, the district court reviews the relevant factual issues de novo.<sup>46</sup>

## 2. Administrative Post-Issuance Review Before Reexamination

Commentators commonly contend that “[f]or most of American history

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<sup>38</sup> *Id.* at 636-37.

<sup>39</sup> *Id.* at 636.

<sup>40</sup> *Id.* at 635.

<sup>41</sup> *Id.*

<sup>42</sup> 35 U.S.C. § 319 (2011) (inter partes review); 35 U.S.C. § 329 (2011) (post grant review); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(2), 125 Stat. 284, 331 (2011) (covered business method patent review).

<sup>43</sup> *Merck & Cie v. Gnosis SpA*, 808 F. 3d 829, 833 (Fed. Cir. 2015); *see also Merck & Cie v. Gnosis SpA*, 820 F.3d 432, 434 (Fed. Cir. 2016) (O’Malley, J., concurring in denial of rehearing en banc) (noting that these appellate review standards apply to all PTAB decisions).

<sup>44</sup> 35 U.S.C. § 146 (2011).

<sup>45</sup> *Id.*

<sup>46</sup> *See Troy v. Samson Mfg. Corp.*, 758 F.3d 1322, 1328 (Fed. Cir. 2014) [hereinafter *Troy*], *reh’g en banc denied* (interpreting prior version of Section 146 involving interferences).

[prior to enactment of ex parte reexamination], the patent agency (whether USPTO or otherwise) had *no authority* to cancel an issued patent.<sup>47</sup> This is not entirely accurate.<sup>48</sup>

Since at least 1836, both applications and *issued patents* (filed before the effective date of the AIA, which switched to a first-to-file system) have been subject to interference proceedings in the Patent Office to decide which of competing claimants has priority and entitlement to the patent as the first inventor of the claimed subject matter.<sup>49</sup> Prior to 1952, the Patent Office did not have the power to cancel an issued patent in an interference, even when it found the patentee was not the first to invent and therefore was not entitled to the patent.<sup>50</sup> Rather, the prevailing party was required to file suit to obtain a wholesale cancellation of the patent.<sup>51</sup> Yet, even before 1952, “the power of

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<sup>47</sup> Jarrad Wood & Jonathan R. K. Stroud, *Three Hundred Nos: An Empirical Analysis of the First 300+ Denials of Institution for Inter Partes and Covered Business Method Patent Reviews Prior to In re Cuozzo Speed Technologies, LLC*, 14 J. MARSHALL REV. INTELL. PROP. L. 112, 115 (2015).

<sup>48</sup> In addition to the interferences discussed in the text, the International Trade Commission, an administrative agency, also makes determinations of patent validity as part of its unfair trade practices investigations. However, ITC determinations of invalidity (even if affirmed by the Federal Circuit) do not actually result in cancelled patents, and ITC determinations have no preclusive effect in other proceedings because the ITC’s expertise is on trade, not patent, issues. *Tandon Corp. v. ITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987). Also, from 1977-1982, the Patent Office allowed patentees to get an advisory opinion on patentability via a reissue proceeding, even without any admitted defect in the patent. Because the outcome was merely advisory, it also did not result in patent cancellation. Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J. L. & TECH. 1, 17-19 (1997).

<sup>49</sup> Patent Act of 1836, Pub. L. No. 24-357, § 8, 5 Stat. 117, 120-21 (1836). The Patent Act of 1793 also provided for interferences but only expressly references applications, so it is unclear as to whether its interference procedures also applied when one of the involved claimants held an already issued patent. Patent Act of 1793, Pub. L. No. 2-11, § 9, 1 Stat. 318, 323-24 (1793).

<sup>50</sup> See *Ewing v. United States ex rel. Fowler Car Co.*, 45 App.D.C. 185, 189 (D.C. Ct. App. 1916) (noting that the Patent Office “has no power to cancel a patent” in an interference). Earlier versions of this paper posted to SSRN made incorrect assumptions about the power of the Patent Office to cancel issued patents in interferences prior to 1952. These incorrect assumptions were brought to my attention, and I was pushed to explore the matter in more depth and more precisely by Michael I. Rothwell, *After MCM, A Second Look: Article I Invalidation of Issued Patents for Intellectual Property Still Likely Unconstitutional After Stern v. Marshall*, 18 N.C. J. LAW & TECH. 1, 18-20 (2017). As explained in the text, however, Rothwell is incorrect in his statement that “[i]t appears that the USPTO’s interference proceedings were first empowered to invalidate issued patents by a November 8, 1984 amendment to 35 U.S.C. § 135(a) (pre-AIA).” *Id.* at 20.

<sup>51</sup> William Redin Woodward, *A Reconsideration of the Patent System As a Problem of*

the Patent Office to institute interference proceedings” did give it “an indirect control over issued patents.”<sup>52</sup> A finding against an issued patent in an interference apparently “remov[ed] . . . the prima facie presumption of validity and establish[ed] between the parties, on the issue of priority, a presumption which only evidence carrying ‘thorough conviction’ can overcome.”<sup>53</sup>

The Patent Act of 1952 included a provision “new in substance” that provided that “a final judgment adverse to a patentee, subject to appeal or other review provided, constitutes cancellation of the claims involved from the patent.”<sup>54</sup> This provision remained virtually unchanged until interferences were rendered obsolete by the America Invent Act’s move to a first-to-file system.<sup>55</sup> Thus, upon exhaustion of all appeals, the Patent Office’s determination against a patentee in an interference constituted the cancellation of claims of an issued patent. This cancellation was a post-issuance patentability decision by the Patent Office, as it was based on a finding of lack of novelty under 35 U.S.C. § 102.<sup>56</sup> Thus, for sixty-five years, the Patent Office has had the authority to cancel an issued patent for lack of patentability, albeit on more limited grounds (prior invention by a competing application) than under the modern post-issuance review procedures. Long before that, the Patent Office could significantly affect the validity of issued patents through its interferences decisions.

Arguably, cancellation of patent rights in an interference differs from cancellation in the AIA post-issuance proceedings (except derivation) because the losing party in interferences had the option of filing a civil action in federal district court challenging the Patent Office’s decision, rather than just seeking direct appellate review.<sup>57</sup> However, the Supreme Court made clear as early as 1894 that the district court did not truly resolve the priority issue de novo. Ra-

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*Administrative Law*, 55 HARV. L. REV. 950, 971 (1942).

<sup>52</sup> *Id.* at 963 n. 46.

<sup>53</sup> *Id.* at 971.

<sup>54</sup> P. J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK SOC. 161, 198 (1993) (reprinted from version originally published in 1954); *see also* Patent Act of 1952 § 135, P.L. 593, 66 Stat. 792, 802 (July 19, 1952).

<sup>55</sup> 35 U.S.C. § 135(a) (2010), *amended by* Leahy-Smith America Invents Act (Sept. 16, 2011).

<sup>56</sup> 35 U.S.C. § 102(g)(1) (2008), (current version at 35 U.S.C. § 102(g)(1) (2012)) (pre-AIA version).

<sup>57</sup> Patent Act of 1836, ch. 357, § 16, 5 Stat. 117, 123-24 (1836) (providing for remedy by bill of equity); 35 U.S.C. § 146 (2008), (current version at 35 U.S.C. § 146 (2012)) (pre-AIA version) (“Any party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference, may have remedy by civil action.”); *Troy*, 758 F.3d at 1327 (describing history of statutory provisions providing civil action to challenge interference decision). The 1793 Act provided for interferences to be resolved by a panel of three arbitrators, with their decision final, though again the 1793 Act was ambiguous on its face as to whether interferences involved issued patents.

ther, because the district court challenge “is an application to the court to set aside the action of one of the executive departments of the government” that is “charged with the administration of the patent system” and is “a special tribunal, entrusted with full power in the premises,” the Patent Office’s determination “must be accepted as controlling” unless the evidence is “of a character or sufficient to produce a clear conviction that the Patent Office made a mistake in awarding priority of invention to the defendant.”<sup>58</sup> This standard appears to have been equally applicable when the interference involved an issued patent.<sup>59</sup> In *Dickinson v. Zurko*, the Supreme Court characterized this standard as the pre-APA equivalent of the typical standards for court review of agency action adopted by the APA,<sup>60</sup> *i.e.*, the standards that apply to the modern post-issuance review procedures.

Based on the Supreme Court’s interpretation of the related provision permitting a dissatisfied patent applicant to file a civil action, the Federal Circuit has now limited the district court’s deferential review in civil actions challenging interference results to cases in which no new evidence is introduced in the civil action, holding that a district court should review factual findings *de novo* when new evidence is introduced and deferentially when on the same record.<sup>61</sup> Notably, the Federal Circuit did so in a case where the interference involved cancellation of issued patent claims.<sup>62</sup> Thus, long before enactment of the modern post-issuance review proceedings, issued patents have been reviewed, affected, and even cancelled for lack of novelty (albeit on the limited grounds of a competing claim of priority) in administrative proceedings in the Patent Office, with review in federal court limited to traditional court-agency review standards (though in recent years only if no new evidence is introduced).

### *B. Constitutional Challenges to AIA Post-Issuance Procedures*

The expansion of Patent Office post-issuance review since the early 1980s

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<sup>58</sup> *Morgan v. Daniels*, 153 U.S. 120, 124-25, 129 (1894).

<sup>59</sup> In *Victor Talking Mach. Co. v. Brunswick-Balke-Collender Co.*, 290 F. 565 (1923), the district court expressly noted that the deferential standard of *Morgan v. Daniels* applied in a suit to (among other things) cancel an issued patent claim after an interference between the issued patent and an application was resolved adverse to the issued patent claim. *Id.* at 570-575. The case itself involved deference to the decision of the Court of Appeals for the District of Columbia on direct appeal from the interference, but the court treated this deference as equivalent to that owed the Patent Office’s interference decision. *Id.* at 571-572. This decision was summarily affirmed by the Third Circuit, which expressly referenced the reliance on *Morgan*, 8 F.2d 41, 41 (3d Cir. 1925), and subsequently by the Supreme Court, which did so “on the authority of,” *inter alia*, *Morgan*, 273 U.S. 670 (1927).

<sup>60</sup> See *Dickinson v. Zurko*, 527 U.S. 150, 159-60 (1999).

<sup>61</sup> *Troy*, 758 F.3d at 1328.

<sup>62</sup> *Id.* at 1323-24.

has generated a series of constitutional challenges to these procedures. The Federal Circuit initially confronted these issues in the context of *ex parte* reexamination. In *Patlex v. Mossinghoff*, the Federal Circuit held that reexamination did not constitute a regulatory taking of private property without just compensation in violation of the 5th Amendment.<sup>63</sup> It then tersely rejected the argument that cancellation of a patent could only occur in an Article III court using a jury pursuant to the Seventh Amendment.<sup>64</sup> The Federal Circuit reasoned that such an argument only applied to so-called “private rights” but that patent rights were granted by the government and primarily involved the public interest, so therefore Congress could constitutionally assign review of the validity of issued patents to an administrative forum.<sup>65</sup>

The new AIA procedures have generated another round of constitutional challenges to the administrative review and cancellation of issued patents. In a series of appeals, petitions for Federal Circuit en banc review, and petitions for writs of certiorari to the Supreme Court, patentees have contended that the AIA post-issuance review procedures are unconstitutional under Article III and/or the Seventh Amendment. The challenges generally contend broadly that “it is an unconstitutional encroachment on Article III courts for the Executive to affect an issued patent in any way,”<sup>66</sup> a contention that would apply not just to the new AIA proceedings, but also to *ex parte* reexamination and the long-existing practice of resolving interferences involving issued patents in the Patent Office. In doing so, the challenges generally mask differences that make challenges to the AIA proceedings stronger (though still likely unsuccessful) than would be challenges to administrative invalidation in *ex parte* reexamination or interferences.<sup>67</sup> The challenges do differ in the remedy they seek, with

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<sup>63</sup> *Patlex v. Mossinghoff*, 758 F.2d 594, 602-03 (Fed. Cir. 1985) [hereinafter *Patlex*].

<sup>64</sup> *Id.* at 604-05.

<sup>65</sup> *See id.*; *see also* *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 229 (Fed. Cir. 1992) (reconfirming *Patlex* in face of similar challenges to *ex parte* reexamination).

<sup>66</sup> Petition for Writ of Certiorari at 20, *Cooper v. Lee*, 137 S.Ct. 291 (2016) (No. 15-955) [hereinafter *Cooper Petition*]; Petition for Writ of Certiorari at 10, *Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, (2016) (No. 16-712) [hereinafter *Oil States Petition*] (“Suits to invalidate patents must be tried before a jury in an Article III forum, not in an agency proceeding.”); Petition for Initial Hearing En Banc of Constitutional Question at 9, *Cascades Projection LLC v. Epson Am. Inc.*, (2017) (Nos. 2017-1517, 1518) [hereinafter *Cascades Petition*] (“A patent, upon issuance, is not supposed to be subject to revocation or cancellation by any executive agent (i.e., the Patent Office or any part of it, such as the PTAB).”); *see also* Petition for Writ of Certiorari at 26-27, *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330) [hereinafter *MCM Portfolio Petition*] (“[W]hile other administrative reexamination and review proceedings may also be problematic, [inter partes review] stands alone in terms of the magnitude of the threat to property rights and the flagrancy with which Congress chose to bypass Article III courts and juries.”) (alteration in original).

<sup>67</sup> *But see MCM Portfolio Petition*, *supra* note 666, at 2-8 (No. 15-1330) (describing the

some arguing for an end to Patent Office post-issuance review<sup>68</sup> and some arguing that post-issuance review should become merely advisory and/or subject to de novo review by courts.<sup>69</sup>

The constitutional challenges raise three main arguments, which are explored in more depth in Parts II and III. First, the challenges generally conflate the idea of a “private right” for purposes of Article III with the idea of “private property rights” for other purposes, contending that because patent rights are private property rights they must be “private rights” for Article III purposes and therefore allegedly cannot be assigned to administrative adjudication.<sup>70</sup> Second, the challenges rely heavily on nineteenth century Supreme Court invention and land patent cases, in particular *McCormick Harvesting Mach. Co. v. Aultman*,<sup>71</sup> and ignore in large part the Supreme Court’s modern Article III jurisprudence that has developed with the rise of the administrative state.<sup>72</sup> Third, when the challenges address the modern Article III jurisprudence they tend to focus on the Supreme Court’s statement in *Stern v. Marshall* 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’” as of the enactment of the Constitution in 1789, generally ignoring that the Supreme Court characterized this as one of the “various formulations” the Court has identified for determining whether adjudication can be assigned to non-Article III forums.<sup>73</sup>

In addition to these arguments, which are relevant to the Article III and Sev-

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differences but only relying on them in passing).

<sup>68</sup> See *Oil States Petition*, *supra* note 666, at 19 (No. 16-712) (“The Constitution prohibits inter parties review . . .”).

<sup>69</sup> *Cooper Petition*, *supra* note 666, at 5 (No. 15-955); see also *Cascades Petition*, *supra* note 57, at 14 (Nos. 2017-1517, 1518).

<sup>70</sup> See, e.g., *id.* at 9 (“To take away a patent after issuance invokes ‘private’ rights – namely, fully vested property rights.”); *Cooper Petition*, *supra* note 66, at 14 (No. 15-955), (rejecting characterization of patent rights as public rights because “patents are a property right, complete with the most important characteristic of private ownership – the right of exclusion”); Brief of 13 Law Professors as Amici Curiae in Support of Petitioner, *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330) (rejecting characterization of patent rights as public rights because “[t]his Court recently and repeatedly confirmed the principle that patents are private property rights that are secured under the Constitution”).

<sup>71</sup> 169 U.S. 606 (1898).

<sup>72</sup> See, e.g., *Cascades Petition*, *supra* note 66, at 5-12 (Nos. 2017-1517, 1518); *Oil States Petition*, *supra* note 66, at 16-19 (No. 16-712); *MCM Portfolio Petition*, *supra* note 66 (No. 15-1330), at 22-26; *Cooper Petition*, *supra* note 66 (No. 15-955), at 19-27; but see *id.* at 27-34 (addressing modern Article III precedent).

<sup>73</sup> *Stern v. Marshall*, 564 U.S. 462, 488 (2011) [hereinafter *Stern*]; see also *Cascades Petition*, *supra* note 57, at 11 (Nos. 2017-1517, 1518); *Oil States Petition*, *supra* note 57, at 16 (No. 16-712); *MCM Portfolio Petition*, *supra* note 66, at 30 (No. 15-1330).

enth Amendment issues and are addressed in Parts II and III, the challengers or their amici raise a variety of arguments that are simply irrelevant to the constitutional challenges being made. First, the challengers or their amici complain that patentees are subject to different standards of proof, presumptions, and claim construction standards in Patent Office post-issuance proceedings than in federal district court litigation.<sup>74</sup> However, Article III only guarantees a decision maker outside of the executive branch with life tenure secured against salary reduction,<sup>75</sup> and the Seventh Amendment only guarantees the right to a jury in civil cases. Standards of proof, presumption, and claim construction standards are policy choices made by Congress, the Patent Office, and/or the courts, without constitutional salience under Article III or the Seventh Amendment. Second, the challengers or their amici raise policy concerns with Patent Office post-issuance proceedings, including that they have had a negative effect on patent rights and innovation policy.<sup>76</sup> Again, these policy concerns do not rise to the constitutional level and have nothing to do with Article III or the Seventh Amendment. Whether post-issuance proceedings are wise as a matter of public policy or innovation policy is a question left to Congress.<sup>77</sup>

The Federal Circuit considered and rejected a constitutional challenge to the AIA post-issuance review procedures in *MCM Portfolio LLC v. Hewlett-Packard Co.* The Federal Circuit first held that the principal 19th century case (*McCormick*) cited by the challengers rested on statutory, not constitutional grounds.<sup>78</sup> It then concluded there was no Article III violation because patent rights were public rights subject to administrative adjudication, since they were matters of federal law, arose from an extensive federal regulatory scheme, and depended on the expertise of the Patent Office, a specialized administrative agency.<sup>79</sup> Finally, the Federal Circuit found no Seventh Amendment violation because patent rights could be validly assigned to administrative adjudication and the Seventh Amendment does not require a jury trial in an administrative

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<sup>74</sup> See, e.g., Amicus Curiae Brief of Security People, Inc. in Support of Petitioner *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330); Amicus Curiae Brief of Houston Inventors Ass'n, *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330).

<sup>75</sup> *Stern*, 564 U.S. at 484.

<sup>76</sup> See, e.g., Brief of Univ. of N.M. as Amicus Curiae in Support of Petitioner, *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330); Brief of Amici Curiae Gary Lauder et al. in Support of Petitioner, *MCM Portfolio*, 812 F.3d 1284 (2016) (No. 15-1330).

<sup>77</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) [hereinafter *Graham*] (“Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim.”).

<sup>78</sup> *MCM Portfolio*, 812 F.3d at 1289.

<sup>79</sup> *Id.* at 1290.

forum.<sup>80</sup>

## II. ARTICLE III AND PATENT OFFICE POST-ISSUANCE REVIEW

Whether Article III permits the Patent Office to adjudicate and cancel issued patents implicates the general Article III standards articulated by the Supreme Court, standards that are equally applicable in the patent context.<sup>81</sup> Unfortunately, these general Article III standards are far from a model of clarity. The Supreme Court precedent supports three distinct (though overlapping) means of distinguishing what can and what cannot be adjudicated in a non-Article III forum: (1) an appellate review test that requires only sufficient Article III appellate supervision and does not restrict assignment of initial adjudication between Article III and non-Article III forums; (2) a distinction between public rights that can be assigned to non-Article III forums and private rights that cannot be assigned to non-Article III forums; and (3) a more open-ended balancing test that rejects categorical distinctions in favor of several non-determinative factors that help determine the extent to which non-Article III adjudication would threaten the interests protected by Article III.

Using any of these analytical approaches, the modern Patent Office post-issuance review proceedings are likely constitutional under Article III. This conclusion is not free from doubt – “[p]rediction is often impossible” in the Article III context because the Supreme Court’s decisions “reflect a wildly uncertain compass.”<sup>82</sup> In applying the Supreme Court’s analytical approaches to Patent Office adjudication and cancellation of issued patents, the following sections identify and evaluate the potential doubts and ambiguities in the conclusion that Article III permits Patent Office post-issuance review. These doubts and ambiguities involve a level of nuance missing from the recent constitutional challenges to the AIA proceedings, which largely argue that all administrative adjudication of issued patents is unconstitutional based on overly simple arguments about “private property rights” or the historical assignment of patent adjudication to Article III courts.<sup>83</sup> To be clear, the overwhelming weight of the analysis suggests that Patent Office post-issuance review is well within the constitutional limits, regardless of the merits of one or a few of the doubts or ambiguities identified in the analysis. Although the discussion largely focuses on administrative adjudication and cancellation of issued patents as a whole, it also notes where differences in the various post-issuance proceed-

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<sup>80</sup> *Id.* at 1292-93.

<sup>81</sup> See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) [hereinafter *eBay*] (“These familiar principles [for injunctions] apply with equal force to disputes arising under the Patent Act.”).

<sup>82</sup> Richard H. Fallon, Jr., *Of Legislative Courts, Administrative Agencies, and Article III*, 101 HARV. L. REV. 915, 917 (1988).

<sup>83</sup> See *supra* Part I.

ings (e.g., between ex parte reexamination and the AIA proceedings) could make certain arguments weaker or stronger as applied to the different proceedings.

Before turning to the Supreme Court's Article III precedent, it is necessary to consider the argument – relied on heavily in the recent challenges to the AIA proceedings – that there is no need to apply the modern Article III precedent because the Supreme Court has already held administrative adjudication and cancellation of issued patents to be unconstitutional.<sup>84</sup> In *McCormick*, the Supreme Court concluded that an issued patent “has passed beyond the control and jurisdiction of that [patent] office, and is not subject to be revoked or cancelled by the President, or any other officer of the Government,” and “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.”<sup>85</sup> Though acknowledging that *McCormick* and the other land or invention patent cases upon which it relied “did not specifically identify Article III or the Seventh Amendment,” challengers to Patent Office post-issuance review contend that these cases necessarily reflected a constitutional, not a statutory, conclusion.<sup>86</sup> The best support for this is *McCormick*'s statement that cancellation of the patent in that case “would be in fact an invasion of the judicial branch of the government by the executive.”<sup>87</sup>

The strong reading that *McCormick* held that “it is an unconstitutional encroachment on Article III courts for the Executive to affect an issued patent in any way”<sup>88</sup> is almost certainly incorrect. Long before *McCormick*, the Patent Office had the power to adjudicate interferences involving issued patents. Four years before *McCormick*, the Supreme Court held in *Morgan v. Daniels* that Patent Office decisions in interferences were entitled to deference in a subsequent proceedings between the same parties in the district courts.<sup>89</sup> *Morgan* in no way excluded interferences involving issued patents, and subsequent decisions applied it equally to such interferences.<sup>90</sup> Thus, broad statements in *McCormick* that issued patents “passed beyond the control and jurisdiction of that [patent] office” and are “absolutely free from the future control” of the Patent Office<sup>91</sup> are either overstatements or limited to the specific factual situation presented in that case.

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<sup>84</sup> See *supra* Part I.

<sup>85</sup> *McCormick Harvesting Mach.Co. v. C. Aultman & Co.*, 169 U.S. 606, 608-609 (1898) [hereinafter *McCormick*].

<sup>86</sup> *MCM Portfolio Petition*, *supra* note 66, at 22-23 (No. 15-1330).

<sup>87</sup> *McCormick*, 169 U.S. at 612.

<sup>88</sup> *Cooper Petition*, *supra* note 66, at 20 (No. 15-955)

<sup>89</sup> See *supra* Part I.A.

<sup>90</sup> See *supra* Part I.A.

<sup>91</sup> *McCormick*, 169 U.S. at 609.

The better reading of *McCormick* is that it rests on a statutory, not constitutional, basis. Unlike Article III and/or the Seventh Amendment, *McCormick* does reference the relevant statutory provision controlling the Patent Office's authority – in that case the reissue statute (Rev. Stat. § 4916) that allowed for correction of inadvertent errors in patents but did not provide for “reopen[ing] the question of the validity of the original patent.”<sup>92</sup> In doing so, *McCormick* explained that the principle that “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent” was “subject to a single qualification in the case of a patent for an invention,” unlike “a patent for a grant of lands is [that] absolutely free from the future control of the [administrative] officers.”<sup>93</sup> That qualification was the reissue procedures “embodied in Rev. Stat. § 4916.”<sup>94</sup> If the principle articulated in *McCormick* that Article III courts, not administrative agencies, had exclusive power to adjudicate issued patents was mandated by the Constitution, it could not be subject to qualification by statute, as *McCormick* said it was. Thus, *McCormick* is better read as reflecting a statutory limit on the Patent Office's authority, with the reference to an “invasion of the judicial branch . . . by the executive” simply reflecting the fact that administrative adjudication is constrained by the limits imposed by Congress, not just the limits imposed by the Constitution.<sup>95</sup>

Frankly, it does not matter what the best reading of *McCormick* is. *McCormick* is at best ambiguous as to whether it rests on a constitutional or statutory foundation. More importantly, it pre-dates the Supreme Court's modern Article III jurisprudence. “[S]tare decisis does not prevent [the Supreme Court] from overruling a previous decision where there has been a significant change in, or subsequent development of, [its] constitutional law.”<sup>96</sup> There is virtually no chance that the Supreme Court will allow an ambiguous 19th century case to trump evaluation of Article III issues in the patent context under the modern Article III standards the Court has developed and applied to every other area of

<sup>92</sup> *McCormick*, 169 U.S. at 609-10.

<sup>93</sup> *Id.* at 609 (emphasis added).

<sup>94</sup> *Id.* at 609-10.

<sup>95</sup> *But see* *Cascades Projection LLC v. Epson Am. Inc.*, Nos. 2017-1517, 1518, — F.3d—, slip op. dissent at 10 (Fed Cir. May 11, 2017) (Reyna, J., dissenting from denial of initial hearing en banc) (“The cases *McCormick* cites in holding that an executive agency may not cancel issued patents concern the separation of powers and similar constitutional issues.”); Michael I. Rothwell, *After MCM, A Second Look: Article I Invalidation of Issued Patents for Intellectual Property Still Likely Unconstitutional After Stern v. Marshall*, 18 N.C. J. LAW & TECH. 1, 8-18 (2017) (contending that cases cited in *McCormick* rested on constitutional grounds).

<sup>96</sup> *See Agostini v. Felton*, 521 U.S. 203, 236 (1997).

law. In fact, the focus on *McCormick* at the expense of the intervening Supreme Court Article III cases by those challenging the constitutionality of Patent Office post-issuance review<sup>97</sup> is reminiscent of other efforts to adopt special rules to govern patent cases that depart from mainstream law, efforts that the Supreme Court has consistently rejected over the past decade or so.<sup>98</sup>

#### A. The Doctrinal Morass of Article III

The Supreme Court itself has observed that its Article III precedent “has not been entirely consistent”<sup>99</sup> and “do[es] not admit of easy synthesis.”<sup>100</sup> For that reason, “[a]n absolute construction of Article III is not possible in this area of ‘frequently arcane distinctions and confusing precedents.’”<sup>101</sup> Commentators go even further: “[t]he Supreme Court opinions devoted to the subject of the validity of legislative and administrative tribunals are as troubled, arcane, confused and confusing as could be imagined.”<sup>102</sup> This Section attempts to unpack the doctrinal mess of the Supreme Court’s modern Article III precedent.

##### 1. The Rejection of Article III Literalism

The relevant text of Article III is sparse, providing that “[t]he judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts” as Congress chooses to establish, as well as that the judges of these courts “shall hold their Offices during good Behaviour” (*i.e.*, have life tenure absent an impeachable offense) and receive a salary that “shall not be diminished during their Continuance in Office.”<sup>103</sup> Article III serves two functions. First, by providing that the “judicial Power” shall be vested in the courts, Article III serves a separation of powers function that prevents the other branches

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<sup>97</sup> See, e.g., Crouch, *supra* note 7 (focusing brief write-up of constitutional challenge to AIA proceedings on the fact *McCormick* “appeared to speak directly on this issue” and remained good law because “we’re still working with the same United States Constitution” without discussion of the intervening Supreme Court Article III precedent).

<sup>98</sup> See Peter Lee, *The Supreme Assimilation of Patent Law*, 114 MICH. L. REV. 1413, 1416 (2016) (“[T]he Supreme Court has consistently sought to eliminate patent exceptionalism, bringing patent law in conformity with what it characterizes as general legal standards.”).

<sup>99</sup> *Stern v. Marshall*, 564 U.S. 462, 488 (2011)

<sup>100</sup> *CFTC v. Schor*, 478 U.S. 833, 847 (1986) [hereinafter *Schor*].

<sup>101</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 583 (1985) [hereinafter *Thomas*].

<sup>102</sup> Paul M. Bator, *The Constitution as Architecture: Legislative and Administrative Courts Under Article III*, 65 IND. L. J. 233, 239 (1990).

<sup>103</sup> U.S. CONST. art. III § 1.

from encroaching on the domain of the judicial branch.<sup>104</sup> Second, Article III protects individual liberty by promoting an independent judiciary whose job and salary are free from influence by the political branches, increasing the chances that judicial decisions will be impartial and free from political or popular influence.<sup>105</sup>

The one clear conclusion that can be drawn from the precedent is that Article III is not read literally. The Supreme Court has concluded that Article III issues “cannot turn on conclusory reference to the language of Article III,”<sup>106</sup> which on its face seems to require “that if Congress creates any adjudicative bodies at all, it must grant them the protections of judicial independence that are contemplated by article III.”<sup>107</sup> The realities of the modern administrative state – with administrative agencies assigned many adjudicative functions involving application of law to facts in ways that affects private interests<sup>108</sup> – “render a return to ‘article III literalism’ virtually unthinkable.”<sup>109</sup>

Nor have Congress or the Supreme Court “read the Constitution as requiring every federal question arising under the federal law to be tried in an Art. III court before a judge enjoying life tenure and protection against salary reduction.”<sup>110</sup> To the contrary, “it was explicitly contemplated in the design of the Constitution that some or all of these cases [subject to federal judicial power under Article III] could and would continue to be adjudicated in the *state* courts,” where judges lacked the Article III protections.<sup>111</sup> Moreover, “[f]or some 200 years, Congress has consistently acted on the premise that it has the authority, in exercising its various substantive legislative powers, to . . . constitute special courts, tribunals and agencies which exercise . . . the federal judicial power” but lack Article III protections.<sup>112</sup>

The closest the Supreme Court came to embracing Article III literalism was *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*, where a plurality of four justices would have limited permissible non-Article III adjudication to territorial courts, military courts martial, and tribunals resolving public rights between the government and individuals arising from executive or legislative functions.<sup>113</sup> Unsurprisingly, given the threat this approach posed to

<sup>104</sup> *Stern*, 564 U.S. at 483.

<sup>105</sup> *Id.*

<sup>106</sup> *CFTC v. Schor*, 478 U.S. 833, 847 (1986).

<sup>107</sup> Fallon, Jr., *supra* note 822, at 916.

<sup>108</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 583 (1985).

<sup>109</sup> Fallon, Jr., *supra* note 822, at 917.

<sup>110</sup> *Thomas*, 473 U.S. at 583 (quoting *Palmore v. United States*, 411 U. S. 389, 407 (1973)).

<sup>111</sup> Bator, *supra* note 1022, at 234.

<sup>112</sup> *Id.* at 235.

<sup>113</sup> *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 64-70

modern administrative adjudication, the Supreme Court disavowed the *Northern Pipeline* plurality in a majority opinion only three years later, expressly holding that *Northern Pipeline* was limited to the facts of that case and did not supply the governing Article III standards because it did not command a majority of the Court.<sup>114</sup>

## 2. Distinguishing Permissible and Impermissible Agency Adjudication

Identifying the line between when adjudication constitutionally can be assigned to non-Article III tribunals and when it cannot is exceedingly difficult. Some of the Court's decisions identify the relevant line as being between public rights and private rights. On this view, Congress may assign "public rights" to administrative agencies but if a claim "is not a 'public right' for Article III purposes, then Congress may not assign its adjudication to a specialized non-Article III court lacking the essential attributes of the judicial power."<sup>115</sup>

Although the Court has articulated "various formulations" of what constitutes a public right over the years,<sup>116</sup> its more recent decisions have coalesced around a fairly consistent definition. In *Granfinanciera*, the Court described a public right, for cases not involving the federal government, as a statutory right created pursuant to Congress's Article I powers that is "closely intertwined with a federal regulatory program Congress has power to enact" and "is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary."<sup>117</sup> Similarly, in *Stern*, the Court considered various formulations of "public rights" that had been used over the years, before ultimately concluding under current precedent that "what makes a right 'public' rather than private is that the right is integrally related to particular federal government action."<sup>118</sup> In particular, public rights are limited to those "in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an ex-

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(1982) (plurality) [hereinafter *Northern Pipeline*].

<sup>114</sup> *Thomas*, 473 U.S. at 584, 586; see also *Stern v. Marshall*, 564 U.S. 462, 488 (2011) ("Shortly after *Northern Pipeline*, the Court rejected the limitation of the public rights exception to actions involving the Government as a party.").

<sup>115</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53-54 (1989) [hereinafter *Granfinanciera*] (making this observation in the course of resolving a Seventh Amendment issue); see also *Stern*, 564 U.S. at 488 (seeming to suggest that a claim must "fall within one of the 'limited circumstances' covered by the public rights exception" to be adjudicated in a non-Article III tribunal).

<sup>116</sup> *Id.*

<sup>117</sup> *Granfinanciera*, 492 U.S. at 54. *Granfinanciera* was a Seventh Amendment case but purported to apply the same definition of "public rights" as in the Article III precedent. *Id.* at 53-54.

<sup>118</sup> *Stern*, 564 U.S. at 490-91.

pert government agency is deemed essential to a limited regulatory objective within the agency's authority."<sup>119</sup>

Thus, these cases define a public right, at least when the government is not a party, as a federal statutory right that is closely connected to a federal regulatory program assigned to an expert administrative agency with a limited regulatory objective. *Stern* contrasted these public rights with state common law claims, which were private rights because they did not result from a federal regulatory regime, were not dependent on federal law, did not exist by the grace of Congress, were not historically capable of resolution just by the other branches, and did not arise in a particularized area of law requiring an expert administrative agency.<sup>120</sup> This articulation of the public versus private rights distinction provides a fairly clear framework for analyzing Article III issues, even if not fully determinate in any particular case.

However, another strand of precedent complicates matters. In *Schor*, the Supreme Court expressly stated that its decisions "rejected any attempt to make determinative for Article III purposes the distinction between public rights and private rights."<sup>121</sup> In fact, in *Crowell* and *Schor*, the Court expressly characterized the rights in question as private rights but nonetheless found adjudication in a non-Article III tribunal permissible.<sup>122</sup> This line of cases rejects "formalistic and unbending rules," instead applying a balance test that "weigh[s] a number of factors, none of which has been deemed determinative, with an eye to the practical effect that the congressional action will have on the constitutionally assigned role of the federal judiciary."<sup>123</sup> These factors include "the extent to which the 'essential attributes of judicial power are reserved to Article III courts, and, conversely, the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts, the origins and importance of the right to be adjudicated, and the concerns that drove Congress to depart from the requirements

<sup>119</sup> *Id.*

<sup>120</sup> *Id.* at 492-93.

<sup>121</sup> *CFTC v. Schor*, 478 U.S. 833, 853 (1986).

<sup>122</sup> *Crowell v. Benson*, 285 U.S. 22, 51 (1932) [hereinafter *Crowell*] (upholding agency adjudication despite characterizing the right in question as a "private right"); *Schor*, 478 U.S. at 853 (permitting agency adjudication even though "[t]he counterclaim asserted in this litigation is a 'private' right for which state law provides the rule of decision"); *see also Thomas*, 473 U.S. at 589 (upholding agency adjudication of a right described as "not a purely 'private' right, but bears many of the characteristics of a 'public' right").

<sup>123</sup> *Schor*, 478 U.S. at 851; *see also Thomas*, 473 U.S. at 587 (noting that "practical attention to substance rather than doctrinaire reliance on formal categories should inform application of Article III" and looking to "[t]he extent of judicial review afforded by the legislation," "the origin of the right at issue," and "the concerns guiding the selection by Congress of a particular method for resolving disputes").

of Article III.”<sup>124</sup> The Court also has given significant weight to party consent to non-Article III adjudication<sup>125</sup> and the opportunity for Article III appellate review.<sup>126</sup>

The relationship between these two strands of Article III precedent is unclear. *Crowell*, *Schor*, and *Thomas* all remain good law, having neither been overruled nor abrogated by *Granfinanciera*, *Stern*, or other subsequent Supreme Court precedent. It may be that the two lines of precedent simply characterize the same test differently. *Stern* appeared to treat the balancing test from the *Schor* and *Thomas* line of precedent as a means for drawing the public/private rights distinction, describing *Schor* and *Thomas* as cases involving rights sufficiently intertwined with a federal regulatory program to constitute public rights capable of non-Article III adjudication.<sup>127</sup> Likewise, *Granfinanciera* expressly noted that cases like *Crowell* permitting non-Article III adjudication of what those cases characterized as “private rights” under then-existing precedent actually involved “public rights” under the modern Supreme Court understanding.<sup>128</sup> At the same time, it is not clear that these two lines of precedent are completely free of substantive differences, as explored in more detail in the sections that follow.

Alternatively, there may be a difference in the Article III standards articulated in *Stern/Granfinanciera* and *Crowell/Thomas/Schor* but the two lines might be consistent because they apply in different settings. The former line of cases arose in the context of bankruptcy courts, which are legislative courts that look and act more like Article III courts. The latter line of cases arose in the context of specialized administrative agencies with specialized expertise in a limited area that adjudicated disputes as only part of their particular regulatory objective. Perhaps the more restrictive public/private rights distinction applies to legislative courts and the more permissive balancing test applies to administrative agencies. This differentiation would be consistent with the general sense that legislative courts are more troubling than administrative agencies because

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<sup>124</sup> *Schor*, 478 U.S. at 851.

<sup>125</sup> *Id.* at 849-850, 855 (finding individual liberty concerns satisfied and “separation of powers concerns . . . diminished” where the decision to invoke this forum is left entirely to the parties”).

<sup>126</sup> *Thomas*, 473 U.S. at 591 (noting that *Crowell* upheld the statutory scheme under Article III even though it “concern[ed] obligations among private parties” because “*Crowell* concluded that the judicial review afforded by the statute, including review of matters of law, provides for the appropriate exercise of the judicial function in this class of cases.”).

<sup>127</sup> *Stern v. Marshall*, 564 U.S. 462, 491 (2011); see also Jaime Dodge, *Reconceptualizing Non-Article III Tribunals*, 99 MINN. L. REV. 905, 915 (2015) (interpreting *Stern* as clarifying that the balancing test determines whether a right is public or private for Article III purposes).

<sup>128</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 55 n.10 (1989).

they “exist solely or primarily for the purpose of adjudication” and therefore more closely resemble Article III courts but without Article III protections.<sup>129</sup> The Supreme Court in *Stern* explicitly noted that the bankruptcy court at issue in that case was “so markedly distinct from the agency cases discussing the public rights exception in the context of such a [substantive regulatory] regime; however, we do not in this opinion express any view on how the doctrine might apply in that different context.”<sup>130</sup>

For purposes of this Article, there is no need to definitively resolve the relationship between the public/private rights test for Article III adjudication and the broader balancing test for Article III adjudication. Under either, Patent Office post-issuance review proceedings are likely constitutional, as explained in the following sections. This is hardly surprising. “[T]he overwhelming weight of judicial authority has, over a century and a half, held virtually all of th[e] institutional development [of non-Article III adjudication] to be constitutional.”<sup>131</sup> In particular, “the Court has routinely approved of agency adjudication, while frequently striking down legislative courts.”<sup>132</sup>

#### B. The Potential Sufficiency of Article III Appellate Review

There may not even be a need to determine whether Congress could provide for non-Article III adjudication and cancellation of issued patents, given that Congress *has provided* Article III adjudication in this context, albeit in appellate rather than initial form. Professor Richard Fallon has proposed that “adequately searching appellate review of the judgments of legislative courts and administrative agencies is both necessary and sufficient to satisfy the requirements of article III.”<sup>133</sup> Although Professor Fallon focused on a normative claim of what Article III *should* require, not a descriptive claim of what Article III precedent *does* require, his theory was rooted in the Supreme Court’s Article III cases<sup>134</sup> and has proven to have significant descriptive power.

The constitutional sufficiency of Article III appellate review is based in the text of Article III itself. Article III requires that the judicial power of the United States be exercised by judges with Article III protection but

it does not tell us in terms what counts as its exercise, nor what participation in its exercise is required in order to constitute the exercise of the judicial power by the courts vested with the power. . . . It leaves open the possibility that we have

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<sup>129</sup> Dodge, *supra* note 127, at 918-19 (2015).

<sup>130</sup> *Stern*, 564 U.S. at 490-91.

<sup>131</sup> Bator, *supra* note 102, at 918.

<sup>132</sup> Dodge, *supra* note 127, at 905 (2015).

<sup>133</sup> Fallon, Jr., *supra* note 82, at 918.

<sup>134</sup> *Id.* at 924 (basing his theory, in particular, on *Crowell*’s holding that “an administrative tribunal may make findings of fact and render an initial decision of legal and constitutional questions, as long as there is adequate review in a constitutional court”).

satisfied the concept of the exercise of the judicial power of the United States by the article III courts if there is sufficient participation in its exercise by those courts whether as a matter of original or appellate jurisdiction.<sup>135</sup>

In fact, Congress was not required to create lower federal courts and could instead have relied on state courts (and to a large extent did in the 19th century), which lack Article III protections, for initial adjudication of matters falling within the federal judicial power, subject only to appellate review by the Article III Supreme Court.<sup>136</sup>

The sufficiency of Article III appellate review is also consistent with the purposes of Article III because it “can provide an effective check against politically influenced adjudication, arbitrary and self-interested decision-making, and other evils that the separation of powers was designed to prevent” and “can help ensure fairness to litigants and can be sufficiently searching to preserve judicial integrity.”<sup>137</sup>

Perhaps unsurprisingly in light of the textual and policy support, the Supreme Court has indicated that Article III appellate review can, at least significantly, satisfy the constitutional demands of Article III. In *Crowell*, which the Court itself characterized as involving private rights, the Court held that “there is no requirement that, in order to maintain the essential attributes of the judicial power, all determinations of fact” must be made by Article III judges.<sup>138</sup> Even though agency factual findings were deemed final, “the reservation of full authority to the court to deal with matters of law provides for the appropriate exercise of the judicial function in this class of cases,” as long as jurisdictional and constitutional facts were also subject to judicial review.<sup>139</sup> Similarly, in *Thomas*, where judicial review was only for fraud, misrepresentation, or other misconduct,<sup>140</sup> the Court “conclude[d] that, in the circumstances, the review afforded preserves the ‘appropriate exercise of the judicial function,’” even though the Court described the right at issue as having characteristics of both a private right and a public right.<sup>141</sup>

Notably, these cases involved adjudication by an *administrative agency*, like

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<sup>135</sup> Bator, *supra* note 102, at 265.

<sup>136</sup> *Id.* at 234.

<sup>137</sup> Fallon, Jr., *supra* note 82, at 947.

<sup>138</sup> *Crowell v. Benson*, 285 U.S. 22, 51, (1932).

<sup>139</sup> *Id.* at 45-46, 51, 54, 61-62; *see also* *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 591 (1985) (noting that *Crowell* upheld the statutory scheme under Article III even though it “concern[ed] obligations among private parties” because “*Crowell* concluded that the judicial review afforded by the statute, including review of matters of law, provides for the appropriate exercise of the judicial function in this class of cases”).

<sup>140</sup> *Thomas*, 473 U.S. at 573-74.

<sup>141</sup> *Id.* at 573-74, 592.

the Patent Office, whereas the cases where the Court expressed doubts about the sufficiency of Article III appellate review involved legislative courts, namely bankruptcy courts.<sup>142</sup> Article III scholars therefore have concluded that “[w]ith respect to federal agency adjudication of federal law . . . the appellate review model has remarkable explanatory power.”<sup>143</sup> On this view, direct Article III appellate review of *administrative* adjudication by itself is constitutionally sufficient, even for adjudication of private rights and even if the review is deferential.<sup>144</sup>

Each of the Patent Office post-issuance review proceedings provide for direct appellate review in the Federal Circuit, an Article III court, pursuant to typical standards of administrative judicial review: substantial evidence for questions of fact and de novo for constitutional issues and questions of law.<sup>145</sup> Article III appellate review in the patent context is therefore *more* searching than the appellate review found sufficient in *Crowell* and *Thomas*. It is also consistent with the mainstream of judicial review of administrative action and therefore would be sufficient, by itself, under the appellate review theory to satisfy the constitutional requirements of Article III.<sup>146</sup>

This is not to say that the current scope of judicial review of Patent Office post-issuance proceedings is the constitutional minimum – again, it is more searching than that upheld in *Crowell* and *Thomas*. For example, even if the Federal Circuit must now give *Chevron* deference to Patent Office legal determinations in some AIA matters,<sup>147</sup> the Article III appellate review would still be within the mainstream of administrative review, which generally includes *Chevron* deference, and therefore sufficient under the appellate review theory.<sup>148</sup> On the other hand, under the appellate review theory, questions of constitutional rights or whether Patent Office exceeded statutory authority, even

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<sup>142</sup> Mila Sohoni, *Agency Adjudication and Judicial Nondelegation: An Article III Canon*, 107 NW. U. L. REV. 1569, 1583 (2013).

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

<sup>144</sup> *Id.* at 1572, 1593-94.

<sup>145</sup> See Part I.A.1, *supra*. There is a narrow exception, as parties that lack Article III standing are permitted to petition for post-issuance review but then cannot appeal an adverse decision to the Federal Circuit. *Consumer Watchdog v. Wisconsin Alumni Research Foundation*, 753 F.3d 1258, 1262-63 (Fed. Cir. 2014).

<sup>146</sup> Sohoni, *supra* note 142, at 1581-84 (suggesting typical standards of judicial review of administrative action are sufficient for Article III purposes under current doctrine but questioning, to some extent, this outcome); see also Fallon, Jr., *supra* note 82, at 975-91 (concluding that similar standards of review satisfy the demands of Article III).

<sup>147</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016).

<sup>148</sup> Fallon, Jr., *supra* note 82, at 983-86; Sohoni, *supra* note 142, at 1581-84; see also *CFTC v. Schor*, 478 U.S. 833, 851-2 (1986) (suggesting that “the traditional agency model” of administrative adjudication is constitutionally permitted under Article III).

those that arise at the initiation stage of post-issuance review, should be reviewable by the Federal Circuit on appeal from the PTAB's final decision, despite the fact that the AIA prohibits appellate review of the routine aspects of the Patent Office's initiation decision, *i.e.*, the application of the standard for post-issuance review to the facts of the specific case.<sup>149</sup> The Supreme Court suggested as much in *Cuozzo v. Lee*, noting that nothing in the AIA prohibited such review.<sup>150</sup>

*C. Patents As Statutorily Created Public Rights Intertwined With a Federal Regulatory Scheme?*

Even if Article III appellate review alone is insufficient to satisfy the requirements of Article III, administrative review and cancellation of issued patents involves "public rights" within the meaning of the modern Supreme Court case law. In particular, patent rights satisfy each of the elements that the Supreme Court has looked to in characterizing rights as public rights: (1) a federal statutory right that is (2) closely connected to a federal regulatory program assigned to (3) an expert administrative agency with a limited regulatory objective. Because patent rights constitute "public rights" within the meaning of the Supreme Court's Article III precedent, they constitutionally can be adjudicated in a non-Article III forum, like the PTAB.

1. Patents Are Federal Statutory Rights

The Supreme Court Article III cases repeatedly contrast rights that exist solely because of federal statute with rights existing as a result of state common law, with the former generally susceptible to agency adjudication.<sup>151</sup> For example, in *Granfinanciera*, the Supreme Court emphasized that "a statutory right . . . closely intertwined with a federal regulatory program Congress has power to enact" could be assigned to agency adjudication, whereas traditional common law tort, contract, and property actions were less susceptible to agency adjudication.<sup>152</sup> Likewise, in *Stern*, the Court held that the claim before it could not be adjudicated in a legislative court because it was "one under state common law between two private parties," not a [claim] that "can be pursued only by grace of the other branches" or "depend[s] on the will of congress."<sup>153</sup>

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<sup>149</sup> *Cuozzo* 136 S. Ct. at 2139-42.

<sup>150</sup> *Id.* at 2141-42.

<sup>151</sup> Dodge, *supra* note 127, at 927 ("The existing doctrine now permits the transfer of claims between private parties to non-Article III tribunals only where that claim is created by federal statute or intertwined with a federal statutory right.")

<sup>152</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989).

<sup>153</sup> *Stern v. Marshall*, 564 U.S. 462, 504 (2011) (quoting *Den Ex Dem. Murray v. Hoboken Land & Improv. Co.*, 18 How. 272, 284 (1856)).

Common law claims are “claim[s] of the kind assumed to be at the ‘core’ of matters normally reserved to Article III courts.”<sup>154</sup> To be clear, state common law rights *are* susceptible to agency adjudication, albeit in more limited circumstances.<sup>155</sup> By contrast, “when Congress creates a substantive federal right, it possesses substantial discretion to prescribe the manner in which that right may be adjudicated,” including “provid[ing] that persons seeking to vindicate that right must do so before particularized tribunals created to perform the specialized adjudicative tasks related to that right.”<sup>156</sup> This power is “incidental to Congress’ power to define the right that it has created.”<sup>157</sup>

Patent rights are rights created by federal statute that exist solely by the grace of Congress. Inventors have no inherent or “natural” right to exclusive control of their inventions, nor is there any inherent or natural set of rights for when a patent must issue or what rights it must provide.<sup>158</sup> Instead, patent rights are creatures of federal statute – the Patent Act – subject to the terms and conditions set by Congress.<sup>159</sup> Although patent rights have a Constitutional basis in Article I, Section 8, they are not constitutional rights. The Constitution is “permissive” with regards to patent rights, leaving it up to Congress to decide whether and to what extent to grant patent rights.<sup>160</sup> The Constitution imposes only a ceiling on Congress’s power to issue patent rights based on “the restraints imposed by the stated constitutional purpose,” but does not im-

<sup>154</sup> *CFTC v. Schor*, 478 U.S. 833, 853 (1986).

<sup>155</sup> *Id.* at 853-854 (holding that “there is no reason inherent in separation of powers principles to accord the state law character of a claim talismanic power in Article III inquiries” but that “where private, common law rights are at stake, our examination of the congressional attempt to control the manner in which those rights are adjudicated has been searching.”).

<sup>156</sup> *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 80, 83 (1982) (plurality); *see also* Fallon, Jr., *supra* note 82, at 930 (interpreting Supreme Court precedent as holding that “when Congress has created a substantive right, it should enjoy considerable flexibility to prescribe the mode of enforcement.”).

<sup>157</sup> *Northern Pipeline*, 458 U.S. at 83.

<sup>158</sup> *See* Edward C. Walterscheid, *Inherent or Created Rights: Early Views on the Intellectual Property Clause*, 19 *HAMLIN L. REV.* 81, 99-102 (1995).

<sup>159</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) (“Within the scope established by the Constitution, Congress may set out conditions and tests for patentability.”); Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent “Privilege” in Historical Context*, 92 *CORNELL L. REV.* 953, 985 (2007) (“[T]he Court held that the Constitution did not secure a preexisting natural right to copyright or patent, and that such rights were defined and secured only by the statutes that the Constitution empowered Congress to enact.” (referring to *Wheaton v. Peters*, 33 U.S. 591, 657-58 (1834))).

<sup>160</sup> *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530 (1972); Walterscheid, *supra* note 158, at 99.

pose a floor creating or requiring patent rights.<sup>161</sup>

Because Congress has the power to “select[] the policy which in its judgment best effectuates the constitutional aim” and “set out conditions and tests for patentability,” patent rights result from “the statutory scheme of the Congress.”<sup>162</sup> Under the Article III precedent, “the method of rights enforcement for a particular federal statutory regime is a decision for Congress to make in its creation of the new right . . . [I]t may keep this authority, vest the execution in the executive branch or an agency, or structure the right as one susceptible to judicial enforcement.”<sup>163</sup> This power is inherent in Congress’s power to define the scope of the right it has created.<sup>164</sup> Thus, the fact that Congress created patent rights pursuant to its Article I power strongly supports the conclusion that it can apportion adjudication of those rights to an administrative agency like the Patent Office.

The constitutional challenges to post-issuance review rely heavily on two flawed arguments regarding the nature of patent rights. *First*, the constitutional challenges tend to equate the *private property* status of patent rights with “*private rights*” within the meaning of the Article III precedent.<sup>165</sup> Simply because something could be described as private property for other purposes does not make it a private right incapable of agency adjudication under Article III. A few cases are particularly instructive in this regard. In *Thomas*, a federal statute created what was essentially a data exclusivity right by which pesticide manufacturers who submitted required data to the EPA were granted a “limited proprietary interest” in the submitted data and entitled to compensation if that data was used in reviewing the registration applications of follow-on pesticide manufacturers.<sup>166</sup> The manufacturer’s right to compensation for use of its data by the follow-on manufacturer reasonably could be described as a private property interest.<sup>167</sup> Yet, the Supreme Court held that “the right created by FIFRA is not a purely ‘private’ right, but bears many of the characteristics of a ‘public’ right” and was therefore subject to agency adjudication.<sup>168</sup>

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<sup>161</sup> *Graham*, 383 U.S. at 6.

<sup>162</sup> *Id.*

<sup>163</sup> Dodge, *supra* note 127, at 932.

<sup>164</sup> Northern Pipeline Construction Co. v. Marathon Pipe Line Co., 458 U.S. 50, 83 (1982) (plurality).

<sup>165</sup> See Part I.B, *supra*.

<sup>166</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 571-75(1985).

<sup>167</sup> See *id.* at 584-585 (rejecting the argument that the right to compensation was state law property interest, concluding instead that the right was federal in nature); see also Erika Lietzan, *The Myths of Data Exclusivity*, 20 LEWIS & CLARK L. REV. 91, 104 (2016) (noting that data exclusivity is normally described as a type of intellectual property, though offering a different characterization).

<sup>168</sup> *Thomas*, 473 U.S. at 589.

The Supreme Court's characterization of its decision in *Block v. Hirsh* is perhaps even clearer that private property rights can be public rights subject to agency adjudication. *Block* involved the prototypical private property right – an owner's right to exclusive possession of real property. A landowner sought to recover possession of property after a tenant, relying on a District of Columbia statute, refused to vacate the property at the end of his lease.<sup>169</sup> Despite the private property interests at stake, the Supreme Court upheld the creation of an administrative Commission to determine both the right of possession and the appropriate amount of rent.<sup>170</sup> Although *Block* itself did not expressly reference Article III, the Court subsequently described it “as an example of ‘public rights’” subject to agency adjudication.<sup>171</sup> Indeed, even in the bankruptcy context, where the Supreme Court has been most willing to strike down non-Article III adjudication, the Court is clear that claims involving private property interests are capable of adjudication in non-Article III tribunals, including creditors' claims against the bankrupt estate for debts owed and even claims by the estate against the creditors to recover preferential transfers (*i.e.*, money paid by the bankrupt prior to entering bankruptcy).<sup>172</sup>

The relevant Article III question is not whether a claim involves private property rights but rather what the source of those rights is. State common law property rights often will not be subject to non-Article III adjudication.<sup>173</sup> But when federal law creates a right, it generally can be adjudicated in a non-Article III tribunal, even if the right can be characterized as a private property interest.<sup>174</sup> In essence, when Congress creates the right, it can determine what bundle of sticks to confer, including substantial leeway as to whether to include Article III adjudication within the right.<sup>175</sup>

This is particularly clear with regard to patent rights. Patent rights are private property only because of a federal statute, 35 U.S.C. § 261. It is “the fed-

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<sup>169</sup> *Block v. Hirsh*, 256 U.S. 135, 153 (1921).

<sup>170</sup> *Id.* at 157-158.

<sup>171</sup> *Thomas*, 473 U.S. at 589.

<sup>172</sup> *See Stern v. Marshall*, 564 U.S. 462, 495-96 (2011).

<sup>173</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 51 (1989) (suggesting that “[w]holly private tort, contract, and property cases” that do not involve public rights are not subject to administrative adjudication).

<sup>174</sup> *Stern*, 564 U.S. at 498 (describing prior bankruptcy cases where non-Article III adjudication was upheld as involving “a right of recovery created by federal bankruptcy law”); *Thomas*, 473 U.S. at 583-85 (finding that right to compensation for data usage created by federal law and Congress was therefore permitted to assign adjudication to an agency).

<sup>175</sup> *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 83 (1982) (plurality) (noting that Congress' ability to dictate administrative adjudication of rights created by federal statute is “incidental to Congress' power to define the right that it has created.”).

eral patent scheme [that] creates a limited opportunity to obtain a property right in an idea.”<sup>176</sup> Section 261 explicitly states that “[s]ubject to the provisions of this title, patents shall have the attributes of personal property.”<sup>177</sup> Thus, the other provisions of Title 35 limit the scope of the private property right created by the statute, *i.e.*, determine the bundle of sticks provided.<sup>178</sup> Post-AIA, the property rights provided by a patent are limited by the possibility of cancellation in the various Patent Office post-issuance proceedings. Even for patents issued before the AIA, the property right was limited by the possibility of administrative cancellation in reexamination or interference proceedings. In sum, the “private property” nature of patent rights does not affect their ability to be adjudicated in non-Article III tribunals, especially (though not exclusively) because patents are expressly deemed property subject to the possibility of administrative cancellation.

*Second*, challengers to the constitutionality of post-issuance proceedings contend that patent validity was resolved in courts of law in 1789, attempting to bring it into the category of “traditional actions at common law” that *Stern* and other cases have suggested are the least susceptible to non-Article III adjudication.<sup>179</sup> As an initial matter, the Supreme Court in *Schor* made clear that common law claims *can be* subject to administrative adjudication, at least in some circumstances.<sup>180</sup> Moreover, there is uncertainty as to whether and to what extent a right existed in England at the time of the founding to have patent validity resolved by a court at law.<sup>181</sup> In particular, revocation or cancellation of patent rights occurred before the Privy Council, the closest equivalent to the modern administrative agency, into at least the late 1700s, with the Privy Council apparently having, but rarely exercising, this power even into the mid-1800s.<sup>182</sup> Similarly, during the Articles of Confederation, “at least in some states where the issue arose it seems to have been assumed that patents were revocable. The presumption there was that what the legislature’s discretion could award in the patent grant could also be taken away by the same pow-

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<sup>176</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 149 (1989) [hereinafter *Bonito Boats*].

<sup>177</sup> 35 U.S.C. § 261 (2012) (emphasis added).

<sup>178</sup> *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392 (2006) (noting that property rights created by statute were limited by other provisions of statute, including provision that injunctions only “may” issue subject to normal requirements of equity).

<sup>179</sup> See *supra* Part I.B; see also *Stern*, 564 U.S. at 483-84. .

<sup>180</sup> *CFTC v. Schor*, 478 U.S. 833, 853-54 (1986).

<sup>181</sup> Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 VA. L. REV. 1673, 1687, 1691 (2013).

<sup>182</sup> Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property* 60-61, n.129 (June 2005) (unpublished S.J.D. thesis, Harvard Law School).

er.”<sup>183</sup>

In any event, what matters for Article III purposes is whether the claim was *created by the common law*, as opposed to a federal statute, not whether the claim was adjudicated in *courts at law* in 1789.<sup>184</sup> When *Stern* suggested that Article III adjudication was required “[w]hen a suit is made of the stuff of the traditional actions at common law tried by the courts at Westminster in 1789,” it required not just that the claim be one that was tried in courts at law, *i.e.*, “the courts at Westminster,” but also that the claim be a “traditional action at common law.”<sup>185</sup>

To the extent the constitutional challenges attempt to bring patent rights within this statement in *Stern* by contending that patent rights “have clear common law antecedents” or “common law foundations,”<sup>186</sup> they are flatly wrong. “[I]t has never been pretended, by any one, either in this country or in England, that an inventor has a perpetual right, at common law, to sell the thing invented.”<sup>187</sup> Even Professor Adam Mossoff, one of the strongest advocates of patents as property rights, described as “false” any argument that “patents were secured at common law” and instead acknowledged that patents rights are “secured by federal statute.”<sup>188</sup> That is what matters for purposes of Article III. The fact that patent validity might have been resolved in courts at law in England in 1789 is of no significance to the Article III question.

## *2. Patent Rights Are Closely Connected to a Federal Regulatory Program*

Although we often do not think of the patent system as a federal regulatory program because it pre-dates the modern administrative state, the Supreme Court has characterized it as exactly that. According to the Court, “[t]he patent statute’s careful balance between public right and private monopoly to promote certain creative activity is a *scheme of federal regulation* so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it.”<sup>189</sup>

Patent rights have regulatory effects – they determine what businesses and individuals can and cannot do in terms of making, using, selling, offering to sell, and importing products and processes covered by patent rights.<sup>190</sup> Like

<sup>183</sup> *Id.* at 110.

<sup>184</sup> *Stern*, 564 U.S. at 492-95. (repeatedly emphasizing that the claim was a common law right, not that the claim was tried in the courts at law, in finding it not susceptible to non-Article III adjudication).

<sup>185</sup> *Id.* at 484.

<sup>186</sup> *MCM Portfolio Petition*, *supra* note 66, at 23, 26 (No. 15-1330).

<sup>187</sup> *Wheaton v. Peters*, 33 U.S. 591, 661 (1834).

<sup>188</sup> Mossoff, *supra* note 158, at 981.

<sup>189</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167 (1989).

<sup>190</sup> *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 847 (2015) (Thomas, J., dis-

other federal regulatory programs, patent rights regulate and restrict behavior for a public purpose pursuant to Congress's Article I powers. The United States Constitution expressly treats patents as public policy tools that Congress may issue but only when, and to the extent, they promote the progress of technological innovation.<sup>191</sup> The Supreme “[C]ourt has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is to ‘promote the progress of science and useful arts.’”<sup>192</sup> Patents reflect a trade-off between social benefits and social costs: “a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’”<sup>193</sup>

The Constitution leaves it to Congress to design the patent regulatory scheme, *i.e.*, to decide what terms and conditions are necessary to insure that patents will promote technological innovation.<sup>194</sup> Congress, in turn, “set forth the prerequisites for issuance of a patent” and “charged the United States Patent and Trademark Office (PTO) with the task of examining patent applications” to evaluate whether these prerequisites are satisfied. The result is a “pervasive” federal regulatory scheme<sup>195</sup> under the auspices of a federal administrative agency, fairly typical of the modern administrative state.

The validity of patent rights is “integrally related” to this federal regulatory scheme. Patent rights are the means of implementing the regulatory objective of promoting innovation. And the validity of an issued patent raises the exact same questions raised in the agency’s initial examination of a patent – a validity challenge is an “attempt to prove that the patent never should have issued in the first place.”<sup>196</sup> Ultimately, validity challenges “help protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”<sup>197</sup> and therefore are closely connected to the core regulatory

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senting).

<sup>191</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) (“Nor may [Congress] enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby.”).

<sup>192</sup> *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917).

<sup>193</sup> *Bonito Boats*, 489 U.S. at 146.

<sup>194</sup> *Graham*, 383 U.S. at 6 (“Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim.”); *see also* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016) (describing the patent system as reflecting “Congress’ regulatory design”).

<sup>195</sup> *Bonito Boats*, 489 U.S. at 167.

<sup>196</sup> *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242-43 (2011) [hereinafter *Microsoft*].

<sup>197</sup> *Cuozzo*, 136 S. Ct. at 2144.

objective of the patent system: balancing the need to promote innovation with the need to preserve competition.

To be fair, there is some amount of ambiguity in the conclusion that patent rights are closely connected to a federal regulatory scheme for purposes of “public rights” within the meaning of the Article III cases, at least more so than other aspects of the Article III analysis. Two reasonable, though ultimately unconvincing arguments, warrant further discussion.

*First*, one could question whether the patent system, even if regulatory in nature, is the type of federal regulatory scheme that the Supreme Court had in mind in discussing the “public rights” exception to Article III.<sup>198</sup> The Patent Office lacks general substantive rulemaking authority<sup>199</sup> and has no authority over infringement or other enforcement responsibilities.<sup>200</sup> Nor does it have significant discretion to make policy choices about what inventions warrant patent protection and what inventions do not. Many of the relevant policy choices have been made by Congress and are reflected in the various statutory requirements of patentability.<sup>201</sup> The Federal Circuit has primary responsibility for filling the significant gaps that remain from Congress’s frequent choice of broad and vague language.<sup>202</sup> The Patent Office’s role is limited to the fairly routine task of evaluating specific patent applications or issued patents to determine whether they meet these statutory requirements.<sup>203</sup> In this way, the patent system differs from “[t]he paradigm of decision making in the modern administrative state” in which agencies have primary responsibility for regulatory policy.<sup>204</sup> Perhaps, then, the Patent Office is not the type of administrative agency “allocat[ing] costs and benefits” pursuant to a “complex regulatory scheme” that the Supreme Court envisioned in defining “public rights” for Ar-

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<sup>198</sup> *Cf. In re Clay*, 35 F.3d 190, 194 (5th Cir. 1994) (“We do not see bankruptcy law as a ‘public regulatory scheme’ akin to the Federal Insecticide, Fungicide, and Rodenticide Act discussed in *Thomas*. It provides process, procedures, and a forum, but does not (as would a public regulatory scheme) implement policy choices beyond the confines of cases brought to it.”).

<sup>199</sup> Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 76-77 (2010).

<sup>200</sup> Greg Reilly, *Decoupling Patent Law*, 97 B.U. L. REV. 549, 564-66 (2017).

<sup>201</sup> *See Bonito Boats*, 489 U.S. at 146-151.

<sup>202</sup> *See Nard*, *supra* note 199, at 75.

<sup>203</sup> *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242 (2011); *see also* Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1755 (2011).

<sup>204</sup> *Id.* at 1754-55; *see also* Fallon, Jr., *supra* note 82, at 925 (“‘Regulatory agencies’ - so called because their activities restrict private conduct - typically possess authority to lay down rules, to determine whether private parties have violated the law, and to prescribe sanctions.”).

ticle III purposes.<sup>205</sup>

However, the Supreme Court has not suggested that an agency's power or role beyond adjudication is relevant to the constitutionality of its adjudicative functions.<sup>206</sup> To the contrary, agencies that simply evaluate individual claims for compliance with statutory requirements are one of the traditional categories of administrative adjudication permissible under Article III, at least in cases in which the individual has a claim for federal benefits against the government.<sup>207</sup> Even in cases between private parties, the Supreme Court has upheld administrative adjudication by agencies with powers of similar or lesser scope to the Patent Office. For example, in *Crowell*, the Supreme Court sustained administrative resolution of maritime workers' compensation claims by an agency whose only apparent function was to resolve such claims by determining primarily factual questions about the nature and circumstances of the injury and the proper amount of compensation.<sup>208</sup>

Thus, the key question is not the relevant agency's overall power within the regulatory scheme but rather whether there is a comprehensive federal regulatory program that was within Congress's Article I powers to create.<sup>209</sup> If so, the decision how to apportion power – including the power to adjudicate disputes arising out of the regulatory scheme – between Congress, the agency, and the federal courts is left to Congress.<sup>210</sup> The Supreme Court is clear that the patent system constitutes a “pervasive” and comprehensive federal regulatory scheme created pursuant to Congress's Article I powers.<sup>211</sup>

*Second*, one might focus specifically on post-issuance review proceedings before the PTAB and contend that they do not serve a regulatory purpose but

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<sup>205</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 589 (1985); *see also* *CFTC v. Schor*, 478 U.S. 833, 836 (1986). (describing the agency in that case as having “sweeping authority to implement” the relevant statute).

<sup>206</sup> *Schor*, 478 U.S. at 851-57 (focusing on “the CFTC’s adjudicatory powers” in analyzing Article III issue); *Thomas*, 473 U.S. at 589-93 (focusing on “FIFRA arbitration scheme” in analyzing Article III issues).

<sup>207</sup> *See* *Dodge*, *supra* note 127, at 913 (2015) (noting that “administrative determination of amounts due to or from the government; for example, customs duties and veterans benefits” has existed since the earliest days of the United States).

<sup>208</sup> *Crowell v. Benson*, 285 U.S. 22, 36-47 (1932).

<sup>209</sup> *See Schor*, 478 U.S. at 851 (emphasizing Congress’s “Article I powers” in upholding administrative adjudication); *Thomas*, 473 U.S. at 589 (focusing on Congress’s power under Article I).

<sup>210</sup> *Schor*, 478 U.S. at 851 (cautioning against applying Article III precedent in a way that would “unduly constrict Congress’ ability to take needed and innovative action pursuant to its Article I powers”); *Thomas*, 473 U.S. at 589 (describing Article as “not so inflexible” as to undermine Congress’s power under Article I to permit administrative adjudication of the allocation of costs and benefits in a federal regulatory scheme).

<sup>211</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146, 167 (1989).

rather function as a litigation substitute.<sup>212</sup> The AIA's post-issuance review procedures have trial-like features, including a live hearing, opportunities for discovery, and the ability to present factual and expert evidence.<sup>213</sup> But this has little, if any, constitutional salience under Article III. Formal agency adjudications, which often include trial-like procedures, are a well-recognized form of agency regulatory activity.<sup>214</sup> The Supreme Court has upheld administrative adjudications under Article III that utilized trial-like procedures similar to those used by the PTAB.<sup>215</sup>

Nor is it of particular significance under Article III if Congress created post-issuance review as a "surrogate for court proceedings"<sup>216</sup> or "avowedly sought to avoid civil litigation over patent validity."<sup>217</sup> The Supreme Court, while "acknowledg[ing] the importance of judicial independence," has "accepted as legitimate the desire of Congress to provide an expert and efficient alternative to the federal courts for the resolution of [certain types of] disputes."<sup>218</sup> Indeed, even if challengers are correct that Congress sought to "facilitate patent validity challenges by shifting them from a judicial forum into an administrative one,"<sup>219</sup> this would not be abnormal, as Congress frequently has assigned adjudicative functions to administrative agencies exactly because it sought a different outcome than what would occur in ordinary civil litigation.<sup>220</sup> Thus,

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<sup>212</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016) (describing party's argument but expressing skepticism that Congress really intended post-issuance review as just a replacement for district court litigation).

<sup>213</sup> *Id.* at 2143.

<sup>214</sup> Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1989-94 (2013).

<sup>215</sup> See, e.g., *Crowell v. Benson*, 285 U.S. 22, 43 (1932) (noting that the administrative adjudication upheld in that case involved "a hearing, upon notice, at which the claimant and the employer may present evidence," as well as authority for the decision maker to "issue subpoenas, administer oaths, compel the attendance and testimony of witnesses, [and] the production of documents or other evidence or the taking of depositions").

<sup>216</sup> *Cuozzo*, 136 S. Ct. at 2143 (describing party's argument but expressing skepticism that Congress really intended post-issuance review as just a replacement for district court litigation).

<sup>217</sup> *MCM Portfolio Petition*, *supra* note 66, at 27 (No. 15-1330).

<sup>218</sup> James E. Pfander, *Article I Tribunals, Article III Courts, and the Judicial Power of the United States*, 118 HARV. L. REV. 643, 663 (2004) (describing *Schor*); *Noriega-Perez v. United States*, 179 F.3d 1166, 1178 (9th Cir. 1999) [hereinafter *Noriega-Perez*] (upholding administrative adjudication that Congress intended as substitute for inefficient Article III adjudication because "efficiency and reduced expense are proper purposes for committing matters for adjudication by administrative tribunals.").

<sup>219</sup> *MCM Portfolio Petition*, *supra* note 66, at 13-14 (No. 15-1330).

<sup>220</sup> *Bator*, *supra* note 102, at 238 ("And some of these assignments of jurisdiction were, as in the case of the National Labor Relations Board (NLRB), specifically designed to en-

concluding that Congress's desire to replace, or achieve different outcomes than, traditional civil litigation renders non-Article III adjudication improper would threaten not just post-issuance review in the Patent Office but also large swaths of the modern administrative state.<sup>221</sup>

In any event, in *Cuozzo v. Lee*, the Supreme Court already considered and rejected an argument that post-issuance review is just a substitute for civil litigation. Despite some trial-like procedures, "in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding," including relaxed standing requirements, the ability of the agency to proceed ex parte if the adverse party settles or otherwise drops out, and different burdens of proof.<sup>222</sup> "Most importantly, these features, as well as inter partes review's predecessors, indicate that the purpose of the proceeding" is to "offer[] a second look at an earlier administrative grant of a patent."<sup>223</sup> In contrast to district court litigation, post-issuance review proceedings seek to protect the public from unwarranted patent rights, rather than just "helping resolve concrete patent-related disputes among parties."<sup>224</sup> The Court's decision in *Cuozzo* confirms that post-issuance review proceedings are closely connected to the Patent Office's primary regulatory function of evaluating and issuing patents.

### 3. The Patent Office Is an Expert Administrative Agency with a Limited Regulatory Objective

The final factor Supreme Court cases use to define a public right (at least in cases in which the government is not a party) is whether adjudication is by an expert administrative agency with a limited regulatory objective.<sup>225</sup> The Patent Office fairly easily satisfies both aspects of this requirement.

The Supreme Court has repeatedly recognized the expertise of the Patent Office. The Patent Office's expertise comes in two forms: scientific or technical expertise<sup>226</sup> and "special expertise in evaluating patent applications."<sup>227</sup>

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trust a novel and reformist statutory mission to an agency that was politically and psychologically 'committed' to the task and was free of the traditional (and 'conservative') perspectives of the ordinary 'generalist' courts.").

<sup>221</sup> *Noriega-Perez v. United States*, 179 F.3d 1166, 1178 (9th Cir. 1999) (upholding administrative adjudication where Congress was motivated by inefficiency of Article III counterpart because "[f]ew, if any, non-Article III courts would survive judicial scrutiny if efficiency became an impermissible reason for their establishment").

<sup>222</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2135 (2016).

<sup>223</sup> *Id.* at 2144.

<sup>224</sup> *Id.*

<sup>225</sup> *Stern v. Marshall*, 564 U.S. 462, 490-91 (2011).

<sup>226</sup> See *Cuozzo*, at 2137-38 (2016); Reilly, *supra* note 200, at 564-565.

<sup>227</sup> *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012). Again, evaluating the validity of an

Although the judges of the PTAB are distinct from the patent examiners that evaluate applications initially, their expertise is similar. “[T]he PTAB has expertise to cope with the technical aspects of its cases: it is composed entirely of patent and technology experts and there is an effort to staff each three-member panel with at least one judge who has specific familiarity with the field of the patented invention.”<sup>228</sup> An additional job requirement for PTAB judges is a “demonstrated ability to litigate or draft decisions around patentability,” with most having significant experience as patent attorneys and a significant number being former patent examiners.<sup>229</sup> In fact, because PTAB judges are both technically and legally trained, they arguably have greater expertise than technically- but not legally trained patent examiners to resolve the hybrid technical-legal issues that pervade patent law.<sup>230</sup>

Unlike the state law counterclaims at issue in *Stern*, “[t]he ‘experts’ in the federal system at resolving” patent validity questions are *not* the Article III courts, but rather the Patent Office, including the PTAB judges specifically. Most Article III judges, including a majority of Federal Circuit judges, lack any scientific or technical training.<sup>231</sup> Most have no background in patent law (including many of the Federal Circuit judges before joining the bench<sup>232</sup>) or experience evaluating the patentability of patent applications or validity of issued patents, other than whatever patent cases they have handled on the federal bench.<sup>233</sup> Indeed, extensive concern has been raised as to whether Article III district judges understand both complex and arcane patent law doctrine and the

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issued patent is essentially the same task as evaluating the patentability of a patent application. *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242-43 (2011).

<sup>228</sup> Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 240 (2015).

<sup>229</sup> Jennifer R. Bush, *Administrative Patent Judges: Not Your Typical Federal Judge*, FENWICK & WEST LLP (2014), [https://www.fenwick.com/FenwickDocuments/Administrative\\_Patent\\_Judges.pdf](https://www.fenwick.com/FenwickDocuments/Administrative_Patent_Judges.pdf) [<https://perma.cc/48XH-ZYSH>]; see also *Cuozzo*, 136 S. Ct. at 2137 (“It creates within the Patent Office a Patent Trial and Appeal Board (Board) composed of administrative patent judges, who are patent lawyers and former patent examiners, among others.”).

<sup>230</sup> Reilly, *supra* note 200, at 564-66.

<sup>231</sup> *Id.* at 565 n.103.

<sup>232</sup> John M. Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 666 (2009) (“Since the [Federal] Circuit’s formation, only a minority of its judges have had notably substantial pre-Federal Circuit involvement with patent law.”).

<sup>233</sup> Peter Lee, *Patent Law and the Two Cultures*, 120 YALE L.J. 2, 16 (2010) (noting that although “some districts have developed significant expertise in patent cases . . . the ‘average’ district judge receives only a few patent cases per year and handles a patent trial only once every seven years).

underlying technology sufficiently well to adjudicate patent disputes.<sup>234</sup>

Finally, PTAB post-issuance review serves a limited regulatory objective. Unlike the bankruptcy courts in *Stern*, which had “substantive jurisdiction reaching any area of the *corpus juris*,” the PTAB post-issuance review proceedings are “limited to a ‘particularized area of the law,’ as in *Crowell, Thomas*, and *Schor*.”<sup>235</sup> The post-issuance review proceedings only decide patent law issues and not even all patent issues. They are limited to patent validity (and sometimes only some validity issues) and do not consider questions of infringement, remedies, or other enforcement issues. “In such circumstances, the magnitude of any intrusion on the Judicial Branch can only be termed *de minimis*.”<sup>236</sup> In fact, because the PTAB’s role is limited to taking “a second look at an earlier administrative grant of a patent” right created by federal law,<sup>237</sup> the intrusion on Article III courts is significantly less than in *Schor*, where the Supreme Court upheld agency adjudication of even common law counterclaims as incidental to its adjudication of federally-created claims.<sup>238</sup>

*D. Patents As Private Rights Subject to Non-Article III Adjudication Based on a Balancing of the Competing Factors?*

As explained above, it is unclear if the balancing test described in *Thomas* and *Schor* is a means for determining the permissibility of administrative adjudication under Article III that is distinct from and independent of the public/private rights distinction or whether it is simply a way of distinguishing between public and private rights.<sup>239</sup> If the latter, then the balancing test is refined by, and subsumed into, the prior discussions of the public/private rights distinction and is satisfied for the reasons described above. If the former, then the balancing test is a more permissive means of establishing the constitutionality of administrative adjudication.<sup>240</sup> For that reason, the fact that patent rights constitute public rights under the modern Supreme Court test (as explained above) strongly suggests that they satisfy the broader balancing test described in *Thomas* and *Schor*.

To the extent that *Thomas* and *Schor* articulate a separate Article III test from the public/private rights distinction, the focus of that test is on “the purposes underlying the requirements of Article III”: (1) individual liberty inter-

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<sup>234</sup> *Id.* at 9-17.

<sup>235</sup> *Stern v. Marshall*, 564 U.S. 462, 493-94 (2011).

<sup>236</sup> *CFTC v. Schor*, 478 U.S. 833, 856 (1986).

<sup>237</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

<sup>238</sup> *Schor*, 478 U.S. at 856.

<sup>239</sup> *See supra* Part II.A.2.

<sup>240</sup> *Schor*, 478 U.S. at 847-850 (noting that “the Court has declined to adopt formalistic and unbending rules” for Article III because doing so “might also unduly constrict Congress’ ability to take needed and innovative action pursuant to its Article I powers.”).

ests “in an impartial and independent federal adjudication of claims”; and (2) separation of power interests in “preventing the encroachment or aggrandizement of one branch at the expense of the other.”<sup>241</sup> To evaluate these issues, the Court relies on several (albeit non-exclusive) factors: (1) whether the essential attributes of judicial power are reserved to Article III courts; (2) the extent to which the non-Article III forum has the jurisdiction and powers normally vested in an Article III court; (3) the origins and importance of the right to be adjudicated; (4) the concerns that drove Congress to depart from the requirements of Article III; and (5) consent.<sup>242</sup> Applying the purposes underlying the Article III requirements and the relevant factors to Patent Office post-issuance review proceedings suggests once again that these procedures are permissible under Article III.

#### 1. Patent Office Post-Issuance Review and Separation of Powers Concerns

Patent Office post-issuance review proceedings pose little threat to separation of powers interests. As explained in Part C, patent rights are federal statutory rights that exist by the grace of Congress.<sup>243</sup> To a significant extent, the power to apportion decision making authority regarding patent rights is part of Congress’s Article I power to create patent rights and define the terms and conditions on which patents issue.<sup>244</sup> Congress *can* apportion adjudication of patent rights to the Article III courts but it can also apportion some of the adjudication to the Patent Office.<sup>245</sup> If it does so, there is no threat to separation of powers interests because Congress is exercising a power provided to it by Article I.

The Supreme Court already considered and rejected the argument that Congress intended post-issuance review proceedings to just be a “surrogate” or substitute for Article III litigation, concluding instead that their “basic purposes” were to “offer[] a second look at an earlier administrative grant of a patent.”<sup>246</sup> In creating post-issuance review, Congress therefore focused “not on allocating jurisdiction among federal tribunals”<sup>247</sup> but instead on “making effective a specific and limited federal regulatory scheme,” *i.e.*, the Patent Office’s basic regulatory role in limiting patent rights to the permissible scope and circumstances authorized by the provisions of the Patent Act.<sup>248</sup>

<sup>241</sup> *Id.* at 834, 847-50.

<sup>242</sup> *Id.* at 834-35.

<sup>243</sup> *See supra* Part I.C.1.

<sup>244</sup> *See supra* Part I.C.1.

<sup>245</sup> Dodge, *supra* note 127, at 932.

<sup>246</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

<sup>247</sup> *CFTC v. Schor*, 478 U.S. 833, 855 (1986).

<sup>248</sup> *Id.* Even academic critics of Patent Office post-issuance review acknowledge that Congress’s purpose was to eliminate “the worst patents, *which probably never should have*

Congress chose an administrative alternative “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”<sup>249</sup> The desire for “an inexpensive and expeditious alternative forum” to advance the public policy goals of a federal statute is exactly the type of Congressional purpose that supports constitutionality of administrative adjudication under Article III.<sup>250</sup> It shows that there is no threat to separation of powers from Congress “attempt[ing] to ‘transfer jurisdiction to [non-Article III tribunals] for the purpose of emasculating’ constitutional courts” or from “the encroachment or aggrandizement of one branch at the expense of the other.”<sup>251</sup> Rather than trying to undermine the Article III courts or aggrandize itself, in circumstances like here, Congress is attempting “only to ensure the effectiveness of th[e] scheme” it created pursuant to its Article I powers.<sup>252</sup>

Nor in practice does post-issuance review pose much threat of “emasculating” or “encroach[ing]” upon Article III courts or aggrandizing other branches at the expense of the Article III judiciary. As noted above, the PTAB does not possess the jurisdiction and powers normally vested in an Article III court. It is limited to a “particularized area of law” – patent law – and even within this area is limited solely to the question of patent validity, without any power over infringement, remedies, or other enforcement issues.<sup>253</sup> Its power is further limited by statutory restrictions on the various post-issuance review proceedings: timing for post-grant review (within nine months of issuance), grounds for invalidity for ex parte reexamination and inter partes review (anticipation and obviousness based on written prior art), and types of patents for covered business method review (non-technological financial data processing).<sup>254</sup> Unlike the bankruptcy courts struck down in *Northern Pipeline*, the PTAB “does not exercise all ordinary powers of district courts, and thus may not, for instance, preside over jury trials or issue writs of habeas corpus.”<sup>255</sup>

Moreover, because post-issuance review proceedings are subject to normal administrative standards of judicial review – substantial evidence for questions of fact and de novo for questions of law – the essential attributes of judicial power remain vested in Article III courts, as explained in Part II.B. Patent Office post-issuance review poses *less* of a threat to separation of powers than

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*been issued.*” Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 910 (2015) (citation omitted) (emphasis added).

<sup>249</sup> *Id.* at 910.

<sup>250</sup> *Schor*, 478 U.S. at 855.

<sup>251</sup> *Id.* at 850.

<sup>252</sup> *Id.* at 856.

<sup>253</sup> See Part II.C.3, *supra*.

<sup>254</sup> See Part I.A.1, *supra*.

<sup>255</sup> *Schor*, 478 U.S. at 853.

*Crowell* or *Thomas*, where the Court upheld Congress’s decision to use initial administrative adjudication to the exclusion of initial adjudication in Article III courts.<sup>256</sup> By contrast, Congress in the AIA did not require that patent validity issues be litigated in Patent Office post-issuance review proceedings or otherwise significantly encroach on the power of the federal courts to decide patent validity. “[I]nherent to Congress’ regulatory design” of the modern patent system are “different tracks — one in the Patent Office and one in the courts — for the review and adjudication of patent claims.”<sup>257</sup> The Article III courts thus retain their traditional power to evaluate validity issues.<sup>258</sup> In fact, the Article III courts have *greater* power to evaluate validity issues than the PTAB, as they are not constrained by the statutory restrictions on the various post-issuance review proceedings noted in the prior paragraph.

Congress left the choice between Article III and administrative adjudication exclusively to litigants. Even if administrative adjudication is chosen, the Article III courts can still adjudicate the validity of the challenged patent in parallel, as Article III judges retain the discretion to decide whether or not to stay litigation pending administrative adjudication.<sup>259</sup> The fact that the accused infringer can unilaterally compel administrative adjudication by filing a post-issuance review petition may be relevant to the individual liberty concerns of Article III but does not raise separation of power concerns. Rather, separation of powers concerns are minimal where, as here, “the decision to invoke this [administrative] forum is left entirely to the parties and the power of the federal judiciary to take jurisdiction of these matters is unaffected” because “[i]t is clear that Congress has not attempted to ‘withdraw from judicial cognizance’ the determination” of patent validity.”<sup>260</sup>

To be fair, there are ways in which the Patent Office post-issuance review proceedings *look* like an encroachment on the power of the Article III courts, even though they do not ultimately raise the type of separation of power concerns that are constitutionally salient. Patent Office and district court adjudication of patent validity are not fully co-extensive tracks, since parties who do not satisfy Article III standing can administratively challenge the validity of issued patents.<sup>261</sup> But this does not undermine or interfere with the Article III

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<sup>256</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 586 (1985) (“*Crowell* held that Congress could replace a seaman’s traditional negligence action in admiralty with a statutory scheme of strict liability . . . [where] claims for compensation would be determined in an administrative proceeding.”); *see also id.* at 589 (noting that Congress in that case could create a right “without providing an Article III adjudication”).

<sup>257</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016).

<sup>258</sup> *Gugliuzza*, *supra* note 3, at 272.

<sup>259</sup> *Id.* at 285-87.

<sup>260</sup> *Schor*, 478 U.S. at 854-55.

<sup>261</sup> *See Cuozzo*, 136 S. Ct. at 2143-44.

courts since, by definition, Article III courts could not adjudicate such challenges. Similarly, the PTAB proceedings can cancel a patent even after an Article III court rejected the invalidity challenge, leading to claims that this is impermissible administrative review of an Article III court decision.<sup>262</sup> But Article III courts “do not find patents ‘valid,’ only that the patent challenger did not carry the burden of establishing invalidity in the *particular case* before the court.”<sup>263</sup> Subsequent invalidation of a patent after an Article III court previously rejected an invalidity challenge is a long-standing feature of the patent system.<sup>264</sup> For nearly forty years, this subsequent invalidation could occur in an administrative forum.<sup>265</sup> Nor does it mean that the Patent Office is impermissibly reviewing or overruling an Article III court when it does so.<sup>266</sup> “[T]he courts and the PTO are not necessarily deciding the same legal question on the same factual record” because the two forums use different burdens of proof and claim construction standards and may be presented with different evidence and arguments.<sup>267</sup>

More significantly, Patent Office post-issuance review *can* take some power away from the Article III courts to decide patent validity. A challenger who requests post-issuance review in the Patent Office is estopped by a PTAB final written decision from subsequently challenging the validity of the patent in civil litigation on “any ground that the petitioner raised or reasonably could have raised” in the Patent Office proceedings.<sup>268</sup> But the estoppel provisions only have a limited impact on the power of the Article III courts. They only apply when the PTAB reaches a final written decision before the Article III

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<sup>262</sup> See Golden, *supra* note 1, at 1658-59.

<sup>263</sup> Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1429 n.3 (1988) [hereinafter *Ethicon*]

<sup>264</sup> See *In re Swanson*, 540 F.3d 1368, 1377 (2008) (“Therefore, a prior holding of validity is not necessarily inconsistent with a subsequent holding of validity, and is not binding on subsequent litigation or PTO reexaminations.”)

<sup>265</sup> See *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 Fed. Appx. 988 (Fed. Cir. 2007) (ordering dismissal of infringement litigation where Patent Office found patent invalid after district court decision finding it not invalid); *Ethicon*, 849 F.2d at 1428-29 (“[I]f the district court determines that a patent is not invalid, the PTO should continue its reexamination . . .”).

<sup>266</sup> See *Swanson*, 540 F.3d at 1378-79 (rejecting the argument that continuing reexamination after a finding of no invalidity by a district court constituted impermissible review of an Article III court by an administrative agency).

<sup>267</sup> Gugliuzza, *supra* note 3, at 277; see also *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016).

<sup>268</sup> 35 U.S.C. § 315(e)(2) (describing estoppel with inter partes review); 35 U.S.C. § 325(e)(2) (2012) (describing estoppel with post-grant review); see also AIA § 18 (estoppel from covered business method patent review limited to grounds that were “raised” in Patent Office).

court reaches final judgment<sup>269</sup> and, even then, they do not eliminate all possible invalidity challenges. Most importantly, estoppel is personal to the challenger and in no way impacts the Article III court's power to hear invalidity challenges raised by other parties. The estoppel provisions thus focus on limiting the power of challengers to raise invalidity, with incidental limits on the power of Article III courts not demonstrating an effort to undermine those courts.

Finally, by creating a parallel administrative track for challenging the validity of issued patents, Congress has reduced the Article III courts' traditional primacy in adjudicating issued patents.<sup>270</sup> But the idea that Article III courts traditionally had exclusive authority to adjudicate the validity of issued patents is incorrect. The Patent Office long had the authority to adjudicate priority issues related to issued patents in interferences, and since 1952 had the specific power to cancel issued patents on the grounds of lack of novelty for prior invention by another. Nearly forty years ago, Congress expanded this power to include lack of novelty or non-obviousness based on written prior art in reexamination. The AIA post-issuance review proceedings are the latest iteration of this parallel administrative track for challenging issued patents. Because patent rights are federal statutory rights, Congress has significant authority under Article I to define the mode and forum for enforcement. That Congress traditionally chose the Article III courts as the primary forum for deciding the validity of issued patents does not prevent it from subsequently reapportioning authority between the Article III courts and the Patent Office.<sup>271</sup> Doing so would not threaten separation of powers because it is inherent in Congress's Article I powers.<sup>272</sup>

## 2. Patent Office Post-Issuance Review and Individual Liberty Concerns

Patent Office post-issuance review raises greater concerns about the individual liberty interests protected by Article III than it does the separation of powers concerns. Article III's liberty function seeks to guarantee "independent and impartial adjudication" before a decision maker "free from potential domi-

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<sup>269</sup> See Gugliuzza, *supra* note 3, at 290.

<sup>270</sup> See *MCM Portfolio Petition*, *supra* note 66, at 18 (No. 15-1330) (emphasizing that "[p]atent rights have existed for centuries, and for centuries their validity has been adjudicated in courts" in challenging constitutionality of inter partes review).

<sup>271</sup> Compare *Crowell v. Benson*, 285 U.S. 22, 53-55 (1932) (describing the ability of Congress to change the mode of enforcement pursuant to its Article I admiralty powers); with *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 52 (1989) (suggesting that Congress cannot reapportion common law claims in a way that would eliminate the jury trial right).

<sup>272</sup> *Crowell*, 285 U.S. at 53-55 (finding that Congress did not exceed its Article I admiralty powers in changing the procedure for enforcing rights and thereby relieving the Article III courts of some of their authority).

nation by other branches of government.”<sup>273</sup> In the patent context, a challenger can force adjudication, and potentially cancellation, of the patentee’s property interest in the patent by PTAB judges lacking the protections of Article III.

This raises concern about the possible lack of independence of the PTAB or political domination by the executive branch. Although “Article III does not confer on litigants an absolute right to the plenary consideration of every nature of claim by an Article III court,”<sup>274</sup> there is reason for greater concern in the PTAB context than in *Crowell*, *Schor*, or *Thomas*, the major Supreme Court cases addressing adjudication by administrative agencies under Article III. In *Crowell* and *Schor*, the agencies were independent agencies intentionally created to be protected against political pressure.<sup>275</sup> In *Thomas*, disputes were adjudicated outside the relevant administrative agency (the EPA) by an arbitrator selected by the Federal Mediation and Conciliation Service, an independent agency, from its roster of arbitrators.<sup>276</sup>

Unlike in these prior cases, the PTO is an executive branch agency within the Department of Commerce, and the PTAB judges are appointed by the Secretary of Commerce, in consultation with the Director of the Patent and Trademark Office, both of whom are political appointees that serve at the pleasure of the President.<sup>277</sup> In fact, the Director and Deputy Director of the PTO (also a political appointee<sup>278</sup>) are themselves deemed members of the PTAB,<sup>279</sup> though their actual participation is minimal.<sup>280</sup> Because the PTAB is

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<sup>273</sup> *CFTC v. Schor*, 478 U.S. 833, 848 (1986).

<sup>274</sup> *Id.*

<sup>275</sup> In *Crowell*, the agency was the United States Employees’ Compensation Commission, which was a bipartisan independent agency with commissioners serving six-year terms. 285 U.S. 22 at 42 (1932); *see also* UNITED STATES GOVERNMENT MANUAL 568-69 (1945), <https://www.ibiblio.org/hyperwar/ATO/USGM/USECC.html> (last checked Apr. 11, 2017) [<https://perma.cc/782P-FAVT>]. In *Schor*, the CFTC was an independent agency and there was a “perception that the CFTC was relatively immune from political pressures.” 478 U.S. at 855.

<sup>276</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 574 n.1 (1985); *see also About Us*, FEDERAL MEDIATION AND CONCILIATION SERVICE, <https://www.fmcs.gov/aboutus/>. [<https://perma.cc/W784-YR4H>] (last checked Apr. 11, 2017).

<sup>277</sup> 35 U.S.C. § 6(a) (2011); *see also* 35 U.S.C. § 3(a)(1), (4) (2011)(noting that the Director may be removed by the President).

<sup>278</sup> Dennis Crouch, *USPTO Transitions and Traditions*, PATENTLYO (Jan. 18, 2017), <https://patentlyo.com/patent/2017/01/uspto-transitions-traditions.html>. [<https://perma.cc/3QVK-APZN>].

<sup>279</sup> 35 U.S.C. § 6(a) (2011).

<sup>280</sup> *See* Saurabh Vishnubhakat, *Precedent and Process in the Patent Trial and Appeal Board*, PATENTLYO (May 10, 2016), <https://patentlyo.com/patent/2016/05/precedent-process-patent.html> [<https://perma.cc/H6B3-WGD4>] (describing Director and Deputy Direc-

composed of Administrative Patent Judges, not Administrative Law Judges subject to significant statutory protections, the PTO Director determines PTAB judges' salary, performance review, discipline, and removal.<sup>281</sup> Moreover, since non-ALJ administrative judges, like PTAB judges, are "less insulated from an administrative agency's more characteristic political appointees," they "are generally not subject to the APA's prohibition of ex parte communications 'with agency officials during and about their hearings,'" and political appointees may even be able to designate particular panels of PTAB judges to hear particular cases.<sup>282</sup> On the other hand, political appointees cannot dictate a PTAB judge's vote in any specific case.<sup>283</sup>

Despite these greater concerns about the possible lack of independence or executive branch domination of the PTAB than in the leading Supreme Court cases, there are several reasons to think the Patent Office post-issuance reviewing proceedings do not pose a threat to individual liberty that rises to the level of constitutional significance. As an initial matter, there is no evidence of an actual lack of independence or political domination. In contending that "[p]atentees are justified in believing that the agency puts its thumb on the scales" in post-issuance proceedings, challengers to the constitutionality of PTAB proceedings rely only on high invalidity rates in post-issuance review proceedings, such as the fact that over 80% of final written decisions in inter partes review result in cancelled claims.<sup>284</sup> But this high invalidation rate is just as likely the result of other, less problematic factors, including the threshold standards that must be satisfied for post-issuance review proceedings to be initiated, selection effects in what patents are challenged in post-issuance review, and the potential prevalence of the improperly granted patents that Congress sought to address.<sup>285</sup> Indeed, only 25% of challenged claims are invalidated in inter partes review.<sup>286</sup> In sum, there is no actual evidence of political influence of PTAB decisions.

More importantly, there *are* Article III protections against the potential lack

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tor as ex officio members of PTAB).

<sup>281</sup> Golden, *supra* note 1, at 1662-63, 1681-82.

<sup>282</sup> *Id.* at 1663, 1682. Although a pre-AIA Federal Circuit case suggests the Patent Office's political appointees could select panels in hopes of achieving a particular result, there may be due process limitations. *Id.* at 1663-64.

<sup>283</sup> *Id.* at 1663 (describing pre-AIA Federal Circuit case but suggesting it applies to post-AIA proceedings).

<sup>284</sup> See, e.g., *Cooper Petition*, *supra* note 66, at 10.

<sup>285</sup> See Colleen V. Chien & Christian Helmers, *Inter Partes Review and the Design of Post-Grant Patent Reviews 1* (May 3, 2015) (unpublished manuscript) (on file with Social Science Research Network) <https://ssrn.com/abstract=2601562>.) [<https://perma.cc/892B-B2AV>].

<sup>286</sup> *Id.*

of independence of the PTAB or political domination by the executive. As explained above, PTAB decisions are subject to appellate review under normal administrative review standards – substantial evidence for facts and de novo for law – in the Article III Federal Circuit.<sup>287</sup> This Article III appellate review serves as a check to prevent overtly political decision making or political domination of the PTAB by the executive.<sup>288</sup> In fact, the structure of appellate review of PTAB decisions insulates those decisions from political influence to a greater degree than under the standard administrative model. Administrative decisions are frequently subject to intermediate review by a person or small body that represents the views of the agency as whole, which often is political appointees.<sup>289</sup> In the case of the Patent Office, the standard administrative model would suggest intermediate review of PTAB decisions by the politically-appointed PTO Director.<sup>290</sup> However, the AIA provides only for direct review of PTAB decisions by the Federal Circuit, giving the PTO Director the opportunity to intervene as party on appeal without “conferring on the PTO’s Director an independent, adjudicatory power to review PTAB decisions” as is typical in the administrative state.<sup>291</sup> “By failing to provide explicitly for appeal to the Director and instead providing for direct appeal to the Federal Circuit, Congress arguably placed the Federal Circuit in the authoritative position” with regards to PTAB proceedings.<sup>292</sup> This authoritative position for Article III judges mitigates the concerns about the PTAB’s potential lack of independence or political domination by the executive.

The nature of patent rights also mitigates concerns about the individual liberty interests protected by Article III. As noted above, the Constitution permits, but does not require, Congress to create patent rights on the terms and

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<sup>287</sup> See *supra* Part II.B.

<sup>288</sup> See *Noriega-Perez v. United States*, 179 F.3d 1166, 1176 (9th Cir. 1999) (finding that Article III de novo review of law and substantial evidence review of facts supported constitutionality of administrative adjudication because “[a]n appropriate level of judicial review ensures that Article III courts retain the appearance and reality of control over the interpretation, declaration, and application of federal law” (quotations and alterations omitted)); Richard H. Fallon, Jr., *Of Legislative Courts, Administrative Agencies, and Article III*, 101 HARV. L. REV. 915, 947 (1988) (Article III “[a]ppellate review can provide an effective check against politically influenced adjudication, arbitrary and self-interested decisionmaking . . . help[ing] ensure fairness to litigants . . .”); see also *NLRB v. Jones & Laughlin Steel Corp.*, 301 U.S. 1, 47 (1937) (holding that judicial review of jurisdictional, constitutional, and statutory authority issues “afford[ed] adequate opportunity to secure judicial protection against arbitrary action” by the administrative agency even though agency factual findings were conclusive).

<sup>289</sup> Golden, *supra* note 1, at 1680-81.

<sup>290</sup> *Id.* at 1680.

<sup>291</sup> *Id.* at 1682-83.

<sup>292</sup> *Id.* at 1683.

conditions that Congress deems appropriate to advance the public policy goals underlying the patent system.<sup>293</sup> If Congress could combat the concerns about an excessive number of weak patents that never should have issued by raising the standards of patentability or imposing greater procedures during initial examination, which it undoubtedly could have done,<sup>294</sup> then it is unclear what prevents Congress from addressing these concerns by creating an administrative “proceeding [that] offers a second look at an earlier administrative grant of a patent.”<sup>295</sup>

Indeed, English patents starting in the 1600s included revocation clauses under which “the crown or its arm – the Privy Council – had power to revoke a patent upon proof of ‘inconveniency,’” which included lack of novelty as well as general prejudice to the realm, like detrimental effects for a particular trade or taking away too many jobs.<sup>296</sup> The revocation proceedings “seem to have been much closer in nature to executive examinations of utility and policy rather than strictly legal proceedings in the modern sense” and occurred before the Privy Council, the closest equivalent to the modern administrative agency, into at least the late 1700s, with the Privy Council having but rarely exercising the power into the mid-1800s at least.<sup>297</sup> Similarly, during the Articles of Confederation, “at least in some states where the issue arose it seems to have been assumed that patents were revocable. “The presumption there was that what the legislature’s discretion could award in the patent grant could also be taken away by the same power.”<sup>298</sup> I have been unable to find any historical evidence that the American patent system departed from this historical understanding of the authority of the legislature to revoke patents it granted on policy grounds, even if Congress did not generally use this power until the early 1980s.

That issued patents create a property right in the owner does not change the analysis. As discussed above, the patentee’s property right is created by federal statute and, under Section 261, is expressly made “[s]ubject to the provisions of this title.”<sup>299</sup> Since the early 1980s, “the provisions of this title” have included administrative cancellation of issued patents. Thus, for virtually every

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<sup>293</sup> See *supra* Part II.C.1.

<sup>294</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) (“Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim. . . . Within the scope established by the Constitution, Congress may set out conditions and tests for patentability.”).

<sup>295</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

<sup>296</sup> Bracha, *supra* note 182, at 21-23.

<sup>297</sup> *Id.* at 22, 60, 61 n.129.

<sup>298</sup> *Id.* at 110.

<sup>299</sup> See *supra* Part II.C.1; 35 U.S.C. § 261 (2012).

patent still in force, the possibility of administrative cancellation of the patent is subsumed in the property right created by the patent. The nature of the patent rights thus suggest that administrative cancellation, even if potentially influenced by the executive branch, does not threaten the patentee's liberty interests in its patent rights.

Relatedly, consent also mitigates, at least to some extent, the individual liberty concerns with Patent Office post-issuance review proceedings. "[A]s a personal right, Article III's guarantee of an impartial and independent federal adjudication is subject to waiver, just as are other personal constitutional rights that dictate the procedures by which civil and criminal matters must be tried."<sup>300</sup> Thus, a party can expressly waive Article III adjudication by demanding that an issue be litigated in the non-Article III forum.<sup>301</sup> In the Patent Office post-issuance review proceedings, the accused infringer or other party challenging the validity of the patent expressly waives Article III adjudication by petitioning for post-issuance review.

But the real question is whether the patentee has consented in any way to administrative review and cancellation of issued patents. In *Schor*, the Supreme Court held even in the absence of an express waiver, Schor impliedly waived Article III protections for counterclaims asserted against him when he chose the benefits of proceeding in the administrative forum for his claim, rather than the available district court litigation, "with full knowledge that the CFTC would exercise jurisdiction over" counterclaims against him.<sup>302</sup> At least an arguable analogy exists in the context of Patent Office post-issuance review. Patentees voluntarily choose the benefits of the federal patent system, rather than protecting their inventions through non-patent mechanisms like trade secrets, tacit knowledge, contract, or trademarks.<sup>303</sup> For virtually all patents still in force (*i.e.*, those filed after the creation of reexamination), patentees have chosen to enter the patent system "with full knowledge" that issued patents were subject to administrative cancellation in the Patent Office. By voluntarily seeking patent protection, patentees arguably consented to administrative review and cancellation of issued patents.

This consent argument is clearly more attenuated than in *Schor*. Additionally, patent protection offers far more significant benefits than non-patent appropriation mechanisms and some types of inventions will be difficult to effective-

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<sup>300</sup> CFTC v. Schor, 478 U.S. 833, 848-49 (1986).

<sup>301</sup> *Id.* at 849 ("Schor indisputably waived any right he may have possessed to the full trial of Conti's counterclaim before an Article III court. Schor expressly demanded that Conti proceed on its counterclaim in the [administrative] reparations proceeding rather than before the District Court . . .").

<sup>302</sup> *Id.* at 850.

<sup>303</sup> See Andres Sawicki, *Better Mistakes in Patent Law*, 39 FLA. ST. U. L. REV. 735, 768-76 (2012) (describing non-patent appropriation mechanisms).

ly protect without the exclusive rights of a patent.<sup>304</sup> One might reasonably argue that the consent is not truly voluntary but is instead compelled by the substantial benefits, and sometimes necessity, of patent protection.

However, the case law is supportive of implied consent in situations similar to that in the patent context. In *Thomas*, the Court emphasized that the pesticide manufacturers were “voluntary participants in the program” in upholding administrative adjudication, even though manufacturers were required to register their pesticides with the EPA and failure to accept administrative adjudication resulted in either cancellation of the pesticide registration (if the follow-on manufacturer) or use of the data without compensation (if the original manufacturer).<sup>305</sup> The voluntariness in *Thomas* thus is similarly attenuated and compelled to that of Patent Office post-issuance review. One commentator has described (and criticized) the current state of law on consent as follows: “[T]he use of consent as a basis for non-Article III adjudication has repeatedly resulted in Congress utilizing its power as systems designer to coercively obtain consent to modifications that would otherwise be unconstitutional.”<sup>306</sup>

Circuit level decisions provide further support for a finding of patentee consent. The Seventh Circuit upheld, against an Article III challenge, the requirement that commodities brokers submit to customer-initiated arbitration as a condition for participating in the commodities exchange (with discipline and expulsion from the exchange possible if the broker refused arbitration).<sup>307</sup> The Seventh Circuit found consent from voluntary participation in the exchange, even though that “if Geldermann was to continue in business it had no choice but to accept” arbitration.<sup>308</sup> Likewise, the Seventh Circuit subsequently found that an individual broker waived Article III protections and consented to arbitration simply by accepting employment with a regulated firm.<sup>309</sup> These cases demonstrate that consent to non-Article III adjudication can occur long in advance of the dispute at issue and can be compelled as a result of economic necessity.

Thus, the argument for consent is not as strong as in *Schor*, and therefore might not alone be sufficient to satisfy the individual liberty concerns of Article III, as was true in *Schor*.<sup>310</sup> But the case law suggests that a patentee who voluntarily seeks patent protection knowing the risk of administrative cancella-

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<sup>304</sup> See *id.* (noting shortcomings in non-patent appropriation mechanisms).

<sup>305</sup> *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 589 (1985); see also *Geldermann, Inc. v. CFTC*, 836 F.2d 310, 317-18 (7th Cir. 1987) [hereinafter *Geldermann*] (interpreting *Thomas* as finding consent despite “economic compulsion”).

<sup>306</sup> Dodge, *supra* note 127, at 911.

<sup>307</sup> *Geldermann*, 836 F.2d at 311-12, 315.

<sup>308</sup> *Id.* at 316-18.

<sup>309</sup> *Belom v. Nat’l Futures Ass’n*, 284 F.3d 795, 799 (7th Cir. 2002).

<sup>310</sup> *CFTC v. Schor*, 478 U.S. 833, 848-50 (1986).

tion of issued patents has provided at least some measure of consent to the subsequent adjudication and cancellation of their patent rights in a non-Article III tribunal. This consent is at least a factor suggesting administrative adjudication does not pose a threat to the individual liberty interests protected by Article III.

### 3. Reaching a Conclusion on Patent Office Post-Issuance Review

The analysis in the prior sections helps inform the ultimate Article III conclusion under the *Schor/Thomas* balancing test, but it does not itself produce a definite answer. The Supreme Court in *Schor* noted that “in reviewing Article III challenges, we have weighed a number of factors, none of which has been deemed determinative, with an eye to the practical effect that the congressional action will have on the constitutionally assigned role of the federal judiciary.”<sup>311</sup> The question remains as to how the various factors described above balance out.

Patent Office post-issuance review raises virtually no separation of powers concerns, for the reasons described in Section 1. The fact that one of the two purposes of Article III is barely implicated by post-issuance review would seem to weigh heavily in favor of constitutionality. However, the Supreme Court indicated that Article III’s protections “serve[]to protect primarily personal, rather than structural, interests.”<sup>312</sup> The strongest argument against the constitutionality of post-issuance review – that PTAB judges lack independence from executive branch political appointees – implicates the personal interests at the core of Article III.<sup>313</sup> Ultimately, however, the structure of Patent Office post-issuance review does not seem to be a significant enough threat to impartial adjudication free from domination by the executive branch because of the protections provided by Article III appellate review; the significant control Congress has to tailor patent rights to advance public policy goals; and the presence of implicit consent to administrative review and cancellation of issued patents by patentees voluntarily choosing to participate in the patent system.<sup>314</sup>

In sum, the balance of factors weighs fairly heavily in favor of the constitutionality of Patent Office post-issuance review under Article III, though the indeterminacy of the *Schor/Thomas* balancing test makes a definite conclusion impossible. To the extent there is any doubt, the balancing test can be seen as incorporating a measure of deference to Congress in structuring adjudication,

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<sup>311</sup> *Id.* at 851.

<sup>312</sup> *Id.* at 848.

<sup>313</sup> *See supra* Part II.D.2.

<sup>314</sup> *See id.*; *see also* *Noriega-Perez v. United States*, 179 F.3d 1166, 1178 (9th Cir. 1999) (finding that other factors outweighed concerns about potential political domination by executive branch in making administrative adjudication constitutional).

with Congress's decision being upheld unless irrational or unreasonable.<sup>315</sup> Deference would seem particularly appropriate with regards to Congress's decision to permit adjudication and cancellation of issued patents in the PTAB. The only real basis for Article III concern is the use of Administrative Patent Judges that lack not only Article III protections, but also the statutory protections provided to ALJs. However, "PTAB trials fall into a large class of administrative proceedings – apparently common in the U.S. administrative state – that . . . feature administrative judges that are not ALJs."<sup>316</sup> Giving controlling, or even significant, weight to the executive branch's potential control over PTAB judges could pose a significant threat to the modern administrative state, contrary to the Supreme Court's suggestion that the realities of the modern administrative state must be accounted for in crafting Article III standards.<sup>317</sup>

### III. OTHER CONSTITUTIONAL PROVISIONS AND POST-ISSUANCE REVIEW

Article III is the relevant constitutional provision for the concerns that have been raised about Patent Office adjudication and cancellation of issued patents, since it polices Congressional apportionment of adjudication to the political branches instead of the judiciary. For the reasons explained in Part II, Patent Office post-issuance review is likely constitutional under Article III. Yet, those challenging the constitutionality of Patent Office post-issuance review proceedings have raised additional constitutional arguments under the Seventh Amendment, the Takings Clause, and the IP Clause. For sake of completeness, this Part addresses and rejects these arguments in turn.

#### *A. The Seventh Amendment and Post-Issuance Review*

Patent validity is widely believed to be an issue on which the Seventh Amendment guarantees a right to trial by jury in infringement actions with damages at stake, although Professor Mark Lemley recently cast doubt on this assumption.<sup>318</sup> The PTAB does not use juries when adjudicating the validity of issued patents. Unsurprisingly, those dissatisfied with Patent Office post-issuance review have repeatedly argued that PTAB adjudication of the validity of issued patents violates the patentee's Seventh Amendment jury trial right, often focusing even more on the Seventh Amendment than Article III.<sup>319</sup> The limited academic commentary also worries about the Seventh Amendment im-

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<sup>315</sup> Bator, *supra* note 102, at 257.

<sup>316</sup> Golden, *supra* note 1, at 1682.

<sup>317</sup> See *Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 583 (1985).

<sup>318</sup> Lemley, *supra* note 181, at 1674.

<sup>319</sup> *MCM Portfolio Petition*, *supra* note 66, at 18-19 (No. 15-1330); *Oil States Petition*, *supra* note 66, at 12-19 (No. 16-712).

plications of Patent Office post-issuance review. Professor Mark Janis, foreshadowing the type of post-issuance review created by the AIA, worried that what he called “second generation reexamination” would be subject to Seventh Amendment challenges, though he remained agnostic on the likely outcome of these challenges.<sup>320</sup>

Regardless of the applicability of the Seventh Amendment jury trial right to patent validity issues in federal district court litigation, the Seventh Amendment does not pose an independent constitutional barrier (beyond Article III) to administrative adjudication and cancellation of issued patents. The Supreme Court has repeatedly held that “the Seventh Amendment is generally inapplicable in administrative proceedings, where jury trials would be incompatible with the whole concept of administrative adjudication and would substantially interfere with the . . . [agency’s] role in the statutory scheme.”<sup>321</sup> This line of cases makes clear that the right to a jury trial varies depending on the forum Congress chooses for adjudication. If Congress provides for administrative adjudication of a statutory right (like patent rights), it can do so “free from the strictures of the Seventh Amendment.”<sup>322</sup> But if Congress provided for adjudication of the same statutory right in the federal district courts, “a jury trial must be available if the action involves rights and remedies of the sort typically enforced in an action at law.”<sup>323</sup> For that reason, even if the Seventh Amendment requires a jury trial when patent validity is raised in district court infringement litigation, it does not mean that the Seventh Amendment requires a jury trial when patent validity is raised in administrative proceedings like Patent Office post-issuance review.

The Supreme Court in *Granfinanciera* clarified, but did not challenge, the Court’s prior holding that the Seventh Amendment is “generally” inapplicable in administrative adjudication.<sup>324</sup> *Granfinanciera* identified a two-step process

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<sup>320</sup> Janis, *supra* note 48, at 89-92.

<sup>321</sup> *Curtis v. Loether*, 415 U.S. 189, 194-95 (1974) [hereinafter *Curtis*]; *see also* *Pernell v. Southall Realty*, 416 U.S. 363, 383 (1974) (confirming “the principle that the Seventh Amendment is generally inapplicable in administrative proceedings, where jury trials would be incompatible with the whole concept of administrative adjudication” and assuming “that the Seventh Amendment would not be a bar to a congressional effort to entrust landlord-tenant disputes, including those over the right to possession, to an administrative agency.”).

<sup>322</sup> *Curtis*, 415 U.S. at 194-95.

<sup>323</sup> *Id.* at 195; *see also* *Atlas Roofing Co. v. OSHRC*, 430 U.S. 442, 455 (1977) (“[W]hen Congress creates new statutory ‘public rights,’ it may assign their adjudication to an administrative agency with which a jury trial would be incompatible, without violating the Seventh Amendment’s injunction that jury trial is to be ‘preserved’ in ‘suits at common law’ . . . even if the Seventh Amendment would have required a jury where the adjudication of those rights is assigned to a federal court of law instead of an administrative agency.”).

<sup>324</sup> *Curtis*, 415 U.S. at 194.

for evaluating whether a claim could be administratively adjudicated without a jury.<sup>325</sup> First, the Court determines whether the claim would require a jury trial under the Seventh Amendment if litigated in the federal district courts using the Court’s normal Seventh Amendment “historical” test of determining whether the action or its analog was tried at law or in equity in 18th century England and whether the remedy sought is legal or equitable in nature.<sup>326</sup> The answer to this question does not end the inquiry; the Court then proceeds to the “second stage of this analysis [which] is more important than the first.”<sup>327</sup> Even if a party would be entitled to a jury trial under the Seventh Amendment in federal district court, the Court then “must decide whether Congress may assign and has assigned resolution of the relevant claim to a non-Article III adjudicative body that does not use a jury as factfinder.”<sup>328</sup>

The answer to this second question, according to *Granfinanciera*, depends on the public rights/private rights distinction – Congress can assign public rights for administrative adjudication but cannot “strip parties contesting matters of private right of their constitutional right to a trial by jury.”<sup>329</sup> *Granfinanciera* therefore concluded that the Seventh Amendment question in the administrative context collapses into the Article III question: “the question whether the Seventh Amendment permits Congress to assign its adjudication to a tribunal that does not employ juries as factfinders requires the same answer as the question whether Article III allows Congress to assign adjudication of that cause of action to a non-Article III tribunal.”<sup>330</sup>

However, other Supreme Court cases have suggested that permissible non-Article III adjudication may extend beyond public rights to include private rights in some circumstances,<sup>331</sup> raising the possibility of a gap in which administrative adjudication would be permissible under Article III but not under the Seventh Amendment. *Granfinanciera* itself closed this potential gap. *Granfinanciera* noted that although some cases permitted administrative adjudication of “private rights,” those cases were using a different definition of public and private rights, and under *Granfinanciera*’s definition, described in Part II.A.2, *supra*, those cases involved public rights.<sup>332</sup> In essence, *Granfinanciera* recharacterized other tests for Article III adjudication in the Court’s precedent as merely means for defining the line between public rights and pri-

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<sup>325</sup> *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 42 (1989).

<sup>326</sup> *Id.*

<sup>327</sup> *Id.*

<sup>328</sup> *Id.*

<sup>329</sup> *Id.* at 51-52.

<sup>330</sup> *Id.* at 53.

<sup>331</sup> See Part II.A.2, *supra*.

<sup>332</sup> *Granfinanciera*, 492 U.S. at 55 n.10.

vate rights.<sup>333</sup> Thus, “if Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal [under the Article III precedent], then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.”<sup>334</sup>

The challenges to Patent Office post-issuance review under the Seventh Amendment sidestep the import of the Supreme Court’s Seventh Amendment precedent in the *administrative* context by focusing primarily on the historical test for determining the right to a jury trial in *federal district court* (*i.e.*, whether the claim or its analog was resolved at law or in equity in the 18th century and involves legal or equitable remedies) and then contending that this historical test is also the controlling inquiry for Article III purposes.<sup>335</sup> This is directly contrary to *Granfinanciera*, which held that the historical test was only the first, less important, step and, even if there was a right to a jury in federal court under the historical test, the court must still use the public/private rights distinction to determine whether Congress could assign the claim for administrative adjudication without a jury.<sup>336</sup> The Seventh Circuit specifically rejected an approach similar to that made in the challenges to Patent Office post-issuance review, where the district court first resolved the Seventh Amendment issue under the historical test and then concluded it did not need to separately address the Article III issue.<sup>337</sup> The Seventh Circuit concluded that “[t]he district court resolved the problem backwards. The court should have first addressed the issue of whether Geldermann had the right to an Article III forum; then if it ruled that no such right existed, it need not have addressed Geldermann’s Seventh Amendment claim,” since “the Seventh Amendment is not implicated” without a right to an Article III forum.<sup>338</sup>

Thus, the Seventh Amendment poses no greater constitutional barrier to Pa-

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<sup>333</sup> See Part II.A.2, *supra*.

<sup>334</sup> *Granfinanciera*, 492 U.S. at 53-54.

<sup>335</sup> *MCM Portfolio Petition*, *supra* note 66, at 18-21 (No. 15-1330); *Oil States Petition*, *supra* note 66, at 12-17 (No. 16-712); see also Rothwell, *supra* note 11, at 381-383 (conducting Seventh Amendment historical analysis and then suggesting it governs Article III).

<sup>336</sup> *Granfinanciera*, 492 U.S. at 42.

<sup>337</sup> *Geldermann, Inc. v. CFTC*, 836 F.2d 310, 323 (7th Cir. 1987).

<sup>338</sup> *Id.* at 323-24. The Fifth Circuit once suggested that “[t]he test for whether an Article III court is necessary for an action at law is the same as the test for whether a party has a Seventh Amendment right to a jury trial,” which was the historical test of whether it was “a suit that would have been tried at common law in England in 1789.” *In re Clay*, 35 F.3d 190, 194 (5th Cir. 1994). The court’s statement was dicta, since it rested its decision on statutory grounds. *Id.* at 196-198. In a subsequent case, the Fifth Circuit, consistent with *Granfinanciera*, indicated that the historical test was just the first step and the court must still consider whether Congress can assign the claim to a non-Article III forum without a jury based on the public/private rights distinction. *U.S. Bank Nat’l Ass’n v. Verizon Comm’ns, Inc.*, 761 F.3d 409, 416-417 (5th Cir. 2014).

tent Office adjudication and cancellation of issued patents than Article III. Because Congress can assign patent validity to Patent Office post-issuance proceedings under Article III, Patent Office post-issuance review necessarily does not deny patentees their Seventh Amendment right to a jury trial.

*B. The IP Clause and Post-Issuance Review*

Although not the focus of challenges to administrative adjudication and cancellation of issued patents, there are occasional suggestions that Patent Office post-issuance review violates the IP Clause of the Constitution.<sup>339</sup> The IP Clause gives Congress the power “[t]o 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.”<sup>340</sup> On this view, the power to secure rights in inventions by granting patents does not include the power to destroy rights in inventions by cancelling patents.<sup>341</sup>

This argument is a non-starter. The Constitution is permissive with regard to patent rights. Congress is permitted to create patent rights but is not required to do so, any more than it is required to declare war just because it has the power to do so. For that reason, the Constitution leaves to Congress the decision as to the terms and conditions on which rights in an invention are “secured” by a patent.<sup>342</sup> Post-issuance administrative cancellation for failure to comply with the statutory requirements of patentability appears to be a legitimate condition that can be imposed by Congress.

In fact, the IP Clause limits the patent rights that Congress can create, prohibiting it from “enlarg[ing] the patent monopoly without regard to the innovation, advancement or social benefit gained thereby” or “authoriz[ing] the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.”<sup>343</sup> The Supreme Court has characterized Patent Office post-issuance review as “a second look at an earlier administrative grant of a patent” that “helps protect the public’s paramount interest in seeing that patent monopolies are kept within

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<sup>339</sup> See *MCM Portfolio Petition*, *supra* note 66, at 25 (No. 15-1330) (arguing that post-issuance review “attempts to achieve an objective that is not squarely encompassed within Congress’s power” under the IP Clause); Adam Ullman, *Have U.S. Patent Laws Become Unconstitutional?*, IP WATCHDOG (Nov. 6, 2016), <http://www.ipwatchdog.com/2016/11/06/u-s-patent-laws-become-unconstitutional/id=74462/> (suggesting that “the America Invents Act, IPRs, and other legislative reform” are unconstitutional under the IP Clause).

<sup>340</sup> U.S. Const. Art. I § 8.

<sup>341</sup> See *MCM Portfolio Petition*, *supra* note 66, at 25 (No. 15-1330); Ullman, *supra* note 339.

<sup>342</sup> See *supra* Part II.C.1.

<sup>343</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966)..

their legitimate scope.”<sup>344</sup> Thus, Patent Office post-issuance review does not violate the IP Clause but rather is fully consistent with it.

### C. Takings Clause

Finally, there has been concern in some quarters that the administrative adjudication and cancellation of patent rights constitutes a taking of private property for a public use without just compensation, in violation of the Fifth Amendment.<sup>345</sup> The Takings Clause does not render Patent Office post-issuance review unconstitutional for three key reasons.

First, for patents issued after the enactment of the AIA post-issuance review proceedings, there is no possible takings claim because the property rights granted to the patentee included the possibility of subsequent cancellation by the PTAB.<sup>346</sup> Nothing was taken that the patentee previously possessed. At most, therefore, the Takings Clause would limit Patent Office post-issuance review to patents issued before the enactment of the AIA.<sup>347</sup>

Second, even assuming that the AIA post-issuance review proceedings constitute a Fifth Amendment taking, post-issuance review is *not* unconstitutional. The Fifth Amendment does not prohibit the taking of private property for public use, but instead only such a taking without just compensation. For that reason, “[e]quitable relief is not available to enjoin an alleged taking of private property for a public use, duly authorized by law, when a suit for compensation can be brought against the sovereign subsequent to the taking.”<sup>348</sup> Absent a Congressional intent to withdraw the remedy (which is not present in the AIA), a party can seek just compensation for a taking by the federal government in the United States Court of Federal Claims pursuant to the Tucker Act.<sup>349</sup> Of course, if just compensation for the cancellation of pre-AIA patents in post-issuance review were likely to be necessary, Congress might voluntarily modify or eliminate post-issuance review.<sup>350</sup> But there is “no constitutional infirmity” in Patent Office post-issuance review under the Takings Clause because “a Tucker Act remedy is available to provide . . . just compensation” in the Court

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<sup>344</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

<sup>345</sup> *See, e.g.*, Gregory Dolin & Irena D. Manta, *Taking Patents*, 73 WASH. & LEE L. REV. 719 (2016).

<sup>346</sup> *See id.* (recognizing there is no takings issue with post-grant review because it only applies prospectively and is therefore incorporated into the property right created by a patent).

<sup>347</sup> *See id.* (recognizing that limiting post-issuance review to post-AIA patents would eliminate any Takings Clause issues).

<sup>348</sup> *Ruckelhaus v. Monsanto Co.*, 467 U.S. 986, 1016 (1984) [hereinafter *Ruckelhaus*].

<sup>349</sup> *Id.* at 1016-1019 (1984).

<sup>350</sup> *See Dolin & Manta, supra* note 345, at 795.

of Federal Claims.<sup>351</sup>

Third, if a takings claim seeking just compensation for a taking based on administrative cancellation of a pre-AIA patent were brought in the Court of Federal Claims, it would be unlikely to succeed. The mere fact that the patent was cancelled post-issuance would not constitute a taking because the property right granted in a patent never included the right to be free from post-issuance cancellation. Patents have always been subject to invalidation in district court litigation and, for virtually all patents still in force, in *ex parte* reexamination. A takings claim, even for a pre-AIA patent, would only be possible if the AIA proceedings cancelled a patent that would not have been cancelled in district court litigation or reexamination. Thus, the argument would have to be that the combination in the PTAB of a lower burden of proof than litigation, a different claim construction stand than litigation, and a more restricted opportunity to amend claims than reexamination caused the patent to be cancelled when it would not have been cancelled in district court litigation or reexamination.<sup>352</sup> The odds that many, if any, patentees could prove this in a Tucker Act action in the Court of Federal Claims is questionable.

Even if the patentee could prove that its patent was cancelled in the PTAB when it would not have been cancelled in district court litigation or *ex parte* reexamination, they would still have to prove that this changed risk of invalidation rose to the level of a taking under the Supreme Court's takings jurisprudence. That question is beyond the scope of this Article for the reason explained above – even if a taking occurred, post-issuance review is not unconstitutional due to the Tucker Act remedy. For present purposes, it is enough to note that a patentee would face an uphill battle in establishing a taking in this context under the Supreme Court precedent.<sup>353</sup>

#### Conclusion

The uncertainty resulting from the Supreme Court's confused Article III jurisprudence makes definite predictions in this area impossible. However, the best conclusion from a careful analysis of the Supreme Court's precedent is that Congress's creation of Patent Office adjudication and cancellation of issued patents, whether via the AIA procedures or prior means, is constitutionally permissible under Article III, the Seventh Amendment, and other constitutional provisions. In fact, a contrary conclusion would not just undermine the patent system created by Congress pursuant to its Article I powers but would also threaten significant portions of the modern administrative state, given that

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<sup>351</sup> *Ruckelhaus*, 467 U.S. at 1020.

<sup>352</sup> See Dolin & Manta, *supra* note 345, at 781-87.

<sup>353</sup> *Id.* (acknowledging difficulty of argument but believing patentee could succeed); Camilla A. Hrды & Ben Picozzi, *The AIA Is Not a Taking: A Response to Dolin & Manta*, 72 WASH. & LEE L. REV. ONLINE 472 (2016) (doubting that a patentee could successfully establish a taking).

Patent Office post-issuance review is well within the mainstream of administrative adjudication. The Supreme Court has shown little inclination to undo the modern administrative state through its Article III precedent.

Although specific practices or procedures in Patent Office post-issuance review proceedings may be subject to procedural due process challenges, the post-issuance review proceedings themselves are constitutionally sound. The extent of constitutional challenges that have been made to Patent Office post-issuance review, and the favorable reception these constitutional arguments have received within the patent community, seem to have little connection to the merits of these challenges. Rather, they seem more the result of unhappiness with Congress's policy choice to create Patent Office post-issuance review pursuant to its Article I powers, as well as the results of post-issuance reviews, especially frequent invalidation of patents.