

BANNER&WITCOFF

# PTAB HIGHLIGHTS

New developments in post-issuance proceedings

[bannerwitcoff.com](http://bannerwitcoff.com)

## “You Took My Patent in IPR! Now You Owe Me!” ... Don’t Take Out Your Wallet Just Yet

By the Banner & Witcoff PTAB Group

June 25, 2018 — *Inter partes* reviews (IPRs) at the Patent Trial and Appeal Board (PTAB), without juries or federal judges, are constitutional, as in the case *Oil States*.<sup>i</sup> IPRs permit the PTAB to cancel already-issued patent claims (in limited circumstances).

But *Oil States* also said something else about patents. *Oil States* said it “should not be misconstrued as suggesting that patents are not property for purposes of ... the Takings Clause.”<sup>ii</sup>

Crafty people knew immediately what that snippet might mean. In two weeks, a class action lawsuit was filed against the federal government to recover against it for “taking.” Under the plaintiff’s theory, the PTAB had “taken” all the patent claims it had canceled in IPR and owed the patent owners compensation for the patents.<sup>iii</sup> The press reported the lawsuit asked for more than \$100 million.

Could this succeed? Worse, could former patent claim owners turn next to those who brought challenges in IPR, and assert that the challengers owe the former patent claim owners for their involvement in the IPRs that canceled claims? That would be rich. Most challengers are those who were sued for patent infringement. If they could be sued after patents were invalid to recover for the invalidations they caused, that would be something.

The response to the question, however, is probably—don’t anybody take out their wallet just yet.

It is true that patents are property. That cannot be doubted. *Oil States* said so, in a backhanded way—the case should not be construed “as suggesting that patents are not property.”<sup>iv</sup> But in a straight-up way, the patent law expressly says patents are property: “Patents ... have the attributes of personal property.”<sup>v</sup> There it is. And the Supreme Court has a much older case, *James v.*

*Campbell*, that says essentially the same thing, that a patent “confers upon the patentee an exclusive property in the patented invention.”<sup>vi</sup>

It is also true that when patents are taken from patent owners by the federal government, the owners must be compensated. That also comes from *James*: patents are “property ... which cannot be appropriated or used by the government ... without just compensation.”<sup>vii</sup>

And it cannot be said that *all* patents “taken” in IPR were “fairly” taken, by being invalid under all circumstances. The Court of Appeals for the Federal Circuit established a precedent otherwise in *PPC Broadband v. Corning Optical*, saying that the outcome of the case was determined by the standard of claim construction in use.<sup>viii</sup> Interpreted as it would have been in court, the patent would have been valid, and not “taken.” Interpreted as it was in IPR, it was invalid. The Court added that this was a “scenario likely to arise with frequency.”

So it can be said that patents are property. Taking them requires compensation. Yet, without such compensation, the *PPC* case patent was taken, and with it, the value it had to keep competitors at bay and permit recovery against infringers.

Why, then, not take out your wallet? The answer comes readily from takings law. Courts, including the Supreme Court, have often been asked to consider the appropriate compensation for the taking of personal property and real estate. In a real estate case, *Lucas v. S.C. Coastal Council*,<sup>ix</sup> the Supreme Court spoke to all takings, saying:

Where the State seeks to sustain regulation ... our “takings” jurisprudence ... has traditionally been guided by the understandings of our citizens regarding the content of, and the State’s power over, the ‘bundle of rights’ that they acquire when they obtain title to property. It seems to us that the property owner necessarily expects the uses of his property to be restricted, from time to time, by various measures newly enacted by the State in legitimate exercise of its police powers; ‘[a]s long recognized, some values are enjoyed under an implied limitation and must yield to the police power.’ ...

Property owners, as it said, have always understood that uses of property could be restricted, with changes over time, by laws old and new. It continued, specifically as to personal property:

And in the case of personal property, by reason of the State’s traditionally high degree of control over commercial dealings, [the property owner] ought to be aware of the possibility that new regulation might ... render his property economically worthless (at least if the property’s only economically productive use is sale or manufacture for sale).

Personal property, the Court said, could be rendered worthless without compensation—“at least if the property’s only economically productive use is sale or manufacture for sale.” That was true because that’s what people expected to be possible. The Court cited in support its own case *Andrus v. Allard*, where an eagle feather that once had value, and by regulation could later not be sold, was economically worthless, and yet the “taking” of the new law that made it worthless did not require compensation.<sup>x</sup>

Is a patent an eagle feather? Of course not. Is its only economically productive use sale or manufacture for sale? No ... but on the other hand, the invention a patent protects usually does only have an economically productive use of being sold or manufactured for sale. And what is a patent, more carefully stated than just calling it property? Answer, “an exclusive property in [a] patented invention.”<sup>xi</sup>

The law in relation to the Takings Clause, referenced in *Oil States*, seems to have the potential to permit compensation for patent owners whose patents would have been valid in courts, if the patents have been taken in IPRs. But the law, the “takings jurisprudence,” seems to have far greater potential of disallowing compensation. Because a patent was personal property, its owner, the patent owner, ought to have expected it could be rendered worthless without compensation. And as in *Oil States*, “patents are ‘public franchises.’ ... granted subject to the qualification that the PTO has ‘the authority to reexamine—and perhaps cancel—a patent claim’ in an *inter partes* review.” Explaining further, *Oil States* stated about *all* franchises, including patents:

... franchises can be qualified in this manner. For example, Congress can grant a franchise that permits a company to erect a toll bridge, but qualify the grant by reserving its authority to revoke or amend the franchise. ... Even after the bridge is built, the Government can exercise its reserved authority through legislation or an administrative proceeding. The same is true for franchises that permit companies to build railroads or telegraph lines.

So if you hear, “You took my patent in IPR! You owe me!” Under the laws of patents, takings, and franchises, don’t take out your wallet just yet.

For more information on this PTAB Highlights alert, please contact its specific author and reviewer, Charles Shifley and Justin Philpott, or any of the many lawyers at Banner & Witcoff.

For more Banner & Witcoff *PTAB Highlights*, please click [here](#).

*The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer frequent summaries of the board’s significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.*



[www.bannerwitcoff.com](http://www.bannerwitcoff.com)

© Copyright 2018 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of PTAB Highlights.

---

<sup>i</sup> *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, No. 16-712 (April 24, 2018). See [https://scholar.google.com/scholar\\_case?case=18307080123131598143&q=oil+states+energy+services+llc&hl=en&as\\_sdt=4,60](https://scholar.google.com/scholar_case?case=18307080123131598143&q=oil+states+energy+services+llc&hl=en&as_sdt=4,60)

---

<sup>ii</sup> *Id.* slip op. at 17.

<sup>iii</sup> *Christy Inc. v. United States of America*, No. 18-657, filed May 9, 2018 (U.S. Court of Federal Claims).

<sup>iv</sup> *Oil States*.

<sup>v</sup> 35 U.S.C. § 271 (“Subject to the provisions of this title [that provides patent law], patents shall have the attributes of personal property.”)

<sup>vi</sup> *James v. Campbell*, 104 U.S. 356, 358 (1882), cited favorably in *Horne v. Department of Agriculture*, 103 S.Ct. 2053, (2013).

<sup>vii</sup> *Id.* See also 35 U.S.C. § 1498.

<sup>viii</sup> *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 741 (Fed. Cir. 2016).

<sup>ix</sup> 505 U.S. 1003, 1028-29 (1992).

<sup>x</sup> 444 U. S. 51, 66-67 (1979).

<sup>xi</sup> *James v. Campbell*, 104 U.S. 356, 358 (1882), cited favorably in *Horne v. Department of Agriculture*, 103 S.Ct. 2053, (2013).