

Thryv: opposing policies in the Supreme Court

06-05-2020 John Lu and Mollie Galchus



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Last month's US Supreme Court decision in *Thryv v Click-to-Call* highlights a division among the Justices when it comes to opposing policy concerns on patents, argue John Lu and Mollie Galchus of Milbank.

The US Supreme Court's ruling in *Thryv v Click-to-Call Technologies* is further indication that patents will not be afforded the robust article III protections given to other forms of property. Article III of the US Constitution refers to the federal judiciary, the branch of government responsible for reviewing the constitutionality of acts by the executive and legislative branches.

The petitioner Thryv filed an *inter partes* review (IPR) to challenge a patent owned by Click-to-Call. The Patent Trial and Appeal Board (PTAB) instituted review and subsequently cancelled the patent.

On appeal, Click-to-Call did not challenge the patentability decision on the merits, but instead argued that the PTAB's decision to institute review violated the statutory time bar in the America Invents Act (AIA). The Federal Circuit, *en banc*, agreed with Click-to-Call that the IPR was timebarred, and reversed.

The Supreme Court granted *certiorari*, and in a 7–2 decision issued in April, held that a PTAB decision to institute IPR is not subject to appellate court review. While the majority opinion and dissent included conflicting statutory interpretations of the AIA, this article will solely focus on the policy arguments at issue.

Weeding out bad patents

The majority opinion, authored by Justice Ruth Bader Ginsburg, seems to be driven by one policy consideration: allowing patentees to appeal PTAB institution decisions would lead to the survival of “bad patents”.

Such a result would be contradictory to the purpose of the AIA which, according to the opinion, is to “weed out bad patent claims efficiently”. The facts of *Thryv* illustrate this point. After the PTAB found the patent at issue to be ineligible, Click-to-Call had an opportunity to appeal the patentability decision on the substantive merits.

By choosing not to appeal the merits, and instead appealing only the procedural argument that institution was time-barred, the patentee was, at least in the court's view, conceding that a “bad patent” was correctly invalidated.

In the majority's view, as long as the patent owner has an opportunity to appeal the merits of patent eligibility, they do not need article III protection for US Patent and Trademark Office (USPTO) decisions concerning institution, regardless of whether non-institution would be dispositive of the entire proceeding.

This erosion of article III protection for patents is not unexpected and was, in fact, foreshadowed by the Supreme Court's holding two years ago that patents were more akin to public franchises, such as toll bridges, railroads, and telegraph lines, than private property.

Not full protection

Two years ago, the court in *Oil States Energy Services v Greene's Energy Group* upheld the constitutionality of IPRs by concluding that patents “convey only a specific form of property right—a public franchise”.

The majority explained that, while the Patent Act provides “attributes of personal property”, patents are subject to the act’s qualifications, such as administrative post-issuance review of patentability.

The court likened patents to the other previously mentioned public franchises, such as toll bridges Congress provides a grant to create those public franchises but may qualify that grant by reserving the right to revoke or amend the franchise.

According to Justice Neil Gorsuch, the majority’s conclusion that patents should not be afforded the protections of private property was a departure from historical protections.

In his *Oil States* dissent, Justice Gorsuch wrote that the majority’s decision was a “retreat from article III’s guarantees”. He stated: “[L]abels aside, the Constitution’s patent clause protects patents quite differently from ordinary public franchises.”

He instead likened patents to land deeds, a form of private property, and argued that “until recently almost everyone considered an issued patent a personal right—no less than a home or farm”, subject to robust judicial protections.

The practical implications of the court’s decision in *Oil States* were left unclear. Although the court held that patents are public franchises, it expressly stated that it was not retreating from previous characterisations of patents as the owner’s private property.

Further, the court assured that its decision “should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause”, but did not explain what protections remained.

With *Thryv*, the court answered one question: issued patents do not enjoy article III protection from the institution of a patentability review by an administrative agency (the USPTO).

As in *Oil States*, Justice Gorsuch made the point in his *Thryv* dissent that issued patents should be afforded similar judicial protections as traditional real property. He argued that inventors should be guaranteed the same rights given to homesteaders who were granted land outright once they satisfied certain governmental requirements.

For such property, a bureaucratic taking without judicial review is unconstitutional. Justice Gorsuch considered the taking of property in *Thryv* to be egregious because it was undisputed that the USPTO wrongly instituted review in violation of a statutory provision.

The opinions expressed are those of the authors and do not necessarily reflect the views of the firm or its clients.

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