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## Patents, Public Franchises, and Constitutional Property Interests

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— Note —

PATENTS, PUBLIC FRANCHISES,  
AND CONSTITUTIONAL PROPERTY  
INTERESTS

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INTRODUCTION

Courts have described patents as property rights in terms evoking the Fifth Amendment Takings Clause for nearly 200 years.<sup>1</sup> To date,

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1. See, e.g., *Cammeyer v. Newton*, 94 U.S. 225, 234 (1876) (characterizing patents as “[p]rivate property, [which] the Constitution provides, shall not be taken for public use without just compensation . . .”); *McClurg v. Kingsland*, 42 U.S. 202, 206 (1843) (referring to patent protections as “rights” when holding that Congress may not retroactively impair patent scope granted under a prior statute); *McKeever v. United States* (*McKeever’s Case*), 14 Ct. Cl. 396, 420–22 (Ct. Cl. 1878) (“[T]he framers of the Constitution designed to place the work of the inventor among legal rights, which . . . should become property in the eye of the law and be respected as such by the government as by the citizen.”). Professor Mossoff notes that *McKeever’s* failure to distinguish between common-law rights and statutory rights may be “more the result of hyperbolic rhetoric and late-

though, the Supreme Court has not definitively held that eminent domain protections apply to patents.<sup>2</sup> Several recent developments suggest that the issue is newly relevant. Despite holding that patents are a “public franchise” that can be revoked in a non-Article III proceeding, the Supreme Court’s decision in *Oil States Energy Services v. Greene’s Energy Group*<sup>3</sup> (“*Oil States*”) left open the possibility that patents may be constitutional property interests under the Takings and Due Process Clauses.<sup>4</sup> Further, the Court’s holding in *Impression Products v. Lexmark International*<sup>5</sup>—that patented products sold abroad have their patent rights exhausted<sup>6</sup>—has raised new legal arguments in the pharmaceutical industry that federal import of patented drugs sold abroad could amount to a taking without just compensation.<sup>7</sup>

In the scholarly literature, much of the Takings Clause and patents analysis centers around whether patents should be classified as private property rights on par with real property or whether they are more like regulatory entitlements, in the form of a “public franchise.”<sup>8</sup> I review that scholarship in Part II(A). Lacking in the commentary, though, is an in-depth analysis regarding the difference between protecting patents with the Due Process Clause and protecting patents with the Takings Clause. Indeed, much of the existing scholarship must be re-

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nineteenth-century judicial formalism than of substantive patent and constitutional doctrine.” Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents under the Takings Clause*, 87 B.U. L. REV. 689, 707 (2007).

2. See Christopher S. Storm, *Federal Patent Takings*, 2 J. BUS. ENTREPRENEURSHIP & L. 1, 2 (2008) (“Although the Patents Clause and the Takings Clause have coexisted for over two hundred years, the Supreme Court has never fully explained the relationship between patent law and takings law.”).
3. 138 S. Ct. 1365 (2018).
4. *Id.* at 1379 (“[O]ur decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”).
5. 137 S. Ct. 1523 (2017).
6. *Id.* at 1529.
7. See Frederick M. Abbott, *Legislative and Regulatory Takings of Intellectual Property: Early Stage Intervention Against a New Jurisprudential Virus* 2–3 (Jan. 4, 2019) (unpublished article), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3346134](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3346134) (explaining post-*Impression Products* reactions in the pharmaceutical industry).
8. See Adam Mossoff, *Statutes, Common Law Rights, and the Mistaken Classification of Patents as Public Rights*, 104 IOWA L. REV. 2591, 2594 (2019) (describing the debate between private and public rights in the scholarly literature and in cases).

evaluated in light of the Supreme Court's treatment of patents in *Oil States*.<sup>9</sup>

In this Note, I argue that patents are not entitled to Takings Clause protection because of their post-*Oil States* status as “public franchises.”<sup>10</sup> Nevertheless, patents are likely protected interests for purposes of the Due Process Clauses of the Fifth and Fourteenth Amendments.<sup>11</sup> Part II(B) analyzes the *Oil States* opinion, examines public franchises in another context, and reviews several of the relevant cases that the Court cited in *Oil States*. In Part III, I analyze *Ruckelshaus v. Monsanto Co.*,<sup>12</sup> the Supreme Court's only Takings Clause case that deals with intellectual property, to see how it may influence the Court in a future patent case. Part IV reviews how the Takings Clause has been applied to patents in lower courts.

I also argue here that patents are entitled to Due Process Clause protection after the Court's decision in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*<sup>13</sup> (“*Florida Prepaid*”). Thus, the adequacy of the remedy available for deprivation of patent interests will be relevant to patent-related due process claims against the federal government. I provide background on the currently available remedy, 28 U.S.C. § 1498, in Part V. Finally, I argue in Part VI that the Takings Clause should not apply to patents because of the *Oil States* categorization of patents as public franchises, and I introduce some of the arguments that parties may make in future litigation over these issues.

## II. BACKGROUND: PATENTS AS PUBLIC FRANCHISES

This Part first reviews the status of the legal and scholarly commentary regarding patents and their protection under the Fifth Amendment.<sup>14</sup> Then, I analyze the *Oil States* decision and its “public

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9. See Adam Mossoff, *Institutional Design in Patent Law: Private Property Rights or Regulatory Entitlement*, 92 S. CAL. L. REV. 921, 942–43 (2019) (arguing that *Oil States* exhibits a “radical shift” in patent jurisprudence away from private property rights).

10. See *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) (“Patents convey only a specific form of property right—a public franchise.”).

11. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (opining that patents “are surely included within the ‘property’ of which no person may be deprived by a State without due process of law”).

12. 467 U.S. 986 (1984).

13. 527 U.S. 627 (1999).

14. See *infra* Part II(A).

franchise” approach to understanding the patent right.<sup>15</sup> With the public-franchise approach established, this Part will review some of the scant case law on the subject of public franchises in other contexts to understand how the public-franchise approach may affect a future Takings Clause claim for patents.<sup>16</sup> Then, I analyze the cases the *Oil States* opinion cites to narrow its holding—*Florida Prepaid* and *James v. Campbell*<sup>17</sup>—by stipulating that it does not address whether patents are property rights protected by the Due Process and Takings Clauses.<sup>18</sup>

A. *Scholarship on Patents as Constitutional Property*

The jurisprudence<sup>19</sup> and legal commentary<sup>20</sup> that consider whether patents are property entitled to Takings Clause protection leave the answer mired in uncertainty.<sup>21</sup> As an initial matter, patents must be considered private property before Takings Clause protection can

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15. See *infra* Part II(B).
  16. See *infra* Part II(B)(1).
  17. 104 U.S. 356 (1881).
  18. See *infra* Part II(B)(2)–(3).
  19. Compare *Zoltek Corp. v. United States*, 442 F.3d 1345, 1352–53 (Fed. Cir. 2006) (holding that patents are a “creature of federal law” and that the Tucker Act thus gave no jurisdiction to the Court of Federal Claims to hear claims alleging a patent taking under the Fifth Amendment), *vacated*, 672 F.3d 1309 (Fed. Cir. 2012) (en banc) (expressing no opinion on the status of patents as property on rehearing en banc), with *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018) (“[O]ur decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or Takings Clause.”).
  20. Compare Justin Torres, *The Government Giveth, and the Government Taketh Away: Patents, Takings, and 28 U.S.C. § 1498*, 63 N.Y.U. ANN. SURV. AM. LAW 315, 316 (2007) (arguing that patents are subject to the Takings Clause), with Davida H. Isaacs, *Not All Property is Created Equal: Why Modern Courts Resist Applying the Takings Clause to Patents, and Why They Are Right to Do So*, 15 GEO. MASON L. REV. 1, 3 (2007) (arguing that patents should not be subject to the Takings Clause).
  21. In the first instance, it is not immediately apparent that patents—as intellectual “property”—could even be “property” for Fifth Amendment purposes. The Court has tended to hold, however, that non-tangible interests are “property.” See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003 (1984) (“It is conceivable that [the term ‘property’ in the Taking Clause] was used in its vulgar and untechnical sense of the physical thing with respect to which the citizen exercises rights recognized by law. On the other hand, it may have been employed in a more accurate sense to denote the group of rights inhering in the citizen’s relation to the physical thing, as the right to possess, use and dispose of it. In point of fact, the construction given the phrase has been the latter.”) (quoting *United States v. General Motors Corp.*, 323 U.S. 373, 377–78 (1945)).

adhere.<sup>22</sup> Further complicating the picture is the frequent invocation of Takings Clause language when describing cases of federal government infringement under 28 U.S.C. § 1498<sup>23</sup> or in nineteenth-century case law,<sup>24</sup> both of which would appear to resolve the issue in favor of private property protection. On the other hand, the Supreme Court has also repeatedly referred to patent rights as dependent on statutory grants—meaning the statutes create rights which did not exist at common law, evoking a public franchise or non-private-property solution.<sup>25</sup> Justice Thomas adopted this view in his *Teva Pharmaceuticals USA v. Sandoz*<sup>26</sup> dissent, pushing back on the movement to create stronger private property protections in patents.<sup>27</sup>

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22. U.S. CONST. amend. V (“[N]or shall private property be taken for public use, without just compensation.”); *Ruckelshaus*, 467 U.S. at 1001 (calling it a “basic axiom” that property interests under the Fifth Amendment Takings Clause are determined by independent sources of law outside the Constitution); *Air Pegasus of D.C., Inc. v. United States*, 424 F.3d 1206, 1212–13 (Fed. Cir. 2005) (explaining that a Takings Clause claimant must first establish a property interest that the Takings Clause can protect); *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1030 (1992) (arguing that the Court looks to understandings of property independent of the Constitution to decide which interests are protected by the Fifth and Fourteenth Amendments); Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 700 (2007) (explaining that patents must be “property” before patent owners can bring suit).
  23. *See, e.g.*, *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1283 (Fed. Cir. 1988) (“The patentee takes his patent . . . subject to the government’s eminent domain rights to obtain what it needs from manufacturers . . . . The government has graciously consented [in 28 U.S.C. § 1498] to be sued . . . for reasonable and entire compensation . . . .”); *Decca Ltd. v. United States*, 544 F.2d 1070, 1082 (Ct. Cl. 1976) (explaining that eminent domain is the basis for a suit under 28 U.S.C. § 1498); *Irving Air Chute Co. v. United States*, 93 F. Supp. 633, 635 (Ct. Cl. 1950) (same).
  24. *See, e.g.*, *James v. Campbell*, 104 U.S. 356, 358 (1881) (arguing in dicta that a government user of a patent must grant the patentee “just compensation” in the same way that the government must compensate for its use of private land).
  25. *See, e.g.*, *Brown v. Duchesne*, 60 U.S. 183, 195 (1856) (“[T]he right of property which a patentee has in his invention . . . is derived altogether from . . . statutory provisions . . . .”); *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 9 (1966) (“The patent monopoly was not designed to secure to the inventor his natural right in his discoveries.”); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964) (“Patent rights exist only by virtue of statute.”).
  26. 135 S. Ct. 831 (2015).
  27. *Id.* at 848 n.2 (Thomas, J., dissenting) (arguing that there is no “core” property right in a patent because the patent’s scope depends entirely on statutory grant).

But despite these cases, the nature of patents—as private property rights versus public franchises—has been the subject of much academic debate, a debate which *Oil States* appears to have resolved in large part.<sup>28</sup> Unfortunately, the distinction is not only unclear in the case law, but it also involves competing meanings of “rights,” “privileges,” and “franchises.”<sup>29</sup> Generally, though, a public franchise is a grant of rights involving “means to carry out public ends,” existing only to promote those ends.<sup>30</sup> A true private property right, on the other hand, would exist—according to Lockean theory—without political involvement.<sup>31</sup>

Many of the competing arguments were raised in briefing before the Court for the *Oil States* case. Perhaps the staunchest proponent of patents-as-constitutional-property is Professor Adam Mossoff. Professor Mossoff, in an amici brief for the *Oil States* case, sets out arguments for protecting patents as typical private property under the Takings Clause and the Due Process Clauses.<sup>32</sup> He argued that the Court had frequently invoked common law property concepts when discussing patents and cited real property cases as precedent for defining patent rights.<sup>33</sup> Additionally, he pointed to the *Horne v. Department of Agriculture* Court’s partial reliance on *James v. Campbell* for the idea that patents, and indeed all personal property, were subject to the Takings Clause,<sup>34</sup> despite the fact that Professor Mossoff has elsewhere argued that the Takings Clause portion of *James v. Campbell* was dicta.<sup>35</sup>

Elsewhere, Professor Mossoff has argued that the historical treatment of patents in both the Supreme Court and the Court of Claims shows that patents were “enthusiastically” protected under the Takings Clause.<sup>36</sup> “Substantively and rhetorically, nineteenth-century courts believed that patents were a species of property.”<sup>37</sup> Though the historical cases did not all point towards the conclusion that patents

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28. See *infra* Part II(B).

29. See Mossoff, *Statutes*, *supra* note 8, at 2594–99 (describing the differences).

30. Caleb Nelson, *Adjudication in the Political Branches*, 107 COLUM. L. REV. 559, 567 (2007).

31. *Id.*

32. Brief of 27 Law Professors as Amici Curiae in Support of Petitioner at 3, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (No. 16-712).

33. *Id.* at 6–17.

34. *Id.* at 2–3 (citing *Horne v. Dep’t of Agric.*, 135 S. Ct. 2419, 2427 (2015) and *James v. Campbell*, 104 U.S. 356, 358 (1882)).

35. Mossoff, *supra* note 1, at 708; see also *infra* text accompanying notes 134–136.

36. See Mossoff, *supra* note 1, at 691.

37. *Id.* at 701.

are constitutionally protected private property, Mossoff argues that the arc of the jurisprudence was apparent; “patents were private property rights secured under the Constitution.”<sup>38</sup>

Proponents of the public franchise approach to patents, on the other hand, point out that patents are entirely bound by statutory grant and were non-existent at common law.<sup>39</sup> Neither did patent rights depend on state law.<sup>40</sup> Additionally, several amici in *Oil States* pointed out that the role the Executive branch played in granting patents at the founding indicates that patents are closer to public rights than private ones.<sup>41</sup> Further, because patents derive all their boundaries from positive statutory law rather than common law, some amici argued that adjudicating them in an Article I proceeding would be appropriate.<sup>42</sup> Patents are also subject to maintenance fees, which amici argued were for the “privilege of keeping patent rights”—yet another analogy to a public monopoly granted as a privilege, not as of right.<sup>43</sup> Finally, amici argued that land analogies were inapt, because the closest examples were leases on federal public land; such leases are subject to administrative cancelling, much like patents may be revoked in inter partes review.<sup>44</sup>

Patents-as-constitutional-property skeptics also take issue with pro-constitutional-property historical claims as to patent treatment. Contrary to Professor Mossoff’s understanding that early court treatment of patents under the Takings Clause is persuasive, Professor Thomas Cotter argues that most, if not all, of these early statements about patents can be classified as dicta.<sup>45</sup>

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38. *Id.* at 710–11.

39. Brief for 72 Professors of Intellectual Property Law as Amici Curiae in Support of Respondents at 3, 6, *Oil States*, 138 S. Ct. 1365 (2018) (No. 16-712).

40. *Id.* at 4.

41. Brief of the Internet Ass’n et al. as Amici Curiae Supporting Respondents at 6, *Oil States*, 138 S. Ct. 1365 (No. 16-712).

42. *Id.* at 8.

43. *Id.*

44. *Id.* at 10. Federal leases are also limited in time and subject to administrative payments, as patents are limited in time and require maintenance fees. *Id.*

45. See Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 FLA. L. REV. 529, 543 (1998) (“The difficulty lies in determining whether to take at face value the Court’s characterization, in *James* and subsequent cases, of unauthorized government uses of patents as takings.”). Though Professor Cotter is among the scholars concerned about the expanding “propertization” of intellectual property rights, he does not outright reject the idea that the Takings Clause could apply to patents. *Id.* at 564. Even if the protections do apply, however,



Until the Supreme Court's decision in *Oil States* the debate has remained largely academic and absent from the courts;<sup>46</sup> now, the debate over the role of patents as property in takings doctrine is once again relevant.<sup>47</sup>

*B. Patents as a Public Franchise: Oil States*

The pivotal *Oil States* case involved Oil States' patent for a method of protecting equipment during hydraulic fracturing.<sup>48</sup> Oil States brought suit against Greene's Energy Group for patent infringement; as part of its defense, Greene's Energy petitioned the Patent Trial and Appeal Board ("PTAB") to initiate inter partes review of the patent on the grounds that the patent was invalid.<sup>49</sup> The PTAB found that

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Professor Cotter believes that the cases where this is important will be few and far between. *Id.* at 565.

46. For criticism of the *Oil States* decision on various grounds, see generally Richard A. Epstein, *The Supreme Court Tackles Patent Reform: Inter Partes Review Under the AIA Undermines the Structural Protections by Article III Courts*, 19 FED. SOC'Y REV. 188 (2018). Professor Epstein argues that *Oil States* represents a "comprehensive vision of patent law that couples weak property rights with high-level administrative control," involving a right-leaning narrowing of patent rights from Justice Thomas and a left-leaning empowerment of the Patent Trial and Appeal Board from Justice Breyer. *Id.* at 188.
47. The Federal Circuit subsequently relied in part on *Oil States*'s public franchise approach to patents in holding that sovereign immunity does not apply to inter partes review of patents in some instances. *See Saint Regis Mohawk Tribe v. Mylan Pharms., Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018) (holding that tribal sovereign immunity did not apply for inter partes review proceedings), *cert. denied*, 139 S. Ct. 1547 (2019); *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1342 (Fed. Cir. 2019) (holding that state sovereign immunity did not apply to inter partes review proceedings), *cert. denied*, 140 S. Ct. 908 (2020).
48. *Oil States*, 138 S. Ct. at 1372.
49. *Id.* Inter partes review involves reconsidering the validity of a patent. *Id.* at 1371. The America Invents Act ("AIA") introduced inter partes review in 2012. *See Leahy-Smith America Invents Act*, 35 U.S.C. §§ 311–19 (2018). Any person other than the patentholder may petition and argue to cancel patent claims. *Id.* § 311(a). The only grounds available to challenge validity are lack of novelty and obviousness. *Id.* § 311(b). Review is adversarial; the patent owner is entitled to participate and defend validity. *Id.* § 316. The petitioner has the burden to prove, by a preponderance of the evidence, that the patent claims are invalid and should not have issued. *Id.* § 316(e). The PTAB, sitting as a three-member panel, conducts the administrative review, *id.* § 316(c), and issues a final decision terminating the proceedings, *id.* § 317. Any dissatisfied party can appeal the Board's decision to the Federal Circuit. *Id.* § 319. In the Federal Circuit, the Board's factual determinations are reviewed for substantial evidence and legal conclusions are reviewed de novo. *See Randall Mfg. v. Rea*, 733 F.3d 1355, 1362 (Fed. Cir. 2013).

the subject matter of the patents lacked novelty and were thus unpatentable.<sup>50</sup> As part of its appeal, *Oil States* argued that the entire inter partes review system was unconstitutional, asserting that only an Article III court could revoke an issued patent.<sup>51</sup>

The Supreme Court rejected this argument by differentiating between public franchises and private rights—and held that patents are a grant of the former that are subject to post-grant adjudication in an Article I proceeding.<sup>52</sup> The *Oil States* dissent, meanwhile, characterized patents as “inchoate property” that, if withdrawn by the executive branch, could be subject to due process protection.<sup>53</sup> One author describes the split between the *Oil States* majority and dissenting opinions as embodying the academic debate between the “patents-as-constitutional-property” versus the “patents-as-public-franchises” camps.<sup>54</sup> This split is reflected in many of the amici briefs before the Court.<sup>55</sup>

For the majority, Justice Thomas noted that the distinction between public rights and private rights has not been clear in the Court’s jurisprudence.<sup>56</sup> He explained that public rights are those that arise from interactions between the executive or legislative branch in the performance of their constitutional duties.<sup>57</sup> Granting a patent thus involves public rights because the executive branch, pursuant to its Article I authority to grant patents, effectively takes a right from the public—the right to practice a given invention—and bestows it upon an inventor.<sup>58</sup>

Where public rights are involved, Justice Thomas wrote, Congress has “significant latitude” to allow non-Article III courts to resolve

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50. *Oil States*, 138 S. Ct. at 1372.

51. *Id.*

52. *Id.* at 1373. Justice Thomas’s public-rights approach pulls from his dissent in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 574 U.S. 318, 342 (2015) (Thomas, J., dissenting).

53. *Oil States*, 138 S. Ct. at 1384 (Gorsuch, J., dissenting) (quoting *Evans v. Jordan*, 8 F. Cas. 872, 873 (C.C.D. Va. 1813)). Professor Epstein shares this view of patents as property rights on par with traditional property rights like real property. See Epstein, *supra* note 46, at 122–23 (2018).

54. See Greg Reilly, *Congress’s Power to Define Patent Rights* (2019) (forthcoming), <https://www.law.msu.edu/ipic/workshop/2019/papers/reilly-power-patent-rights.pdf> [<https://perma.cc/T6PA-6TEK>].

55. See *supra* Part II(A).

56. *Oil States*, 138 S. Ct. at 1373. This statement directly conflicts with the Court’s opinion in *United States v. Jicarilla Apache Nation*, where the Court called the distinction between public and private rights “well established.” 564 U.S. 162, 172 (2011).

57. *Oil States*, 138 S. Ct. at 1373.

58. *Id.*

issues.<sup>59</sup> Inter partes review, then, invokes the public-rights doctrine because it deals with the same issue as when the Patent and Trademark Office first considers a patent application—whether the invention is patentable—which is an issue of granting a public right.<sup>60</sup> Further, the Court had previously held that other public franchises—such as permits to build toll bridges, railroads, and telegraph lines—may be qualified by Congress’s right to modify or revoke that franchise.<sup>61</sup> Thus, the PTAB could constitutionally reconsider the grant of a patent.

The dissent, meanwhile, rejected the majority’s arguments largely on grounds of historical practice,<sup>62</sup> but also took issue with characterizing patents as a mere public franchise. Justice Gorsuch referred to patents as “inchoate property”<sup>63</sup> that give “as good a title as the farmer holds his farm and flock.”<sup>64</sup> Patentees are entitled to the patent “*as a matter of right*.”<sup>65</sup> Justice Gorsuch also argued that, assuming patents were indeed public franchises, these franchises should be treated “quite differently from ordinary public franchises” because the Patent Clause was meant to give patents more weight than the that given to mere monopolies once granted by the English crown; most other non-patent public franchises resembled such English monopolies.<sup>66</sup>

#### 1. Public Franchises in Other Contexts

In light of the *Oil States* approach to patents as public franchises, the treatment of other types of public franchises merits discussion for comparability. The case law and academic scholarship on public franchises is sparse,<sup>67</sup> so the cases that *Oil States* cites are of particular importance. Though these cases could be indicative of how the Supreme Court may treat takings claims for patents, there were still several members of the Court who believed that public franchises in patents

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59. *Id.* The Court held in *Stern v. Marshall* that “public rights” can be adjudicated outside of Article III courts. 564 U.S. 462, 488 (2011).

60. *Oil States*, 138 S. Ct. at 1374. The Court acknowledged that inter partes review differs from the grant of a patent because inter partes review occurs after the patent issues—but argued that the distinction is irrelevant because patent claims are granted explicitly subject to inter partes review. *Id.*

61. *Id.* at 1375.

62. *Id.* at 1381–83 (Gorsuch, J., dissenting).

63. *Id.* at 1384 (quoting *Evans v. Jordan*, 8 F. Cas. 872, 873 (C.C.D. Va. 1813)).

64. *Id.* at 1384 (quoting *Hovey v. Henry*, 12 F. Cas. 603, 604 (C.C.D. Mass. 1846)).

65. *Id.* (quoting *James v Campbell*, 104 U.S. 356, 358 (1882)).

66. *Id.* at 1385.

67. *Id.* at 1373 (majority opinion) (noting that the Court has not been consistent or definitive about the distinction between public rights and private rights).

should be treated differently than the typical public franchise. Accordingly, the treatment of other public franchises may not be dispositive for future cases.<sup>68</sup>

One such case, *Louisville Bridge Co. v. United States*,<sup>69</sup> dealt with a franchise that Congress granted to the Louisville Bridge Company to build and own a bridge across the Ohio river.<sup>70</sup> The Secretary of War later informed the owners that the bridge did not leave enough width at the river for navigation—even though the bridge became wider than even the act of Congress had originally prescribed.<sup>71</sup>

During litigation over the issue, Louisville Bridge asserted that Congress's grant of the franchise was an "irrevocable franchise," such that requiring Louisville Bridge to remove or alter the structure would be a taking without just compensation.<sup>72</sup> The Court disagreed, conceiving of the public franchise right as one limited wherever it conflicts with the public right—and acts of Congress later limiting the franchise are such an instance.<sup>73</sup>

If the analogy to bridge franchises holds—particularly on the facts present in *Louisville Bridge*—it would suggest that patents are not entitled to Takings Clause protection. One of the strongest cases for applying eminent domain jurisprudence to patents would be Congress either directly revoking or directly re-assigning a patent, because that would entirely deprive the patentee of any interest in the patent.<sup>74</sup> In *Louisville Bridge*, though, the Court held that the franchise must yield to the will of Congress.<sup>75</sup> Though it is not entirely clear that this would defeat Takings Clause claims for patents, it certainly gives reason for pause.

In addition to evoking non-patent public franchise doctrine, the *Oil States* Court's approach to patents as a public right or public franchise appears to be a revival of an old approach in the Supreme Court's

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68. *See id.* at 1385 (Gorsuch, J., dissenting).

69. 242 U.S. 409 (1917).

70. *Id.* at 414.

71. *Id.* at 414–15.

72. *Id.* at 416. Louisville Bridge further argued that Congress must exercise its commerce-clause authority to require the bridge's removal in the first place. *Id.*

73. *Id.* at 417. *See also* *Bridge Co. v. United States*, 105 U.S. 470, 480 (1881) ("Congress, which alone exercises the legislative power of the government, is the constitutional protector of foreign and inter-state commerce. . . . [A]ll grants of special privileges, affecting so important a branch of governmental power, ought certainly to be strictly construed. . . . Every doubt should be resolved in favor of the government.").

74. *See infra* Part V.

75. *Louisville Bridge*, 242 U.S. at 417.

patent doctrine. The principal case Thomas cites as supporting the patents-as-public-franchise approach is *Seymour v. Osborne*,<sup>76</sup> a case from 1871.<sup>77</sup> In *Seymour*, the Court referred to patents being “as much entitled to protection as any other property, consisting of a franchise.”<sup>78</sup> A patent, according to the *Seymour* Court, is not intended to give the owner a “true” monopoly—instead, patents are public franchises sanctioned by Congress.<sup>79</sup>

The famous case *Gayler v. Wilder*<sup>80</sup> also emphasizes the role that Congress plays in the patent regime such that patents are more like public rights than private ones, though it does not explicitly invoke public franchises. In that case, Chief Justice Taney notes that the patent monopoly, such as it is, exists subject to Congress’s regulation.<sup>81</sup> “[The patent monopoly] is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.”<sup>82</sup> *Oil States* favorably cites *Gayler v. Wilder* for the idea that “a patent can confer only the rights ‘that the statute prescribes.’”<sup>83</sup>

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76. 78 U.S. 516, 533 (1871).

77. As the *Oil States* Court notes, public franchise language from *Seymour* is cited favorably in the much more recent *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 63–64 (1998). *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373–74 (2018); *see also* *Crown & Die Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (citing Chief Justice Taney’s public franchise language favorably).

78. *Seymour*, 78 U.S. at 533.

79. *Id.*

80. 51 U.S. 477, 493 (1850).

81. *Id.* at 494. Though Chief Justice Taney refers to the patent grant as a monopoly, this is not necessarily inconsistent with *Seymour*’s approach. In fact, *Seymour* is best understood as providing that the patent monopoly is not absolute—it is subject to congressional limitations. *See Seymour*, 78 U.S. at 533.

82. *Gayler*, 51 U.S. at 494. This language is cited favorably by the Supreme Court much more recently in *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55, 63–64 (1998). Additionally, both *Gayler* and *Pfaff* are cited as supporting the idea that patents are a public franchise in *Oil States*, 138 S. Ct. at 1373–74.

83. *Oil States*, 138 S. Ct. at 1375 (quoting *Gayler*, 51 U.S. at 494.) Similarly, in an early copyright case, the Court noted that copyrights and patent rights did not exist at common law, so Congress has wide latitude to tailor those rights. *See Wheaton v. Peters*, 33 U.S. 591, 663–64 (1834) (“No one can deny that when the legislature are about to vest an exclusive right in an author or an inventor, they have the power to prescribe the conditions on which such right shall be enjoyed . . .”).

The *Oil States* Court thus emphasizes that the only rights conferred by public franchises are those given by statute.<sup>84</sup> The patent code explicitly provides that patents have personal property attributes “[s]ubject to the provisions of this title,” and the Title—Title 35—qualifies the grant of the patent as subject to inter partes review.<sup>85</sup> Thus, the rights conferred by the patent are subject to possible revocation by inter partes review.<sup>86</sup> This reflects a longstanding idea that the only rights that patentees have are the rights Congress confers.<sup>87</sup>

Though the public franchise language may appear to answer questions about the property rights conferred by patents, the *Oil States* opinion stipulates that its holding does not implicate the status of patents in the eminent domain context.<sup>88</sup> Citing *Florida Prepaid*<sup>89</sup> and *James v. Campbell*,<sup>90</sup> Justice Thomas writes that “our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”<sup>91</sup> This statement may simply clarify the limitations of the Court’s holding rather than suggest that patents are indeed property rights for takings doctrine purposes. Justice Thomas’ choice in cited precedent, however, suggests that the Court may be sympathetic to the claim.<sup>92</sup>

## 2. *Florida Prepaid*

The *Oil States* opinion cites *Florida Prepaid* to support the narrowness of the opinion’s reach, particularly as not answering

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84. *Oil States*, 138 S. Ct. at 1373–74.

85. *Id.* at 1375 (quoting 35 U.S.C. § 261 (2018)).

86. *Id.* at 1373.

87. *See* *Motion Pictures Pats. Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917) (calling Congress “the source of all rights under patents”); *Gayler*, 51 U.S. at 494 (“[The patent] is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.”); *Wheaton*, 33 U.S. at 592 (“[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.”)

88. *Oil States*, 138 S. Ct. at 1379.

89. 527 U.S. 627, 642 (1999).

90. 104 U.S. 356, 358 (1881).

91. *Oil States*, 138 S. Ct. at 1379.

92. The dissenting opinion by Justice Gorsuch also favorably quotes language from a late-1800s case that indicates receptivity to the idea that patents have traditional property characteristics—including, apparently, the right to compensation in eminent domain actions against patents. *Id.* at 1384 (Gorsuch, J., dissenting). “Allowing the Executive to withdraw a patent . . . ‘would be to deprive the applicant of his property without due process of law . . . .’” *Id.* (quoting *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 612. (1898)).

whether patents are entitled to Due Process or Takings Clause protection.<sup>93</sup> *Florida Prepaid* dealt with the constitutionality of Congress's abrogation of state sovereign immunity in patent infringement suits.<sup>94</sup> In 1999, Congress enacted the Patent Remedy Act to "clarify that States . . . are subject to suit in Federal court by any person for infringement of patents."<sup>95</sup>

Prior to the Patent Remedy Act, the Federal Circuit had declined to interpret the patent code, by itself, as an abrogation of state sovereign immunity for patent claims.<sup>96</sup> After the Patent Remedy Act's adoption, however, a new avenue for suit against state entities was available. One such suit came from College Savings Bank. College Savings held a patent for its financing methodology of college tuition funds.<sup>97</sup> The bank brought a patent infringement suit against Florida Prepaid—a subsidiary of the Florida government—which ran a similar tuition savings program.<sup>98</sup>

Florida Prepaid moved to dismiss the action on the basis that it enjoyed sovereign immunity from patent infringement lawsuits, arguing that Congress had failed to validly abrogate this immunity in the Patent Remedy Act.<sup>99</sup> College Savings, on the other hand, rested its argument on Section 5 of the Fourteenth Amendment, which gives

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93. *Oil States*, 138 S. Ct. at 1379 (citing Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 642 (1999)). In the recent case *Allen v. Cooper*, oral argument frequently turned to whether *Florida Prepaid* must be overruled in a case involving a waiver of sovereign immunity for copyright infringement. Transcript of Oral Argument at 9–10, *Allen v. Cooper*, 140 S. Ct. 994 (2019) (No. 18-887). Petitioner also argued that the Takings Clause could serve as a basis for Congress's abrogation of sovereign immunity, which could also apply to patents and overrule *Florida Prepaid* on other grounds. *Id.* at 17–18. Petitioner repeatedly referred to copyrights as "private property rights," and discussed patents. *Id.* at 16. Justice Alito asked specifically about takings. *Id.* at 44. That could serve as a starting point for patent infringement and takings cases.

94. 527 U.S. at 630 (1999).

95. Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. 102-560, preamble, 106 Stat. 4230 (1992). Congress adopted this act in response to the Federal Circuit's decision in *Chew v. California*, 893 F.2d 331, 336 (Fed. Cir. 1989), where the court held that the patent laws as they stood did not validly abrogate state sovereign immunity. See *Florida Prepaid*, 527 U.S. at 632.

96. *Florida Prepaid*, 527 U.S. at 632.

97. *Id.* at 630–31.

98. *Id.* at 631.

99. *Id.* at 633. This argument stems from the decision in *Seminole Tribe of Florida v. Florida*, where the Court held that Congress had not validly abrogated state sovereign immunity as to suit by Native American tribes. 517 U.S. 44, 72 (1996).

Congress the authority to enforce the Due Process Clause.<sup>100</sup> Here, that meant that Congress could validly abrogate sovereign immunity to protect patents—so long as patents were protectable property interests under the Due Process Clause.<sup>101</sup>

The district court denied Florida Prepaid's motion to dismiss,<sup>102</sup> and the Federal Circuit affirmed on the grounds that Congress had clearly expressed its intent to abrogate state sovereign immunity and that Section 5 of the Fourteenth Amendment granted Congress that power.<sup>103</sup> The Federal Circuit further reasoned that patents are property entitled to Due Process protection, so Congress may legislate to protect the property rights of patentholders—waiving state sovereign immunity being one way to do so.<sup>104</sup>

The Supreme Court ultimately disagreed. Congress had, in part, rested its authority to enact the Patent Remedy Act on its Article I powers, either through the Commerce Clause or the Patent Clause.<sup>105</sup> The Supreme Court noted that Congress's Article I powers are insufficient to waive state sovereign immunity under any circumstances after its ruling in *Seminole Tribe of Florida v. Florida*,<sup>106</sup> and further found that the remedy provided by the Patent Remedy Act exceeds Congress's Fourteenth Amendment authority because the record was insufficient to support the broad waiver of immunity.<sup>107</sup> According to the Court's *City of Boerne v. Flores*<sup>108</sup> precedent, remedial legislation that seeks to vindicate Fourteenth Amendment interests must identify an "evil" or "wrong."<sup>109</sup> Though Congress had identified a wrong—patent infringement by states without remedy due to sovereign immunity—the record before Congress showed little to no indication that state infringement was actually a problem worthy of federal intervention.<sup>110</sup>

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100. *Florida Prepaid*, 527 U.S. at 633.

101. *Id.*

102. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 948 F. Supp. 400, 401 (D.N.J. 1996).

103. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1345 (Fed. Cir. 1998).

104. *Id.* at 1348–50.

105. *Florida Prepaid*, 527 U.S. at 635–36.

106. 517 U.S. 44, 72–73 (1996).

107. *Florida Prepaid*, 527 U.S. at 635–37, 639–40.

108. 521 U.S. 507 (1997).

109. *Florida Prepaid*, 527 U.S. at 639 (quoting *City of Boerne*, 521 U.S. at 530, 532).

110. *Id.* at 640–41. Indeed, the bill's sponsor explicitly stated that there was no evidence at all of a widespread state infringement issue. *Id.* at 641. The House



Though the Court appeared to have dispensed with the broad waiver of sovereign immunity, College Savings also argued that when a state infringes a patent and then claims sovereign immunity from suit, that state takes the patentee's property without just compensation.<sup>111</sup> Florida Prepaid asserted that patents are property interests created under Congress's Article I powers and that Congress may not create a property right and then invoke Section 5 of the Fourteenth Amendment to protect that same right.<sup>112</sup>

The Court declined to analyze College Savings' Takings Clause claim because Congress had not identified the Fifth Amendment as grounds for its authority to abrogate state sovereign immunity.<sup>113</sup> The Court did, however, agree that College Savings might have recourse through due process. The Court opined that "[p]atents . . . have long been considered a species of property."<sup>114</sup> Because patents are property, the Court noted that the Due Process Clause protects them from State deprivation without due process of law.<sup>115</sup> "[I]f the Due Process Clause protects patents, we know of no reason why Congress might not legislate against their deprivation without due process under § 5 of the Fourteenth Amendment."<sup>116</sup>

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Report identified only two total patent infringement suits against states. *Id.* at 640. This put the Patent Remedy Act in stark contrast with the sort of remedial legislation upheld in *City of Boerne*, 521 U.S. at 525–27, where there was a “pattern of constitutional violations” and an “undisputed record of racial discrimination” in the context of voting rights. *Florida Prepaid*, 527 U.S. at 640; *see also* *South Carolina v. Katzenbach*, 383 U.S. 301, 308, 315–16, 333–34 (detailing a pattern of racial discrimination that justified remedial legislation).

111. *Florida Prepaid*, 527 U.S. at 641. It is interesting to note that the United States declined to defend the Patent Remedy Act on Takings Clause grounds but did agree with College Savings that Due Process Clause interests were at stake. *Id.* at 642.

112. *Id.* at 642.

113. *Id.* at 642 n.7 (“There is no suggestion in the language of the statute itself, or in the House or Senate Reports of the bill which became the statute, that Congress had in mind the Just Compensation Clause of the Fifth Amendment. Since Congress was so explicit about invoking its authority under Article I and its authority to prevent a State from depriving a person of property without due process of law under the Fourteenth Amendment, we think this omission precludes consideration of the Just Compensation Clause as a basis for the Patent Remedy Act.”).

114. *Id.* at 642. The Court engages in admittedly little analysis of patents as property, relying on two 19th-century cases for the proposition. If the Court were to take up the question today, the question would likely be complicated by the *Oil States* public franchise approach, which the *Florida Prepaid* Court did not consider. *See supra* Part II.

115. *Florida Prepaid*, 527 U.S. at 642.

116. *Id.*

Despite holding that patents may be protected as property under the Fourteenth Amendment Due Process Clause, the Court pointed out that a deprivation of a constitutionally protected interest, by itself, is not an unconstitutional act.<sup>117</sup> The deprivation must occur without due process of law; here, that would occur “only where the State provides no remedy, or only inadequate remedies, to injured patent owners.”<sup>118</sup> Again, Congress evidenced almost no consideration of the adequacy of available state remedies, and the little consideration afforded was largely about the inconvenience of state remedies versus federal remedies.<sup>119</sup> Thus, the legislation did not truly seek to remedy extensive deprivations of rights that would justify the use of Section 5 power.<sup>120</sup> With a remedy out of proportion to the problem as evidenced in the record, the Patent Remedy Act was not a constitutional exercise of Congress’s Fourteenth Amendment authority.<sup>121</sup>

The Court in *Oil States* cites the portion of *Florida Prepaid* that refers to patents as “a species of property” that is “surely included within the ‘property’ of which no person may be deprived by a State without due process of law.”<sup>122</sup> The specific language used in *Oil States*, however, does not make clear whether the Court considers the status of patents as property under the Fifth and Fourteenth Amendments settled law—settled in the sense that patents are indeed entitled to protection under both amendments—or whether the holding merely does not reach that question. “Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”<sup>123</sup> The ambiguity in this sentence suggests that the area is ripe for litigation. It appears, though, that *Florida Prepaid* stands for the proposition that patents are property for purposes of the Fifth and Fourteenth Amendment Due

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117. *Id.* at 642–43 (quoting *Zinermon v. Burch*, 494 U.S. 113, 125 (1990)).

118. *Id.* at 643.

119. *Id.* at 644. Additionally, the Court noted that negligent government actions do not “deprive” a person of their property without Due Process. *Id.* at 645. Patent infringement is a strict liability regime—requiring no knowledge or intent, except with respect to damages—and Congress did not adequately address evidence suggesting that states were often only negligent, if not completely innocent, infringers. *Id.*

120. *Id.* at 646 (“[T]he record at best offers scant support for Congress’s conclusion that States were depriving patent owners of property without due process of law by pleading sovereign immunity in federal-court patent actions.”).

121. *Id.* at 645–48 (quoting *City of Boerne v. Flores*, 521 U.S. 507, 526, 530–33).

122. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018); *Florida Prepaid*, 527 U.S. at 642.

123. *Oil States*, 138 S. Ct. at 1379.

Process Clauses—though that conclusion may be undermined by the opinion’s lack of thorough analysis as to the property interest.

But protection as a property interest for Due Process Clause purposes does not guarantee protection as a property interest under the Takings Clause.<sup>124</sup> Given that the Court in *Florida Prepaid* explicitly refused to consider whether the Takings Clause supported a sovereign immunity waiver for patent infringement suit—and thus did not consider whether patents are property for Takings Clause purposes<sup>125</sup>—the *Oil States* opinion was likely relying on *Florida Prepaid* for the idea that patents are protectable interests under the Fourteenth Amendment Due Process Clause. That leaves the Court’s citation to *James v. Campbell*<sup>126</sup> as the only support for the idea that patents could be protected by the Takings Clause.

### 3. *James v. Campbell*

In addition to citing *Florida Prepaid* as suggesting that patents are property under the Fourteenth Amendment, the *Oil States* majority cites to *James v. Campbell*, likely for the proposition that patents are potentially deserving of Takings Clause protection.<sup>127</sup> In that case, Campbell sued to enjoin the Post Office from using Campbell’s patented letter-stamping technology.<sup>128</sup> The Supreme Court’s opinion opens with language strongly evoking eminent domain jurisprudence:

That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property [right] which cannot be appropriated or used by the government itself, *without just compensation*, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.<sup>129</sup>

The Court also notes that many inventions deal with goods that only a government may use—primarily weapons of war.<sup>130</sup> The United

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124. See Mossoff, *supra* note 1, at 701 (“Identifying patents as property was necessary in securing [patents] under the Takings Clause, but it was not sufficient.”).

125. See *supra* text accompanying note 113.

126. 104 U.S. 356 (1881).

127. *Oil States*, 138 S. Ct. at 1379 (citing *Campbell*, 104 U.S. at 358).

128. *Campbell*, 104 U.S. at 357.

129. *Id.* at 357–58 (emphasis added).

130. *Id.* at 358. “If [the government] could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments.” *Id.* This statement still holds some weight today. See Cotter, *supra* note 45, at 556 (“The most obvious scenario under which a government

States Government, unlike the English crown, did not reserve a right to infringe patents as a matter of prerogative.<sup>131</sup> Though the government may “take” a patent when it infringes,<sup>132</sup> the *Campbell* Court writes that that does not conclude the case; there must be a court with jurisdiction to vindicate the constitutional right to “just compensation.”<sup>133</sup>

Relying on *Campbell* to support the patents-as-constitutional-property for Takings Clause purposes is likely to hold little water; this part of the opinion was not part of its holding.<sup>134</sup> Professor Mossoff argues that this section was dicta, even though future cases and commentators assumed that it was part of the holding, because the Court resolved the case entirely on other grounds.<sup>135</sup> The Court did not have to reach the issue of damages for patent infringement—indeed, the Court did not even reach the question of whether the Court of Claims had jurisdiction—because the Court merely found the patent invalid.<sup>136</sup>

Further complicating the Takings Clause approach to patents is the Supreme Court’s citation to *Campbell* in *Horne v. Department of Agriculture*,<sup>137</sup> where the Court held that personal property is entitled to Takings Clause protection.<sup>138</sup> To support that argument, the Court

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use of intellectual property is likely to eliminate the property’s value to its owner is when the government is the only potential purchaser of the right to use the property—such as might be the case, for example, with regard to a patented invention that is useful only for military purposes.”).

131. *Campbell*, 104 U.S. at 358.

132. See *infra* Part IV for a discussion of whether the court is right to characterize all patent infringements as takings.

133. *Campbell*, 104 U.S. at 358–59. Congress later provided an avenue for remedy with 28 U.S.C. § 1498. See *infra* Part V. *Campbell* considered this question before the Court seemingly held that the Takings Clause is a self-executing waiver of sovereign immunity. See *First English Evangelical Lutheran Church of Glendale v. County of Los Angeles*, 482 U.S. 304, 316 n.9 (1987) (rejecting the argument that the Fifth Amendment alone does not waive sovereign immunity because “it is the Constitution that dictates the remedy for interference with property rights amounting to a taking”). There is currently a circuit split as to whether the Takings Clause is truly self-executing, with two circuits holding that it is self-executing, and at least one circuit holding that it is not. See *Petition for Writ of Certiorari at 3, Sammons v. United States*, 138 S. Ct. 1325 (2018) (mem), *denying cert. to* 860 F.3d 296 (5th Cir. 2017) (No. 17-795) (describing the circuit split).

134. *Campbell*, 104 U.S. at 357–59.

135. Mossoff, *supra* note 1, at 708 (“Since the Supreme Court resolved *James v. Campbell* on the issue of the patent’s validity, it addressed only as dicta whether patents were secured under the Takings Clause.”).

136. *Campbell*, 104 U.S. at 359, 383; see also Mossoff, *supra* note 1, at 708.

137. 135 S. Ct. 2419 (2015).

138. *Id.* at 2431.

quoted *James v. Campbell* for the idea that a patent—as personal property—could not be used by the government without just compensation.<sup>139</sup> This statement from *Campbell*, though, was still dicta with respect to patents as private property entitled to Takings Clause protection;<sup>140</sup> thus, the *Horne* Court’s reliance on it does not create much certainty as to patents.

### III. COMPARISON TO TRADE SECRETS: *RUCKELSHAUS V. MONSANTO*

Though the Supreme Court has not yet considered whether patents are entitled to Takings Clause protection, the Court has granted such Fifth Amendment protection to another form of intellectual property—trade secrets—in *Ruckelshaus v. Monsanto Co.*<sup>141</sup> In light of *Ruckelshaus*, any argument that patents are not entitled to Takings Clause protection will have to overcome comparisons to trade secrets.<sup>142</sup>

*Ruckelshaus* dealt with the constitutionality of several provisions of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”),<sup>143</sup> which required that all pesticides be registered with EPA.<sup>144</sup> Subsequent amendments to FIFRA, originally enacted in 1947,<sup>145</sup> dealt with the public disclosure of information the applicant turned over during the registration process.<sup>146</sup> Though applicants could designate some types of information on applications as trade secrets or similarly sensitive information in an attempt to protect it from public disclosure under an early version of the law,<sup>147</sup> the statute left EPA to use its judgment about what to protect from public disclosure.<sup>148</sup> EPA could disagree with the applicant’s designation and propose to disclose it anyway.<sup>149</sup>

Another provision of the law allowed for subsequent applicants to rely on data submitted by earlier applicants if the subsequent applicant

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139. *Id.* at 2427.

140. *See* Mossoff, *supra* note 1, at 708.

141. 467 U.S. 986 (1984).

142. In *Kewanee Oil Co. v. Bicron Corp.*, the Court compared and contrasted patents with trade secrets when analyzing whether federal patent laws preempted state trade secret laws that could have covered similar subject matters. 416 U.S. 470, 480–83 (1974).

143. *Ruckelshaus*, 467 U.S. at 990 (citing 7 U.S.C. § 136 (1978)).

144. *Id.* at 991.

145. *Id.*

146. *Id.* at 992.

147. *Id.*

148. *Id.*

149. *Id.*

offered to compensate the earlier applicant.<sup>150</sup> This amounted to a mandatory license.<sup>151</sup> Later amendments granted first applicants a 10-year exclusivity period, after which subsequent applicants could use the data for five years, subject to agreement on compensation or by non-reviewable binding arbitration.<sup>152</sup> Finally, Congress amended FIFRA to require disclosure of all health, safety, and environmental data to “qualified requesters,” not subject to the non-disclosure of trade secrets under the statute.<sup>153</sup>

Monsanto disclosed such health and environmental data in an application for pesticide registration.<sup>154</sup> Monsanto sought injunctive and declaratory relief against FIFRA’s data-disclosure provisions, alleging that they amounted to a taking of Monsanto’s property without just compensation.<sup>155</sup>

The Supreme Court first noted that the nature of trade secrets meant that any property interest would be extinguished if the individual had publicly disclosed that information.<sup>156</sup> Next, the Court compared trade secrets to more traditional forms of property.<sup>157</sup> Trade secrets—like traditional property—can be assigned, form the res of a trust, and pass to a bankruptcy trustee.<sup>158</sup> The Court admitted that the intangibility of trade secrets could complicate the analysis, but noted that the Court had in the past interpreted the Takings Clause as protecting other types of intangible interests—including liens and contracts.<sup>159</sup>

Lastly, the Court argued that intangible property rights protected by state law deserve Takings Clause protection.<sup>160</sup> Because of the “basic axiom”<sup>161</sup> that property interests under the Takings Clause come from “independent sources” such as state law,<sup>162</sup> the Court appeared to make

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150. *Id.*

151. *Id.*

152. *Id.* at 994–95.

153. *Id.* at 995–96.

154. *Id.* at 998.

155. *Id.* at 998–99.

156. *Id.* at 1002.

157. *Id.*

158. *Id.*

159. *Id.* at 1003.

160. *Id.*

161. *Id.* at 1001.

162. *Id.* (quoting *Webb’s Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)).

much of the fact that trade secrets are protected by Missouri law<sup>163</sup>—the state of Monsanto’s headquarters.<sup>164</sup> The Court thus held that trade secrets like Monsanto’s are a property right secured by the Takings Clause.<sup>165</sup>

Holding that trade secrets are property interests under the Takings Clause did not end the matter. The Court then analyzed whether a “taking” occurred when EPA disclosed Monsanto’s data or used it to evaluate another party’s application.<sup>166</sup> The Court applied its typical factors for takings analyses; “the character of the government action, its economic impact, and its interference with reasonable investment-backed expectations.”<sup>167</sup> For *Ruckelshaus*, the Court focused on “reasonable investment-backed expectations” because that factor weighed so heavily against a taking so as to foreclose further analysis.<sup>168</sup>

With some complication based on the date of the submitted data, the Court held that Monsanto lacked any reasonable investment-backed expectation in much of the data because Monsanto was aware, when it submitted its data, that the EPA could publish it.<sup>169</sup> “[A] voluntary submission of data by an applicant in exchange for the economic advantages of a registration can hardly be called a taking.”<sup>170</sup> The Court also considered whether using the data for other parties’ applications was a “public use” in its eminent domain jurisprudence, but refused to conclude that the publication provisions lacked a public use merely because other private organizations would benefit.<sup>171</sup> Congress believed that there was a substantial public benefit in the form of streamlined registrations and greater competition in the market, so it was within Congress’s authority to regulate.<sup>172</sup>

Then, the Court analyzed Monsanto’s plea for injunctive relief. The Court pointed out that such equitable relief is not available for takings claims when there is a claim for just compensation available.<sup>173</sup> Further,

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163. *Id.* at 1003–04.

164. *Id.* at 997.

165. *Id.* at 1003–04.

166. *Id.* at 1004.

167. *Id.* at 1005 (quoting *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 83 (1980)).

168. *Id.*

169. *Id.* at 1006–07.

170. *Id.* at 1007.

171. *Id.* at 1014.

172. *Id.* at 1015 (citing *Haw. Hous. Auth. v. Midkiff*, 467 U.S. 229, 241–42 (1984)).

173. *Id.* at 1016.

the Takings Clause does not require that the compensation come before the taking,<sup>174</sup> so aggrieved claimants could simply seek compensation under the Tucker Act.<sup>175</sup>

*Ruckelshaus* could be relevant to a Takings Clause analysis for patents because of its approach to defining the source of the property interest for another form of intellectual property.<sup>176</sup> Though the *Ruckelshaus* Court only mentioned state law as being a source of property interests protectable by the Takings Clause, that is not to say that there can be no other sources; it is possible that Congress may create such an interest by statute, or even that the property interest in patents already exists by virtue of the existing patent code.<sup>177</sup>

#### IV. PATENTS AS CONSTITUTIONAL PROPERTY INTERESTS IN LOWER COURTS

Though the Supreme Court has not directly addressed the applicability of the Takings Clause to patents, the Federal Circuit has heard such argument before in two notable cases—*Celgene Corporation v. Peter*<sup>178</sup> and *Zoltek Corporation v. United States*.<sup>179</sup>

##### A. *Celgene Corporation v. Peter*

*Celgene* partially involved a challenge to the AIA's inter partes review scheme.<sup>180</sup> *Celgene's* patent predated the AIA's enactment, so *Celgene* argued that retroactively reconsidering the patent's validity with a later-enacted scheme was an unconstitutional taking.<sup>181</sup> The Patent Office—the appellee in the case—conceded that patents were indeed valid Fifth Amendment property interests.<sup>182</sup> Thus, the court did no substantive analysis on the issue, quoting only the Fifth Amendment and subsequently assuming that patents are valid property interests.<sup>183</sup> The court ultimately held that applying inter partes review to pre-AIA

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174. *Id.* (citing *Hurley v. Kincaid*, 285 U.S. 95, 104 (1932)).

175. *Id.*; *see also* 28 U.S.C. § 1491(a)(1) (1982) (providing that the Court of Federal Claims has jurisdiction over claims founded upon the Constitution against the United States).

176. *See* Mossoff, *supra* note 1, at 698 (explaining how *Ruckelshaus* can analogize to patents).

177. *See* Isaacs, *supra* note 20, at 10; Storm, *supra* note 2, at 8.

178. 931 F.3d 1342 (Fed. Cir. 2019).

179. 442 F.3d 1345 (Fed. Cir. 2006).

180. *Celgene*, 931 F.3d at 1346.

181. *Id.* at 1358.

182. *Id.*

183. *Id.*



patents is constitutional because inter partes review involves re-examining patent validity in a manner similar to other types of re-examinations that existed pre-AIA—accordingly patent owners must expect that validity could generally be in question.<sup>184</sup>

*B. Zoltek Corporation v. United States*

*Zoltek I* was an infringement case based on Lockheed Martin's alleged misuse of Zoltek's patented technology for manufacturing F-22 fighter jets on behalf of the federal government.<sup>185</sup> Zoltek first brought its action under 28 U.S.C. § 1498(a), but the trial court held that Zoltek was barred from doing so under § 1498(c) because the manufacture occurred in Japan.<sup>186</sup> The trial court then, however, allowed Zoltek to amend its claims to allege a taking without just compensation under the Tucker Act without relying on the infringement component of § 1498.<sup>187</sup>

The Federal Circuit reversed, holding that infringement claims could not be asserted as Fifth Amendment takings claims under the Tucker Act.<sup>188</sup> One relevant case was *Schillinger v. United States*,<sup>189</sup> where the Court held that government patent infringement was a tort and thus claims based upon government infringement could not be heard by the Court of Claims.<sup>190</sup> Zoltek had argued that *Schillinger* had been overruled in subsequent cases because they cast § 1498 claims as takings claims, such that patent infringement by the federal government amounts to the “taking” of a license to use the patent—not a mere “tort” as contemplated by *Schillinger*.<sup>191</sup> The court rejected the argument that *Schillinger* was overruled because those cases did not even mention the Tucker Act, and because—by allowing suit in the Court of Claims for government infringement—28 U.S.C. § 1498 could be interpreted as an attempt to give patent holders a remedy without disturbing the non-takings framework from *Schillinger*.<sup>192</sup> Finally, the court noted that the only rights in patents are defined by independent

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184. *Id.* at 1362–63.

185. *Zoltek Corp. v. United States (Zoltek I)*, 442 F.3d 1345, 1349 (Fed. Cir. 2006).

186. *Id.*

187. *Id.* at 1350.

188. *Id.* The Tucker Act created jurisdiction for certain claims against the United States in the Court of Claims. *Id.*

189. 155 U.S. 163.

190. *Id.* at 169.

191. *Id.* at 1351.

192. *Id.* at 1352.

sources<sup>193</sup> and that “patent rights are a creature of federal law,” such that § 1498 would have been useless as a sovereign immunity waiver if the Fifth Amendment truly authorized a takings claim for government infringement.<sup>194</sup>

But *Zoltek I* was not the last word on patent infringement and takings. *Zoltek* sought a transfer of the case to the Northern District of Georgia, which the Court of Federal Claims granted.<sup>195</sup> On appeal, the Federal Circuit determined that the lower court had erred, and that part of the lower court’s error stemmed from error in the *Zoltek I* case—and so revisited *Zoltek I* en banc.<sup>196</sup> With analysis not relevant to this Note, the Federal Circuit reversed its *Zoltek I* opinion on the grounds that *Zoltek* had adequately alleged infringement under § 1498(a) that was not barred by § 1498(c)—which prohibits § 1498 claims when the government’s use arises overseas.<sup>197</sup> Because the case could be resolved on § 1498(a) grounds, the en banc Federal Circuit declared that it would reach no opinion on the possibility of a taking by the federal government.<sup>198</sup>

Thus, even the specialized Federal Circuit does not have a clear holding about the applicability of the Takings Clause to patents. Though the *Zoltek I* opinion could be persuasive in its conclusions about the Takings Clause and government infringement, the subsequent *Zoltek II* en banc opinion explicitly reserved that question for another case.<sup>199</sup>

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193. *Id.* (citing *Ruckelshaus v. Monsanto*, 467 U.S. 986, 1001 (1984)). The *Zoltek I* court also rejected the idea that *Ruckelshaus* had overruled *Schillinger* because of its endorsement of takings for an intellectual property right, given that the Court had not explicitly done so. *Id.* at 1352 n.3.

194. *Id.* at 1352.

195. *Zoltek Corp. v. United States*, 85 Fed. Cl. 409, 410–11 (2009).

196. *Zoltek Corp. v. United States (Zoltek II)*, 672 F.3d 1309 (Fed. Cir. 2012) (en banc). Initially, the Federal Circuit declined to rehear the case en banc, *Zoltek Corp. v. United States*, 464 F.3d 1335 (Fed. Cir. 2006), but agreed to hear it en banc after subsequent lower court decisions in the litigation.

197. *Id.* at 1327. Though it was reversed on other grounds, one commentator takes issue with the *Zoltek I* court’s interpretation of *Schillinger*, given that *Schillinger* was decided on jurisdictional grounds—and now, the Takings Clause is a self-executing waiver of sovereign immunity, so no such jurisdictional grounds need be present. See Isaacs, *supra* note 20, at 9–10. Isaacs still concludes that *Zoltek I*’s holding was correct in declining to protect patents under the Takings Clause. *Id.* at 5. For criticism of the *Zoltek I* opinion that ultimately reaches the conclusion that patents should be protected by the Takings Clause, see generally Torres, *supra* note 20.

198. *Zoltek II*, 672 F.3d at 1327.

199. See *id.*

C. *Christy v. United States*

The Court of Claims recently considered one such case and rejected Takings Clause arguments. In *Christy v. United States*,<sup>200</sup> Christy argued that the PTAB's invalidation of its patent claims for an ambient-air-backflushed-filter vacuum in inter partes review was a taking of its property without just compensation.<sup>201</sup> This litigation presented a different legal challenge to inter partes review than *Oil States*, which focused on Article III and the Seventh Amendment.<sup>202</sup>

Christy relied heavily on the *Oil States* statement that the opinion "should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause."<sup>203</sup> The *Christy* court first analyzed *Schillinger* and *Zoltek I* and found that, though *Zoltek I* was vacated on other grounds, its Taking Clause analysis still stands, and thus that patent rights could not be asserted under the Takings Clause pursuant to *Schillinger*.<sup>204</sup>

Then, the *Christy* court emphasized that the statement in *Oil States* merely defined the scope of the opinion's holding.<sup>205</sup> In fact, the *Oil States* public franchise approach to patent rights encouraged the *Christy* court to find that the Takings Clause was inapplicable to patents.<sup>206</sup> Because patents are public franchises, "[they] are not equivalent to private rights"—and because they are not private rights, they are not property interests under the Takings Clause.<sup>207</sup>

V. ADEQUACY OF THE GOVERNMENT INFRINGEMENT  
REMEDY: 28 U.S.C. § 1498.

Patentees arguing that their patent rights were deprived without due process of law would likely have the makings of a legitimate claim under *Florida Prepaid*, given that "[I]f the Due Process Clause protects patents, we know of no reason why Congress might not legislate against

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200. 141 Fed. Cl. 641 (2019).

201. *Id.* at 649–50.

202. *See supra* Part II(B).

203. *Christy*, 141 Fed. Cl. at 659 (quoting *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018)).

204. *Id.* at 658.

205. *Id.* at 659.

206. *Id.* at 658–60. The court also rejected Christy's comparison to *Horne v. Department of Agriculture* because patents can be property rights without being private property rights. *Id.* at 660. Further, patents are unlike the raisins at issue in *Horne* because when patent rights are extinguished in inter partes review, there is no title pass from the patentee to the government. *Id.*

207. *Id.*

their deprivation without due process under § 5 of the Fourteenth Amendment.”<sup>208</sup> As the Court noted in *Florida Prepaid*, however, a due process analysis does not stop after determining that the property right or interest in question is entitled to protection.<sup>209</sup> With state infringement in mind, the Court held that the Constitution is only violated if the available remedies for such infringement are either non-existent or generally insufficient.<sup>210</sup> In the context of federal government infringement, then, the adequacy of the remedy—28 U.S.C. § 1498(a)—merits analysis for due process claims. In this Section, I provide the history of the statute and review its potential shortcomings. The statute’s history and shortcomings may be relevant not only for testing its adequacy for due process claims, but also because its development may be related to how Congress saw the judiciary’s patent takings jurisprudence develop.<sup>211</sup>

Rear Admiral Grace Murray Hopper is credited with popularizing the adage “[i]t is much easier to apologize than it is to get permission.”<sup>212</sup> It is fitting, then, that contractors for the Navy infringed a patent to build its *Freedom* class ships rather than seek a license<sup>213</sup>—which led the Navy into a court-ordered payment of more than \$7

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208. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 642 (1999).

209. *Id.* at 642–43.

210. *Id.* at 643.

211. *See infra* text accompanying notes 236–244.

212. *See* CLIFF PURINGTON, CHRIS BUTLER & SARAH FISTER GALE, BUILT TO LEARN 171 (2003).

213. *See* *FastShip, LLC v. United States*, 143 Fed. Cl. 700, 709–10 (2019) patent rather than infringing.

213. *FastShip*, 143 Fed. Cl. at 735 (vacated on other grounds, 968 F.3d 1335). Without a requirement that the federal government engage in efforts to license a patent before engaging in activity that effectively creates a compulsory license, the 1918 Act appears to violate the United States’ international treaty obligations under Article 31 of the Trade-Related Aspects of Intellectual Property Rights agreement (“TRIPS Agreement”). *See* TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights art. 31, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994). Failure to require ex ante licensing efforts has potentially significant consequences. In *Hitkansut LLC v. United States*, 142 Fed. Cl. 341 (2019), the court ordered the federal government to pay a plaintiff \$4,387,899.54 in attorneys’ fees, expert witness fees, and other costs for the government’s infringement of his patent. 142 Fed. Cl. at 360–68. This amount is staggering when compared to the mere \$200,000 that the government was ordered to pay for the infringement cause of action itself. *Id.* at 346. The difference between the attorneys’ fees and infringement damages suggests that the government could have saved a significant sum of money by licensing the patent rather than infringing.

million in attorney's fees and costs.<sup>214</sup> The patentee in that case is relatively lucky, because for much of the United States' history, the federal government could use a patented invention and claim sovereign immunity to avoid liability altogether.<sup>215</sup> Though the federal government was still considered an infringer,<sup>216</sup> aggrieved patentees could recover nothing. A patentee's only true recourse was to seek an act of Congress.<sup>217</sup>

This inequity led Congress to enact a statutory regime in 1910 to allow patentees to recover damages for federal government infringement.<sup>218</sup> Eight years later, Congress amended the statute to include indemnity for federal government contractor infringement,<sup>219</sup> which is a common avenue for infringement. That provision allows an aggrieved patentee to recover his "reasonable and entire compensation[.]" including attorneys' fees, whenever the patentee's invention "is used or manufactured by or for the United States."<sup>220</sup>

Missing from the statute is any requirement that the federal government attempt to license the invention from the patent holder before infringing. Further missing is any mention of injunctive relief<sup>221</sup>—

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214. *FastShip*, 143 Fed. Cl. at 735.

215. *See, e.g.*, *Schillinger v. United States*, 155 U.S. 163, 167–69 (1894) (holding that statutes creating the federal claims courts did not waive sovereign immunity for infringement actions because they sound in tort, which suits are expressly omitted from the Court of Claims's jurisdiction); *United States v. Palmer*, 128 U.S. 262, 270–72 (1888) (quoting *James v. Campbell*, 104 U.S. 356, 357–59 (1881)) (noting that, unless the Court of Claims could exercise jurisdiction over federal government infringement actions, a patentee's only recourse against federal government infringement would be with Congress).

216. *See Campbell*, 104 U.S. at 357–58.

217. *Id.* at 359 ("If the jurisdiction of the Court of Claims should not be finally sustained, the only remedy against the United States, until Congress enlarges the jurisdiction of that court, would be to apply to Congress itself.").

218. *See* Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851 (1910) (codified as amended at 28 U.S.C. § 1498 (2018)) ("1910 Act"); *Crozier v. Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290, 303 (1912) ("The enactment of the [1910 Act], we think, grew out of the operation of the prior statute law concerning the right to sue the United States for the act of an officer in infringing a patent as interpreted by repeated decisions of this court.").

219. *See* Act of July 1, 1918, Pub. L. No. 65-182, 40 Stat. 704, 705 (1918) (amending the 1910 Act).

220. 28 U.S.C. § 1498(a) (2018).

221. *See Motorola, Inc. v. United States*, 729 F.2d 765, 768 n.3 (Fed. Cir. 1984) (noting that injunctions, while available in ordinary infringement cases under 35 U.S.C. § 283, are not available for actions against the federal government under 28 U.S.C. § 1498).

often called “the only remedy adequate” to protect the patentee’s right to exclude<sup>222</sup>—which converts the statute into a compulsory license.<sup>223</sup>

Article I, Section 8, Clause 8 provides that Congress shall have 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>224</sup> This “exclusive Right” has long been understood to be exclusive of not only a patentee’s fellow citizens, but also of the federal government itself. The Court in *James v. Campbell* noted that the federal government is bound by the Constitution in the same way that private citizens are bound.<sup>225</sup> That makes the United States unlike England, where the government retained an interest in granted patents.<sup>226</sup> “The United States has no such prerogative . . . by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters-patent to those who entitle themselves to such grants.”<sup>227</sup> Though this language has subsequently been understood as dicta,<sup>228</sup> recognizing that the federal government was still considered an infringer likely influenced later developments with respect to § 1498.

The federal government may not have reserved a right to practice patented technology, but recognizing the government as an infringer was largely useless—Congress had not waived federal sovereign immunity for patent infringement, leaving patentees without a remedy.<sup>229</sup> Even the Tucker Act of 1887,<sup>230</sup> in which Congress waived sovereign

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222. See Herbert F. Schwartz, *Injunctive Relief in Patent Infringement Suits*, 112 U. PA. L. REV. 1025, 1042 (1964).

223. See CRAIG A. NARD, *THE LAW OF PATENTS* 354 (4th ed. 2017) (explaining that the lack of injunctive relief under 28 U.S.C. § 1498 “means that, as a practical matter, the government can indirectly invoke a compulsory license.”).

224. U.S. CONST. art. I, § 8, cl. 8.

225. 104 U.S. 356, 357–58 (1881) (“That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.”); see also *United States v. Palmer*, 128 U.S. 262, 270–272 (1888) (affirming the *Campbell* approach).

226. *Id.* at 358.

227. *Id.*

228. See Mossoff, *supra* note 1, at 709.

229. *Campbell*, 104 U.S. at 358–59.

230. 24 Stat. 505 (codified as amended at 28 U.S.C. § 1491 (2018)).

immunity as to some claims against the federal government,<sup>231</sup> provided no relief for patentholders. The Supreme Court in *Schillinger v. United States*<sup>232</sup> held that the Tucker Act did not waive sovereign immunity as to government patent infringement because the Act explicitly set aside “cases sounding in tort.”<sup>233</sup> *Schillinger* conceived of infringement claims as tortious in nature because patentees seek recovery for damages for wrongful acts, as opposed to contractual claims involving a meeting of the minds.<sup>234</sup> Had the claims been contractual, the Tucker Act would grant jurisdiction over those issues to the Court of Claims.<sup>235</sup> The logical implication of an infringing entity with sovereign immunity is that patentholders had no remedy whatsoever.

It was this lack of remedy that spurred Congress to pass the 1910 Act.<sup>236</sup> The 1910 Act gave patentholders the right to sue in the Court of Claims “whenever an invention described in and covered by a patent of the United States shall . . . be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation . . . .”<sup>237</sup> It is interesting to note that this remedy came after *Schillinger*, because it leads to debate over whether the 1910 Act was meant to overturn the *Schillinger* holding that patents are not entitled to Takings Clause protection or whether it was meant to provide a completely alternative remedy.<sup>238</sup>

The Supreme Court subsequently interpreted the 1910 Act to apply only to the federal government; it did not provide cover for federal contractors who infringed a patent in their work.<sup>239</sup> This holding gener-

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231. *See id.* (providing the Court of Claims with jurisdiction over “[a]ll claims founded upon the Constitution of the United States or any law of Congress . . . or upon any contract, express or implied . . . in cases not sounding in tort.”).

232. 155 U.S. 163 (1894).

233. *Id.* at 168–69.

234. *Id.*

235. 24 Stat. at 505.

236. *See Crozier v. Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290, 303–04 (1912) (explaining that the lack of remedy against federal patent infringement spurred the adoption of the 1910 Act).

237. Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851 (1910) (codified as amended at 28 U.S.C. § 1498 (2018)).

238. *See infra* notes 244–245 and accompanying text.

239. *See William Cramp & Sons Ship & Engine Bldg. Co. v. Int’l Curtis Marine Turbine Co.*, 246 U.S. 28, 44–45 (1918) (holding that the 1910 Act did not confer upon federal contractors the right to infringe patents on “the assumption that the United States would be ultimately liable for the patent rights which the contractors might elect to take”); *see also Zoltek Corp. v. United States*, 672 F.3d 1309, 1315 (Fed. Cir. 2012) (en banc) (describing the *William Cramp* holding).

ated concern among the Armed Forces that exposing contractors to such litigation would harm military interests,<sup>240</sup> so Congress amended the 1910 Act to include coverage for inventions used or made “by or for” the United States.<sup>241</sup> The last amendment to the infringement statute came in 1949,<sup>242</sup> which codified the section into 28 U.S.C. § 1498, its current form.

Thus, 28 U.S.C. § 1498 provides for “reasonable and entire compensation” for federal government or federal contractor infringement of a patent. It does lack elements typically associated with eminent domain jurisprudence—such as a public use requirement<sup>243</sup>—which could be an issue if the Supreme Court decides that patents are entitled to Takings Clause protection. If the Court decides that *Florida Prepaid* is still good law as to patents under the Due Process Clause, though, “reasonable and entire compensation” is likely to be an adequate remedy.<sup>244</sup>

On the other hand, Professor Mossoff argues that Congress intended, through 28 U.S.C. § 1498, to grant jurisdiction to the Court of Claims to hear patent infringement claims because Congress saw government infringement as a taking.<sup>245</sup> That means that even if § 1498 is an adequate remedy for most infringement cases under the Due Process Clause, it may be used as evidence of Congress’s intent to adopt a takings approach to patents. Mossoff acknowledges, however, that the modern view has been that § 1498 is merely a discretionary policy decision, not a constitutional mandate.<sup>246</sup>

## VI. PATENTS AS PUBLIC FRANCHISES IN CONSTITUTIONAL PROPERTY CLAIMS

In *Oil States*, the majority opinion takes a “public franchise” approach to patents, arguing that they are entitled only to the rights

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240. See *Wood v. Atl. Gulf & Pac. Co.*, 296 F. 718, 720–21 (D. Ala. 1924) (quoting a 1918 letter from Acting Navy Secretary Franklin D. Roosevelt expressing concern about *William Cramp*’s implications).

241. Act of July 1, 1918, Pub. L. No. 65-182, 40 Stat. 704, 705 (1918).

242. Act of May 24, 1949, Pub. L. No. 81-72, § 87, 63 Stat. 89, 102 (codified as amended at 28 U.S.C. § 1498 (2018)).

243. See *Haw. Hous. Auth. v. Midkiff*, 467 U.S. 229, 239–40 (1984) (describing the “public use” requirement for eminent domain).

244. See *infra* note 254 and accompanying text.

245. See Mossoff, *supra* note 1, at 712–13 (arguing that the legislative history to § 1498 clearly establishes Congress’s intent to recognize patents as private property).

246. *Id.* at 722.



conferred by statute.<sup>247</sup> Though the Court expressly reserves the question of whether patents are property rights for the Due Process or Takings Clauses, the *Florida Prepaid* precedent strongly suggests that the due process question is settled in favor of protection<sup>248</sup>—but the Takings Clause question is far less certain. After all, just because a property interest is entitled to protection under either the Due Process Clause or the Takings Clause does not mean that it is entitled to protection under both.<sup>249</sup> The Takings Clause question is still very much in doubt, given that the only Supreme Court precedent in that area is dicta.<sup>250</sup> Thus, the *Oil States* classification of a patent will likely come into play in the Takings Clause analysis.

If—as *Oil States* holds—a patent is a public franchise and not a traditional personal property right, then it is not clear how the property right could rise to the level of “private property.”<sup>251</sup> The Fifth Amendment explicitly protects “private property” from taking without just compensation;<sup>252</sup> if the patent right is merely a public franchise property right, it may not satisfy the “private property” definition.<sup>253</sup> Even if conceived as a property right in the form of a franchise, it is axiomatic in Supreme Court jurisprudence that not all property rights are entitled to the “full panoply of constitutional remedies.”<sup>254</sup>

It is possible, though, that *Oil States* could be inapplicable where government infringement is involved. Justice Thomas argued that inter partes review evoked the public rights doctrine specifically because it involved reconsidering the patent grant—and when the PTAB first considers granting a patent, that involves a public franchise.<sup>255</sup>

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

248. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999); *see also supra* text accompanying notes 114–116.

249. “The tendency to assume that a word which appears in two or more legal rules, and so in connection with more than one purpose, has and should have precisely the same scope in all of them, runs all through legal discussions. It has all the tenacity of original sin and must constantly be guarded against.” *Wachovia Bank, Nat’l Ass’n v. Schmidt*, 546 U.S. 303, 319 (2006) (Ginsburg, J.) (quoting Walter Wheeler Cook, “*Substance*” and “*Procedure*” in the *Conflict of Laws*, 42 *YALE L.J.* 333, 337 (1933)).

250. *See Mossoff, supra* note 1, at 708; *see also supra* text accompanying notes 134–136.

251. *See Christy, Inc. v. United States*, 141 Fed. Cl. 641, 660 (2019).

252. U.S. CONST. amend. V.

253. *Christy*, 141 Fed. Cl. at 660.

254. *See Isaacs, supra* note 20, at 36.

255. *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1373 (2018); *supra* text accompanying note 58.

Government infringement or other takings-related acts would not meet this same criteria. The idea that the only rights in patents—as a public franchise—are those granted by statute,<sup>256</sup> however, should overcome that burden. The only statutory right to a remedy, then, would be the existing statutory remedy for infringement—28 U.S.C. § 1498. Alternatively, under the approach that the only rights in patents are those conferred by statute, Congress could conceivably stipulate that patents are entitled to Takings Clause protection, but Congress has thus far evidenced no such intent.<sup>257</sup>

If the Takings Clause did apply to patents in any context, additional problems arise.<sup>258</sup> First, there are several different lenses through which courts could analyze a patent takings claim, which complicates any attempt to apply the Takings Clause to patents.<sup>259</sup> Government infringement, for example, has sometimes been described as the “taking” of a license.<sup>260</sup> This approach would broadly expand the scope of federal patent infringement jurisprudence, given that every instance of government infringement would be a taking. Additionally, this may violate the Court’s *Penn Central* premise; arguing that each infringement is the “taking” of a license is analogous to arguing that the government has entirely devalued a section of your one parcel of land. Given that a patentee in an infringement situation still retains the right to exclude others, and simply loses the “parcel” of a license to the federal government, the Court could reject arguments about infringement involving the taking of a license.<sup>261</sup>

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256. *See supra* Part II(B).

257. *See Isaacs, supra* note 20, at 41–42.

258. *See Mossoff, supra* note 1, at 720–22 (noting that patentees may not often be entitled to Takings Clause protection because patents only provide the right to exclude).

259. *See Storm, supra* note 2, at 16–20 (proposing a multi-layered framework for patent takings). *See generally* Cotter, *supra* note 45 (describing an “expansive view,” a “middle view,” and a “narrow view” as to how government uses of intellectual property could qualify as takings).

260. *See Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984) (describing the United States as a “compulsory, nonexclusive licensee,” rather than an “ordinary infringer,” because of its eminent domain authority).

261. *See Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 130–31 (1978) (explaining that eminent domain jurisprudence “does not divide a single parcel into discrete segments and attempt to determine whether rights in a particular segment have been entirely abrogated. In deciding whether a particular governmental action has effected a taking, this Court focuses [on] . . . the parcel as a whole . . . .”); Cotter, *supra* note 45, at 563 (“Most types of intellectual property are strongly nonrivalrous. The government’s use of a patent . . . does not prevent the intellectual property owner from simultaneously using the work . . . or from licensing others to use it . . . . All that the intellectual property owner loses, except

The applicability of the Takings Clause would be more complicated, however, in forms of “takings” that do not involve infringement.<sup>262</sup> Though 28 U.S.C. § 1498 should suffice to cover situations of actual infringement by the federal government or its contractors, it would not appear to apply where Congress re-assigned or completely extinguished an extant patent outside of the normal scope of the patent code. Such actions would be closest to actual physical occupation or entirely devaluing land under the Court’s eminent domain jurisprudence. Though at least one court has held that there can be no “takings” claim for inter partes review cancellation of a patent,<sup>263</sup> the question has not reached the Federal Circuit or the Supreme Court.

Such Congressional action, though, would not involve a physical intrusion, complicating the matter further.<sup>264</sup> Additionally, these situations appear analogous to Congress’s authority to cancel other public franchises, like bridges, without triggering Takings Clause protections.<sup>265</sup>

A more likely analogy given the federal government’s infringing activity is to regulatory takings. Under this view, patentees would be restricted to only making Takings Clause claims when the government infringement almost entirely devalues their patent, rather than just depriving the patentee of a license.<sup>266</sup> This is quite possible—the Court in *James v. Campbell* was explicitly concerned that patentees could be entirely deprived of all value in their patents when those patents related to inventions that only governments can use.<sup>267</sup>

One commentator has argued that applying a regulatory takings framework to patents could lead to actions against Congress for passing statutes that devalue patents generally—such as making it harder to sue for patent infringement. This may also counsel against applying the Takings Clause in such a manner.<sup>268</sup>

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in those rare circumstances in which government use destroys virtually all of the property’s value, is some licensing revenue.”) (footnote omitted).

262. See Storm, *supra* note 2, at 16–20.

263. See *Christy, Inc. v. United States*, 141 Fed. Cl. 641, 658 (2019).

264. See Mossoff, *supra* note 1, at 721 (“Given its status as intellectual property, a patent is nonrivalrous and nonexhaustive in nature. The government’s unauthorized use of a patented invention, therefore, lacks the *physical dispossession* that triggers a compensable taking of land.”) (footnotes omitted).

265. See *supra* Part II(B)(1).

266. See Cotter, *supra* note 45, at 555 (explaining a “Narrow View” of patent takings that would only trigger the Takings Clause if the government’s use of it “virtually destroy[s]” the patent’s value).

267. *James v. Campbell*, 104 U.S. 356, 357–58 (1888).

268. See Isaacs, *supra* note 20, at 2.

Leaving aside the Takings Clause still leaves due process claims. Again, *Florida Prepaid* seems to stand for the proposition that patents are entitled to due process protection, but that does not necessarily mean that patents are also entitled to Takings Clause protection.<sup>269</sup> It may be possible, however, to challenge *Florida Prepaid's* holding that patents are entitled to due process protection as property interests, given that the *Florida Prepaid* Court engaged in relatively little analysis of the patent right.<sup>270</sup> This is a particularly salient point when considering the subsequent *Oil States* decision holding that patents are a public franchise restricted entirely by statutory grants.<sup>271</sup>

Notwithstanding potential challenges to *Florida Prepaid's* patents-as-constitutional-property holding, any claimant alleging a deprivation of due process with respect to federal government infringement on patent rights would run into the *Florida Prepaid* analysis of the adequacy of the available remedy—because mere deprivation of a property interest does not mean that the property interest was *unconstitutionally* deprived.<sup>272</sup> The remedy available for federal patent infringement, 28 U.S.C. § 1498, is likely adequate to protect a patentholder's interest.<sup>273</sup> Under that provision, successful claimants are entitled to their “reasonable and entire compensation” for federal infringement.<sup>274</sup> Though the statute lacks some of the traditional Takings Clause burdens on the government such as proving a public use,<sup>275</sup> and could certainly be improved by introduction of ex ante licensing requirements, the availability of compensation—which can include attorney's fees<sup>276</sup>—will likely be held to operate as a sufficient remedy for federal infringement. This is true especially because § 1498 covers infringement by federally approved contractors, which provides an even broader base of possible infringers.<sup>277</sup> It is also not clear that the statute would even need to

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269. *Id.* at 36–42 (analyzing cases such as *Goldberg v. Kelly* and arguing that some property rights can be protected by the Due Process Clause but not the Takings Clause).

270. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 642 (1999); *see also supra* note 114.

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

272. *Florida Prepaid*, 527 U.S. at 643.

273. *See supra* Part V.

274. 28 U.S.C. § 1498 (2018).

275. *See generally* *Berman v. Parker*, 348 U.S. 26 (1954) (discussing public use in the eminent domain context).

276. *See, e.g., Hitkansut LLC v. United States*, 142 Fed. Cl. 341, 355–56 (2019) (awarding attorney's fees as part of “reasonable and entire compensation” under 28 U.S.C. § 1498).

277. 28 U.S.C. § 1498(a).

provide the same protections as the Takings Clause to satisfy due process.

Any argument that the Takings Clause should not apply to patents will have to overcome *Ruckelshaus v. Monsanto*, where the Court held that eminent domain jurisprudence could apply to trade secrets.<sup>278</sup> Because the Court found that state law was an adequate source from which to draw a property interest under the Takings Clause,<sup>279</sup> it is possible that the Court could find sufficient property interests created in the patent code to entitle patents to Takings Clause protection. Thus far, however, Congress has evidenced no such intent to create property interests in patents. This, coupled with the *Oil States* approach to patents as entitled only to the rights granted by statute, should mean that patents are sufficiently different from trade secrets to merit a different outcome for patents.

### CONCLUSION

The Supreme Court's approach to patents as public franchises in *Oil States* indicates that patents are not entitled to Takings Clause protection, but the *Florida Prepaid* opinion is likely still valid as establishing that patents may be protected by the Due Process clauses of the Fifth and Fourteenth Amendments. If patents only receive the protections given by statute, then the only remedy available for federal patent infringement is 28 U.S.C. § 1498, but Congress could add protections by stipulating that patents are property for Takings Clause purposes. For due process claims, the available remedy—again, 28 U.S.C. § 1498—is likely to satisfy due process concerns without further safeguards.

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278. 467 U.S. 986, 1020 (1984).

279. *Id.* at 987 (quoting *Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)).

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