AMERICAN CONSTITUTIONALISM

VOLUME I: STRUCTURES OF GOVERNMENT

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Supplementary Material

Chapter 11: The Contemporary Era – Judicial Power and Constitutional Authority/Judicial Structure and Selection

**Oil States Energy Services, LLC v. Greene’s Energy Group, LLC, \_\_\_ U.S. \_\_\_** (2018)

*Oil States Energy Services, LLC, in 2001 obtained a patent for an apparatus and method used in hydraulic fracturing. A little more than a decade later, Greene’s Energy Group*, *a rival oilfield services company, asked the United States Patent and Trademark Office (PTO) to institute a process known as “inter pares review” that authorizes the PTO to reconsider whether a patent was properly awarded. The PTO accepted this request, engaged in inter pares review and cancelled the patent. The Federal Circuit rejected Oil States claim that inter pares review was unconstitutional, that only a court could cancel a patent once given. Oil States appealed to the Supreme Court of the United States.*

 *The Supreme Court by a 7-2 vote sustained the Federal Circuit. Justice Clarence Thomas’s majority opinion held that a patent was a public franchise that could be reconsidered by the granting government agency. Thomas and Justice Neil Gorsuch agree that decisions revisiting public rights may be made outside of courts, but not decisions revisiting private rights. What is that distinction? Why does Thomas consider patents a public right? Why does Gorsuch consider patents a private right? Who has the better of the argument? Note that this is a rare instance where the two judges most committed to originalism disagree. Is this a simple historical disagreement or is there more at stake? When reading this case, note how the majority opinion seems similar to opinions in due process cases where the court has ruled that persons who have a statutory right must live with the statutory procedures for determining the nature of the right. Note also the strong expressions of judicial supremacy by the Chief Justice and Justice Gorsuch in this case and in* Patchak v. Zinke *(2018).*

JUSTICE [THOMAS](https://1.next.westlaw.com/Link/Document/FullText?findType=h&pubNum=176284&cite=0216654601&originatingDoc=I2907bf2247bb11e8a2e69b122173a65f&refType=RQ&originationContext=document&transitionType=DocumentItem&contextData=(sc.Search)) delivered the opinion of the Court.

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Article III vests the judicial power of the United States “in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.” Consequently, Congress cannot “confer the Government's ‘judicial Power’ on entities outside Article III.”  When determining whether a proceeding involves an exercise of Article III judicial power, this Court's precedents have distinguished between “public rights” and “private rights. Those precedents have given Congress significant latitude to assign adjudication of public rights to entities other than Article III courts.

. . . . Our precedents have recognized that the [public rights] doctrine covers matters “which arise between the Government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments.”  In other words, the public-rights doctrine applies to matters “‘arising between the government and others, which from their nature do not require judicial determination and yet are susceptible of it.’”  *Inter partes* review involves one such matter: reconsideration of the Government's decision to grant a public franchise.

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

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. . . . By “issuing patents,” the PTO “take[s] from the public rights of immense value, and bestow [s] them upon the patentee.”  Specifically, patents are “public franchises” that the Government grants “to the inventors of new and useful improvements.”  The franchise gives the patent owner “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States. That right “did not exist at common law.”  Rather, it is a “creature of statute law.”

Additionally, granting patents is one of “the constitutional functions” that can be carried out by “the executive or legislative departments” without “‘judicial determination.’” . . . Congress can grant patents itself by statute. And, from the founding to today, Congress has authorized the Executive Branch to grant patents that meet the statutory requirements for patentability. When the Patent and Trademark Office (PTO) “adjudicate[s] the patentability of inventions,” it is “exercising the executive power.”

*Inter partes* review involves the same basic matter as the grant of a patent. So it, too, falls on the public-rights side of the line. *Inter partes* review is “a second look at an earlier administrative grant of a patent.”  . . . The primary distinction between *inter partes* review and the initial grant of a patent is that *inter partes* review occurs *after*the patent has issued. But that distinction does not make a difference here. Patent claims are granted subject to the qualification that the PTO has “the authority to reexamine—and perhaps cancel—a patent claim” in an *inter partes* review. . . .

This Court has recognized that franchises can be qualified in this manner. For example, Congress can grant a franchise that permits a company to erect a toll bridge, but qualify the grant by reserving its authority to revoke or amend the franchise. . . .

. . . . Patents convey only a specific form of property right—a public franchise. . . . . As a public franchise, a patent can confer only the rights that “the statute prescribes.” . . . One such regulation is *inter partes* review. The Patent Act provides that, “[s]ubject to the provisions of this title, patents shall have the attributes of personal property.” This provision qualifies any property rights that a patent owner has in an issued patent, subjecting them to the express provisions of the Patent Act.

Nor do the precedents that Oil States cites foreclose the kind of post-issuance administrative review that Congress has authorized here. To be sure, two of the cases make broad declarations 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.” *McCormick* *Harvesting Machine Co. v. Aultman; United States v. American Bell Telephone Co.* (1888). That version of the Patent Act did not include any provision for post-issuance administrative review. . . .

Oil States and the dissent contend that *inter partes* review violates the “general” principle that “Congress may not ‘withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.’” . . . [T]here was another means of canceling a patent in 18th-century England, which more closely resembles *inter partes* review: a petition to the Privy Council to vacate a patent. The Privy Council was composed of the Crown's advisers. From the 17th through the 20th centuries, English patents had a standard revocation clause that permitted six or more Privy Counsellors to declare a patent void if they determined the invention was contrary to law, “prejudicial” or “inconvenient,” not new, or not invented by the patent owner. . . .

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The Patent Clause in our Constitution “was written against the backdrop” of the English system.  Based on the practice of the Privy Council, it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in the executive proceeding of the Privy Council. . . .

For similar reasons, we disagree with the dissent's assumption that, because courts have traditionally adjudicated patent validity in this country, courts must forever continue to do so. Historical practice is not decisive here because matters governed by the public-rights doctrine “from their nature” can be resolved in multiple ways: Congress can “reserve to itself the power to decide,” “delegate that power to executive officers,” or “commit it to judicial tribunals.”  That Congress chose the courts in the past does not foreclose its choice of the PTO today.

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.. . . The fact that an agency uses court-like procedures does not necessarily mean it is exercising the judicial power. This Court has rejected the notion that a tribunal exercises Article III judicial power simply because it is “called a court and its decisions called judgments.”

JUSTICE [BREYER](https://1.next.westlaw.com/Link/Document/FullText?findType=h&pubNum=176284&cite=0254766801&originatingDoc=I2907bf2247bb11e8a2e69b122173a65f&refType=RQ&originationContext=document&transitionType=DocumentItem&contextData=(sc.Search)), with whom JUSTICE [GINSBURG](https://1.next.westlaw.com/Link/Document/FullText?findType=h&pubNum=176284&cite=0224420501&originatingDoc=I2907bf2247bb11e8a2e69b122173a65f&refType=RQ&originationContext=document&transitionType=DocumentItem&contextData=(sc.Search)) and JUSTICE [SOTOMAYOR](https://1.next.westlaw.com/Link/Document/FullText?findType=h&pubNum=176284&cite=0145172701&originatingDoc=I2907bf2247bb11e8a2e69b122173a65f&refType=RQ&originationContext=document&transitionType=DocumentItem&contextData=(sc.Search)) join, concurring.

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JUSTICE [GORSUCH](https://1.next.westlaw.com/Link/Document/FullText?findType=h&pubNum=176284&cite=0183411701&originatingDoc=I2907bf2247bb11e8a2e69b122173a65f&refType=RQ&originationContext=document&transitionType=DocumentItem&contextData=(sc.Search)), with whom CHIEF JUSTICE ROBERTS joins, dissenting.

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We sometimes take it for granted today that independent judges will hear our cases and controversies. But it wasn't always so. Before the Revolution, colonial judges depended on the crown for their tenure and salary and often enough their decisions followed their interests. The problem was so serious that the founders cited it in their Declaration of Independence. Once free, the framers went to great lengths to guarantee a degree of judicial independence for future generations that they themselves had not experienced. Under the Constitution, judges “hold their Offices during good Behaviour” and their “Compensation ... shall not be diminished during the[ir] Continuance in Office.” . . .

Today, the government invites us to retreat from the promise of judicial independence. Until recently, most everyone considered an issued patent a personal right—no less than a home or farm—that the federal government could revoke only with the concurrence of independent judges. But in the statute before us Congress has tapped an executive agency, the Patent Trial and Appeal Board, for the job. . . . Whether it is the guarantee of a warrant before a search, a jury trial before a conviction—or, yes, a judicial hearing before a property interest is stripped away—the Constitution's constraints can slow things down. But economy supplies no license for ignoring these—often vitally inefficient—protections. The Constitution “reflects a judgment by the American people that the benefits of its restrictions on the Government outweigh the costs,” and it is not our place to replace that judgment with our own.

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. . . [H]ow do we know which cases independent judges must hear? The Constitution's original public meaning supplies the key, for the Constitution cannot secure the people's liberty any less today than it did the day it was ratified. . . . As originally understood, the judicial power extended to “suit[s] at the common law, or in equity, or admiralty.”  From this and as we've recently explained, it follows that, “[w]hen a suit is made of the stuff of the traditional actions at common law tried by the courts at Westminster in 1789 ... and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with” Article III judges endowed with the protections for their independence the framers thought so important. . .

As I read the historical record presented to us, only courts could hear patent challenges in England at the time of the founding. . . . The last time an executive body (the King's Privy Council) invalidated an invention patent on an ordinary application was in 1746 . . . and the last time the Privy Council even *considered* doing so was in 1753. . . .

This shift to courts paralleled a shift in thinking. Patents began as little more than feudal favors.  The crown both issued and revoked them. And they often permitted the lucky recipient the exclusive right to do very ordinary things, like operate a toll bridge or run a tavern.But by the 18th century, inventors were busy in Britain and invention patents came to be seen in a different light. They came to be viewed not as endowing accidental and anticompetitive monopolies on the fortunate few but as a procompetitive means to secure to individuals the fruits of their labor and ingenuity; encourage others to emulate them; and promote public access to new technologies that would not otherwise exist. The Constitution itself reflects this new thinking, authorizing the issuance of patents precisely because of their contribution to the “Progress of Science and useful Arts.”  “In essence, there was a change in perception—from viewing a patent as a contract between the crown and the patentee to viewing it as a ‘social contract’ between the patentee and society.” And as invention patents came to be seen so differently, it is no surprise courts came to treat them more solicitously.[3](https://1.next.westlaw.com/Document/I2907bf2247bb11e8a2e69b122173a65f/View/FullText.html?navigationPath=Search%2Fv1%2Fresults%2Fnavigation%2Fi0ad604ab00000163b279beea69612316%3FNav%3DCASE%26fragmentIdentifier%3DI2907bf2247bb11e8a2e69b122173a65f%26startIndex%3D1%26contextData%3D%2528sc.Search%2529%26transitionType%3DSearchItem&listSource=Search&listPageSource=738c4b3a69b0b49734137e67798bb33a&list=ALL&rank=1&sessionScopeId=fbb1964204dd9c33c8cceaacdc55494f6bc2a3d2e4ee2faa853ae3914b72a7b6&originationContext=Search%20Result&transitionType=SearchItem&contextData=%28sc.Search%29#co_footnote_B00932044386942)

. . . . Any lingering doubt about English law is resolved for me by looking to our own. While the Court is correct that the Constitution's Patent Clause “‘was written against the backdrop’” of English practice, it's also true that the Clause sought to *reject* some of early English practice. Reflecting the growing sentiment that patents shouldn't be used for anticompetitive monopolies over “goods or businesses which had long before been enjoyed by the public,” the framers wrote the Clause to protect only procompetitive invention patents that are the product of hard work and insight and “add to the sum of useful knowledge.”  In light of the Patent Clause's restrictions on this score, courts took the view that when the federal government “grants a patent the grantee is entitled to it *as a matter of right,* and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor.”  As Chief Justice Marshall explained, courts treated American invention patents as recognizing an “inchoate property” that exists “from the moment of invention.”  American patent holders thus were thought to “hol[d] a property in [their] invention[s] by as good a title as the farmer holds his farm and flock.”  And just as with farm and flock, it was widely accepted that the government could divest patent owners of their rights only through proceedings before independent judges.

This view held firm for most of our history. In fact, from the time it established the American patent system in 1790 until about 1980, Congress left the job of invalidating patents at the federal level to courts alone. . . . And the fact that for almost 200 years “earlier Congresses avoided use of [a] highly attractive”—and surely more efficient—means for extinguishing patents should serve as good “reason to believe that the power was thought not to exist” at the time of the founding. *Printz v. United States* (1997).

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The Court today replies that *McCormick* sought only to interpret certain statutes then in force, not the Constitution.  But this much is hard to see. Allowing the Executive to withdraw a patent, *McCormick* said, “would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.” . . .  *McCormick* equated invention patents with land patents That is significant because, while the Executive has always dispensed public lands to homesteaders and other private persons, it has never been constitutionally empowered to withdraw land patents from their recipients (or their successors-in-interest) except through a “judgment of a court.” . . .

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. . . . [B]y the time of the founding the law treated patents protected by the Patent Clause quite differently from ordinary public franchises. Many public franchises amounted to little more than favors resembling the original royal patents the framers expressly refused to protect in the Patent Clause. The Court points to a good example: the state-granted exclusive right to operate a toll bridge.  By the founding, courts in this country (as in England) had come to view anticompetitive monopolies like that with disfavor, narrowly construing the rights they conferred. By contrast, courts routinely applied to invention patents protected by the Patent Clause the “liberal common sense construction” that applies to other instruments creating private property rights, like land deeds. . . . For precisely these reasons and as we've seen, the law traditionally treated patents issued under the Patent Clause very differently than monopoly franchises when it came to governmental invasions. Patents alone required independent judges. Nor can simply invoking a mismatched label obscure that fact. The people's historic rights to have independent judges decide their disputes with the government should not be a “constitutional Maginot Line, easily circumvented” by such “simpl[e] maneuver [s].”

Today's decision may not represent a rout but it at least signals a retreat from Article III's guarantees. Ceding to the political branches ground they wish to take in the name of efficient government may seem like an act of judicial restraint. But enforcing Article III isn't about protecting judicial authority for its own sake. It's about ensuring the people today and tomorrow enjoy no fewer rights against governmental intrusion than those who came before. And the loss of the right to an independent judge is never a small thing. It's for that reason Hamilton warned the judiciary to take “all possible care ... to defend itself against” intrusions by the other branches. It's for that reason I respectfully dissent.