SUPREME COURT TO RULE ON INTER-PARTIES REVIEW

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This morning, the Supreme Court agreed to hear Oil States Energy Services v. Greene's Energy Group. The question presented* by that case is:

1. Whether inter partes review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents— violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

The first question has simmered ever since passage of the America Invents Act. The Inter-Parties Review ("IPR") process is one where an issued patent can be destroyed without any intervention by the judicial branch. Instead, the executive branch voids a property right that it previously granted. The IPR process is perceived by many patent professionals as "death squads killing property rights", as former Federal Circuit Chief Judge Randall Rader said. In fact, it has been so effective at killing patents that a practice known "gang tackling" has been used (whether intentionally or not) to distort the statistics in a way that makes IPR looks less of a sure bet to kill a patent. Even ignoring this bias distorting the numbers to make IPR look less of a patent slaughterhouse, the USPTO's numbers and analysis of those numbers points to a system that is overwhelmingly likely to destroy patent rights that come before it.

For over 150 years, patents have been considered as private property:

For, by the laws of the United States, the rights of a party under a patent are his private property; and by the Constitution of the United States, private property cannot be taken for public use without just compensation. (Brown v. Duchesne :: 60 US 183 (1856))

Nobody knows with certainty the arguments that will be made in this case, but the broad outlines are likely to revolve around how the property right in patents is understood. Intellectual property ("IP") is a unique form of property. When I teach groups of children about inventing, I use two examples to explain why IP is unique. In the first example, I show a slide with a photograph I took of a lemur. I then ask the

kids what would happen to my copy of the photograph if they made a copy, or hundreds of copies. The answer, of course, is that my copy of the photograph would remain unchanged, making IP unique in that it is property that can be taken without depriving the owner of his or her copy. I then ask one of the kids what would happen if somebody took his or her shoes. Would you still have your shoes? The answer, of course, is no. I go on to explain that this is why IP rights are entirely a creation of the law, and unless there is a law saying you are not allowed to copy IP, IP does behave like property at all.

Patents are a unique form of property in another way: They are purchased from the federal government by payment of fees and, more importantly, by giving up the right to keep the invention as a trade secret. For example, if a company invests hundreds of millions of dollars inventing a way to analyze a maternal blood sample and obtain and analyze fetal DNA from that sample, obviating the need for, and risks of, amniocentesis, that company has a choice. The company can keep the method as a trade secret, requiring doctors to send in blood samples and returning a dataset of the embryonic DNA. Alternatively, the company can teach the world how to do such analysis by filing for patent protection, trading secrecy for a government-granted property right to recoup the research investment and make a profit via a short-lived patent monopoly. This is the invention in a case known as Ariosa, and in that case, Ariosa saw its patent rights revoked by the courts as the type of procedure was deemed ineligible for protection under the patent statute.

Because patents and the property rights they represent are entirely a creation of the law, they come into existence when a specialized government agency, the United States Patent and Trademark Office ("USPTO"). The question, then, is whether a fully mature and vested property right can be unilaterally revoked by the executive branch (the USPTO). For any other property right, seizure by the executive branch would be illegal unless done for public use, in which case Fifth Amendment "just compensation" must be paid.

To understand the case, a bit of background in IPRs may be merited. Article 3 review of patents (review by federal courts) assumes that the patent is valid, and construes ambiguity in the reach of patent claims in a way that preserves the validity of the patent. Ultimately, a federal court determines the validity of the patent when challenged. By contrast, the IPR process is one where the patent is not presumed to be valid, the patent claims are construed in the broadest way, tilting the playing field in f

favor of invalidating the patent, and ultimately the property right is simply taken away by executive branch fiat with no judicial action.

Patents are a unique form of property in that they are paid for by sharing knowing. However, there is no constitutional basis (yet) to create a new kind of "weak" property right based on the type of payment given in exchange for the right.

Early in the history of the United States, the federal government granted land in exchange for various things — settlement of the land, agreement to build a university on the land, etc. Like a patent grant, a land grant was an act of the federal government that gave rise to a property right. Unlikely a patent grant, land cannot be transferred to a new owner while continuing to allow the current owner exclusive use of the land. Imagine if the government now determined that the land grants it made in the past were constitutionally or statutorily infirm, and by executive fiat voided those grants — despite the grantee fulfilling its part of the bargain proposed to get the property rights in the first place. Such an act would be seen as tyrannical executive branch overreach, and doubtless the federal courts would reverse the act (or require Fifth Amendment compensation be paid).

The question this case poses is whether intellectual property rights are truly property rights or simply a form of license from the government that can be revoked when the government changes its mind.

Common political wisdom says that conservative judges are more likely to respect private property rights than are liberal judges. We know that it takes at least four votes for the Supreme Court to grant review of a case. This raises the fascinating possibility that Justice Kennedy, sitting in the ideological center of an otherwise evenly divided court (four liberal, four conservative), will define the metes and bounds of one of the U.S. economy's most powerful engines: Intellectual Property.

As a practical matter, elimination of the IPR system would do much to restore the standing of the U.S. patent system. In recent years, the U.S. patent system has gone from being the preeminent system in the world to 20th place, behind nations such as Canada, Denmark, New Zealand, Finland, Sweden, Norway, Switzerland, Singapore and others. The Supreme Court has the chance to restore the role of the judiciary in enforcing or revoking property rights, or to subject IP rights to the whims of executive fiat.

* The petition actually presented three questions, but the Supreme Court grant of certiorari limited the case to the first question.

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