VESTED RIGHTS, “FRANCHISES,” AND THE SEPARATION OF POWERS

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Modern courts and commentators have had trouble distinguishing the kinds of decisions that require “judicial” power from the adjudicative tasks that Congress can authorize administrative agencies to perform in the course of “executing” federal law. In a prior article (Adjudication in the Political Branches, 107 COLUM. L. REV. 559 (2007)), I sought to explain traditional doctrines on that topic. For much of American history, Congress could authorize executive-branch agencies to administer and dispose of “public rights” belonging to the federal government or the people collectively, and Congress also could give agencies conclusive authority with respect to the administration of “privileges” that federal law gave private individuals or entities. But the political branches did not have similar sway over vested private “rights.” Only true courts could conclusively determine either that a private person had forfeited such rights or that the claimed rights had never vested in the person to begin with.

In my earlier article, I referred to the category of “franchises”—special powers or perquisites that the government gave private people who, in turn, did something of value for the public. Because no one had a vested right to be granted a franchise in the first place, I lumped franchises together with privileges. That taxonomy may have influenced the Supreme Court’s analysis of patents in Oil States Energy Services v. Greene’s Energy Group (2018). But the story is actually more complex. In the nineteenth century, once the government granted a franchise, private rights normally

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were thought to vest in the franchisee. That idea affected constitutional doctrine with respect to a wide array of legal interests, including not only patents but also corporate charters, the power to operate ferries and toll roads, and more.

This Article explores the concept of franchises and their interaction with American-style separation of powers. In the process, it illuminates historical understandings of the public/private distinction, unearths new evidence about the constitutional status of patents, and sheds light on the traditional roles of each branch of government.

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INTRODUCTION

Article III of the Constitution vests what it calls “[t]he judicial Power of the United States” in courts that enjoy structural protections against political influence—courts staffed by judges who “shall hold their Offices during good Behaviour” and whose compensation “shall not be diminished during their Continuance in Office.” But Article III does not spell out the types of governmental decrees that require judicial power, as opposed to the decrees that Congress can authorize administrative agencies to make in the course of helping to execute federal law. That line is important to American-style separation of powers, but it has proved difficult to draw.

In 2007, I published an article explaining the framework that lawyers and judges used for this purpose throughout much of American history. That framework relied on the traditional distinction between “public rights” and “private rights”—a distinction that Ann Woolhandler and I had already explored in related contexts. Of course, I was not the first to note that the various branches of government play different roles when different types of legal interests are at stake, or that the distinction between public rights and private rights is an important aspect of those differences. Justice William Brennan had emphasized that distinction in cases about Congress’s power to authorize adjudication outside the Article III courts, and modern scholars had also examined the distinction’s history. Still, I took the distinction more...
seriously than most law professors did, and I suggested that it is more embedded in separation-of-powers doctrines than people realized.

In the ensuing years, what I called the traditional framework has become more prominent. Various scholars with an interest in originalism have embraced it to distinguish the kinds of legal claims that Congress can commit to administrative agencies from the kinds of legal claims that trigger the need for "judicial" power. On the Supreme Court, Justice Clarence Thomas has also deployed the framework repeatedly in this context. Most recently, his majority opinion in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC* used the framework to uphold the administrative cancellation of a patent pursuant to procedures authorized by Congress. The Court reasoned that a patent is a "public franchise" granted by the government, and the Constitution does not prevent Congress from qualifying such grants by reserving a power of administrative reconsideration.

I am honored and gratified by the reception of my earlier article. Precisely because people have paid attention to it, though, I feel a responsibility to correct something that I got wrong—or at least did not adequately qualify—and that risks affecting the future course of doctrine. Contrary to a passing suggestion in the article, what nineteenth-century lawyers called "franchises" were capable of vesting in private individuals or entities in such a way as to become full-fledged private rights. When granting franchises, though, legislatures could indeed structure them in such a way as to avoid this result. As we shall see, the story of "franchises" thus relates to what scholars have correctly identified as two of the most important open questions about the framework discussed in my earlier article: (1) how to classify the kinds of legal interests that modern statutes

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6 See, e.g., Martin H. Redish, *Legislative Courts, Administrative Agencies, and the Northern Pipeline Decision*, 1983 DUKE L.J. 197, 204 ("By invoking a dichotomy between so-called 'public' and 'private' rights, Justice Brennan's opinion in *Northern Pipeline*] has introduced (or, perhaps more accurately, reintroduced) a standard wholly unwarranted by constitutional language, history, policy or theory."); see also James E. Pfander, *Article I Tribunals, Article III Courts, and the Judicial Power of the United States*, 118 HARV. L. REV. 643, 665 (2004) ("Scholars have been especially unkind to the public rights category . . . .").


10 See id. at 1373.
create and (2) the extent to which Congress can use its other powers to extract waivers of the right to judicial adjudication of vested private rights.

This Article proceeds as follows. Part I briefly summarizes the historical framework. Part II examines where “franchises” fit in that framework. Part III focuses specifically on patents for inventions.

I. A SUMMARY OF THE NINETEENTH-CENTURY FRAMEWORK

My earlier article relied on two key distinctions. First, it contrasted legal interests belonging to the government (or to the people in their collective capacity) with legal interests belonging to private individuals or entities. Second, within the latter category, it contrasted private “rights” (of the sort that even the legislature could not abrogate once they had vested in a private person) with mere “privileges” (which belonged to private people only so long as the legislature allowed them to exist).

Those distinctions were centrally important to the doctrine of “vested rights,” which Edward Corwin once described as “the underlying doctrine of American Constitutional Law” before the Civil War—a doctrine so foundational that, without it, “there would [not] have been any Constitutional Law” at all. Under general principles of constitutional law (common to both the Federal Constitution and the constitutions of the various states), only certain kinds of legal interests were thought to be capable of “vesting” in private individuals or entities in such a way as to trigger this doctrine. Those legal interests could be described under the categories of life, liberty, and property—categories corresponding to the kinds of individual rights that Lockeans believed would exist even in the state of nature and that allegedly supplied the basic rationale for creating government in the first place. Rights to life and physical liberty were said to be vested in individuals from birth,

11 See Baude, supra note 7, at 1578-79; see also Adam Mossoff, Statutes, Common Law Rights, and the Mistaken Classification of Patents as Public Rights, 104 IOWA L. REV. 2591, 2598-99, 2602-15 (2019) (noting that interests should not automatically be classified as privileges simply because they are created or secured by statutes, and applying this point to patents).


13 See Nelson, supra note 2, at 566.

14 See id. at 566-72.


16 Cf. Michael G. Collins, Before Lochner—Diversity Jurisdiction and the Development of General Constitutional Law, 74 Tul. L. Rev. 1283, 1283 (2000) (noting that except where the constitution of a particular state specifically established an idiosyncratic rule, federal courts often applied “a presumptive set of one-size-fits-all principles of state constitutional interpretation based on a variety of sources, including the consensus of other state courts resolving similar questions, prior interpretations of analogous federal constitutional provisions, as well as various domestic and foreign treatise writers”).

17 See Nelson, supra note 2, at 567.
and to remain vested unless a particular individual was duly adjudged to have forfeited them.\textsuperscript{18} Property moved around more, but the capacity to acquire property was thought of as a natural right\textsuperscript{19}—and when a private individual or entity did indeed acquire legal interests that counted as real or personal property (including various rights acquired by contract), those interests too triggered the doctrine of vested rights.\textsuperscript{20}

As applied in the nineteenth century, the doctrine of vested rights limited governmental power in various ways. Of course, the doctrine did not prevent statutes from regulating how people used their property or identifying circumstances in which property would be deemed to be abandoned, transferred from one person to another, or forfeited to the government.\textsuperscript{21} Likewise, statutes could define crimes and authorize sentences that could include loss of property (monetary fines), loss of liberty (imprisonment), or loss of life (capital punishment). But whatever the scope of various legislatures’ powers to establish rules according to which people could lose their rights to life, liberty, or property, the doctrine of vested rights restricted the temporal effect of those rules. Throughout the nineteenth century, the doctrine operated as a limit on retroactive legislation, and it also helped to define what counted as retroactivity.\textsuperscript{22}

That aspect of the doctrine reflected broader principles about the separation of powers. In general, neither “legislative” nor “executive” power was capable of acting directly upon vested rights and legally divesting them (or authoritatively declaring that they had been divested in the past).\textsuperscript{23} Thus, only a court—a body with “judicial” power—could validly adjudge someone guilty of a crime and sentence him to pay a fine, to serve a term in prison, or to be executed. Likewise, if someone claimed to be the owner of the type of legal interests that counted as vested rights to property, only a court could declare authoritatively (in a way that would have preclusive effects in later litigation) that the property actually belonged to someone else.

\textsuperscript{18} See, e.g., EDWIN E. BRYANT, THE OUTLINES OF LAW 218, 220 (Madison, Democrat Printing Co. 1895); 1 FRANCIS LIEBER, MANUAL OF POLITICAL ETHICS 203, 205 (Boston, Charles C. Little & James Brown 1838).

\textsuperscript{19} See, e.g., MO. CONST. of 1875, art. II, § 4 (“[A]ll persons have a natural right to life, liberty and the enjoyment of the gains of their own industry . . . .”).

\textsuperscript{20} See generally WILLIAM G. MYER, VESTED RIGHTS: SELECTED CASES AND NOTES ON RETROSPECTIVE AND ARBITRARY LEGISLATION AFFECTING VESTED RIGHTS OF PROPERTY (St. Louis, Gilbert Book Co. 1891).

\textsuperscript{21} Cf. Caleb Nelson, The Constitutionality of Civil Forfeiture, 125 YALE L.J. 2446, 2464-67 (2016) (discussing early state and federal forfeiture statutes); id. at 2512-13 (discussing recording statutes, laws about the abandonment of property, and adverse possession).


\textsuperscript{23} See Nelson, supra note 2, at 568-70.
Some state constitutions said relatively little about the characteristics of the state’s courts. But the Federal Constitution restricted the kinds of entities that could exercise what Article III calls “[t]he judicial Power of the United States.”Given those restrictions, Congress could not confer “judicial” power upon the typical administrative agency. As a result, Congress could not authorize such agencies to make binding determinations that a private individual or entity had acted in such a way as to forfeit vested private rights (or that such rights had never vested in the individual or entity in the first place).

By contrast, within the limits of its enumerated powers, Congress could and did authorize executive officials or administrative agencies to dispose of legal interests that did not fit the template of vested private rights. For instance, Congress could authorize “land offices” in the executive branch to surrender the public’s rights in land owned by the federal government, and to determine which private claimants met the statutory criteria for purchasing or being given this land. To the extent that no private person’s vested rights were yet at stake, Congress could give the land office conclusive authority to determine which rival claimants met the statutory criteria and to distribute the land accordingly.

Likewise, Congress could revise the statutory criteria at any time before private rights actually vested.

To apply this framework, people had to draw distinctions that were not dictated by formal logic. For instance, the framework depended crucially on the difference between a mere expectancy and a vested right, but doctrines about the moment at which a legal interest vested were inevitably somewhat arbitrary. Likewise, it was not always obvious whether a license should be regarded as a vested property right or a revocable “privilege”—and as Professor Charles Reich famously suggested, the same might be said of an anticipated stream of income.

Still, modern ways of talking have made the traditional framework seem less coherent than it actually was. Take the Supreme Court’s opinion in Atlas

24 See U.S. CONST. art. III, § 1.
25 See Nelson, supra note 2, at 575-77.
26 See id. at 577-78; see also Lewis v. Lewis, 9 Mo. 183, 188 (1845) (explaining this point on the ground that “[t]he United States is the owner of the public lands, and can dispose of it on such terms, and in such manner, as seem fit”); Harrison, supra note 12, at 172-73 (linking “the nineteenth century system of executive adjudication” to the idea that “public rights were ownership interests of or controlled by the government” and “[a] core function of the executive is to exercise the proprietary rights of the government itself according to law”).
28 See Nelson, supra note 2, at 579 (illustrating this problem with doctrines about purchase options).
29 See Charles A. Reich, The New Property, 73 YALE L.J. 733, 740 (1964) (noting the important consequences that flowed from this distinction).
30 See id. at 787 (“It is time to see that the ‘privilege’ or ‘gratuity’ concept, as applied to wealth dispensed by government, is not much different from the absolute right of ownership that private capital once invoked to justify arbitrary power over employees and the public.”).
Roofing Co. v. Occupational Safety & Health Review Commission. The Occupational Safety and Health Act of 1970 had established a mechanism for imposing civil penalties on employers who violated the Act or its implementing regulations. If an inspector representing the Secretary of Labor found violations in a workplace, the inspector would issue a citation to the responsible employer and could propose a monetary penalty for each violation. An employer who contested either the citation or the proposed penalties could trigger an adjudicative process before an administrative tribunal, but the tribunal’s final order would be subject only to appellate-style review in a federal circuit court. As the Administrative Conference of the United States (ACUS) noted, this arrangement was unusual at the time: “Under most money penalty statutes, the penalty cannot be imposed until the agency has succeeded in a de novo adjudication in federal district court, whether or not an administrative proceeding has been held previously.” Nonetheless, ACUS urged other agencies to “consider asking Congress to grant them such authority,” and the Supreme Court’s subsequent opinion in Atlas Roofing held that employers facing civil penalties did not have a constitutional right to have the relevant factual disputes be resolved by a jury. In Justice White’s words,

At least in cases in which “public rights” are being litigated—e.g., cases in which the Government sues in its sovereign capacity to enforce public rights created by statutes within the power of Congress to enact—the Seventh Amendment does not prohibit Congress from assigning the factfinding function and initial adjudication to an administrative forum with which the jury would be incompatible.

As shorthand for the category of “cases in which ‘public rights’ are being litigated,” people soon started referring to “‘public rights’ cases.” To this

32 Occupational Safety and Health Act of 1970, Pub. L. No. 91-596, §§ 8–10(a), 84 Stat. 1590, 1598-1601; see also id. § 17(a)–(d), 84 Stat. at 1606 (establishing a maximum penalty of $1,000 per violation against employers whose violations are not willful or repeated and who correct the violation in a timely fashion).
33 See id. §§ 10–11, 84 Stat. at 1601-03.
35 Id.
36 Atlas Roofing, 430 U.S. at 450.
37 Id.
38 See Roger W. Kirst, Administrative Penalties and the Civil Jury: The Supreme Court’s Assault on the Seventh Amendment, 126 U. Pa. L. Rev. 1281, 1282 (1978). This locution arguably traces back to the following dictum in Murray’s Lessee v. Hoboken Land & Improvement Co., 59 U.S. (18 How.) 272 (1856):

[T]here are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial
day, the Supreme Court continues to refer to “the ‘public rights’ category of cases” when discussing doctrines about administrative adjudication.39

The problem with this way of talking is that the distinction between public and private rights is a way of classifying legal interests, not entire cases. In Atlas Roofing, for instance, public rights were indeed at stake on one side—but because the government was imposing monetary sanctions, private property rights were at stake on the other side. A case that pits public rights against private rights is no more a “public rights case” than it is a “private rights case,” and the idea that it must be classified as one or the other is bound to make the traditional doctrine seem hopeless.40

To see the clunkiness of the modern vocabulary, consider the standard criminal case. As leading commentators observe, “[c]riminal cases have always been treated as ‘private rights’ cases, . . . and there seems to be no doubt that an administrative agency may not directly impose criminal punishments.”41 But criminal cases have the same structure as the dispute in Atlas Roofing: again, public rights (represented by the prosecutor) are pitted against the defendant’s rights to life, liberty, or property.42 It is arbitrary to call this structure a “private rights case” in one context and a “public rights case” in the other.

The way out of this puzzle is to think more granularly about the legal interests at stake in these cases, and about who is in charge of those interests. If someone violates a federal criminal statute, Congress can surrender the relevant public rights without going to court; Congress can simply repeal the statute retroactively. By the same token, Congress can put prosecutors in the executive branch in charge of whether to bring charges and whether to accept

determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.


40 See, e.g., Paul M. Bator, The Constitution as Architecture: Legislative and Administrative Courts Under Article III, 65 IND. L.J. 233, 246-51 (1990) (concluding that the category of “public rights cases” is “so manipulable” as to be “meaningless”).

41 FALLON ET AL., supra note 39, at 358.

42 See Nelson, supra note 2, at 605.
a plea bargain on behalf of the public. Indeed, the Constitution itself empowers the President to grant a pardon even after a defendant has been convicted. But while the political branches are in charge of the public rights at stake in a criminal prosecution, they cannot unilaterally dispose of the defendant’s private rights. Just as Congress cannot itself make a binding determination of guilt and authoritatively sentence a defendant to prison, neither can Congress authorize an agency in the executive branch to do so. Under the framework that prevailed in the nineteenth century, the same would have been true in cases like Atlas Roofing. While Congress could have denied certain “privileges” to a defendant based on an administrative determination of wrongdoing, the monetary penalties in Atlas Roofing operated against the employer’s property rights and therefore would have required an opportunity for proceedings in a true court—and the appellate-style review authorized by Congress probably would not have been good enough.

### II. WHERE DO “FRANCHISES” FIT?

In my initial article describing the nineteenth-century framework, I lumped so-called “franchises” together with “privileges.” Others have now done the same. But while I stand by the rest of my taxonomy, my reference to “franchises” was too casual. It is true that what nineteenth-century lawyers called “franchises” were granted by the government, and legislatures had broad discretion over whether to grant them and to whom; generally speaking, no one had a vested right to obtain a franchise in the first place. It is also true that states and the federal government issued franchises to serve public ends, and that franchises were subject to correspondingly more public regulation than other enterprises. Once granted, though, many legal interests that were called “franchises” could amount to vested rights under the nineteenth-century framework.

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44 See Nelson, supra note 2, at 604 n.189 (arguing that Atlas Roofing misused precedents such as Oceanic Steam Navigation Co. v. Stranahan, 214 U.S. 320 (1909)); id. at 602-05 (concluding that Atlas Roofing “made significant inroads upon the traditional framework,” though noting that those inroads are limited in two ways: (1) Atlas Roofing does not apply to the standard criminal case in which life or liberty is at stake and (2) even when public rights are pitted against vested property rights, Atlas Roofing probably applies only where Congress has authorized appellate-style review in a true court).
45 Id. at 567.
A. “Franchises” in the English Legal Tradition and in Nineteenth-Century America

In the English legal tradition, the term “franchise” was tied up with the royal prerogative—a concept that defies easy summary but that embraced various powers, immunities, and other perquisites belonging to the king.47 Some aspects of the prerogative were nondelegable (meaning that the king could not confer them upon anyone else),48 but the king could give or sell others to people of his choosing. The interests created by such royal grants were called “franchises.” Thus, Blackstone defined a “franchise” as “a royal privilege, or branch of the king’s prerogative, subsisting in the hands of a subject.”49 Elaborating on this definition in the 1790s, Stewart Kyd explained that “the word ‘franchise’ means a royal privilege in the hands of a subject, by which he either receives some profit, or has the exclusive exercise of some right.”50

Because the king’s prerogative covered myriad topics, Blackstone observed that “[t]he kinds of [franchises] are various, and almost infinite.”51 The word “franchise” derived from a French term for “liberty,”52 and it had long been used to refer to diverse exemptions that the king could confer upon a subject—such as exemptions from taxation, or from obligations of personal

47 The prerogative has been understood in different ways at different times. See W.S. Holdsworth, The Prerogative in the Sixteenth Century, 21 COLUM. L. REV. 554, 554-62 (1921) (observing that “[d]uring the Tudor period . . . there was . . . a great development of legal doctrine as to the position of the king and as to the nature and extent of his prerogative,” and summarizing some of the key ideas); see also Edward Gerald Gingold, The Seventeenth Century Constitutional Crises: Causes and Consequences, 25 CHITTY’S L.J. 191, 191 (1977) (describing “the nature and limits of the royal prerogative” as “the central issue” in the crises of the seventeenth century). For discussion of the prerogative as of the mid-eighteenth century, see 1 WILLIAM BLACKSTONE, COMMENTARIES *240 (subdividing the king’s prerogatives into “such as regard, first, the king’s royal character; secondly, his royal authority; and, lastly, his royal income”); id. at *240-80 (covering the first two categories); id. at *281-337 (covering the third category); see also Julian Davis Mortenson, Article II Vests Executive Power, Not the Royal Prerogative, 119 COLUM. L. REV. 1669, 1223-28 (2009) (summarizing Blackstone’s list of the varied powers and privileges that the king enjoyed under the rubric of the prerogative). For discussion of the prerogative today, see generally GAIL BARTELLT & MICHAEL EVERETT, HOUSE OF COMMONS LIBRARY, BRIEFING PAPER NO. 93861: THE ROYAL PREROGATIVE (2007), https://researchbriefings.files.parliament.uk/documents/SN093861/SN093861.pdf [https://perma.cc/5GQJ-LDWF].

48 See Holdsworth, supra note 47, at 558-59.

49 1 WILLIAM BLACKSTONE, COMMENTARIES *37. Henry Finch had provided essentially the same definition a century and a half earlier. See HENRIE FINCH, NOMOTEXNIA 38b (London, Society of Stationers 1613); see also JOSEPH ASBURY JOYCE, A TREATISE ON FRANCHISES 1-2 (1909) (noting that Finch’s definition was “adopted and followed substantially by Blackstone, Chitty, and Cruise” (footnotes omitted)).

50 1 STEWART KYD, A TREATISE ON THE LAW OF CORPORATIONS 14 (London, J. Butterworth 1793); see also id. (noting that the word “franchise” was sometimes used in a broader sense to encompass “every political right which can be enjoyed or exercised by a freeman,” including “the right of voting at elections” and “the right of being tried by a jury,” but endorsing the narrower definition).

51 1 WILLIAM BLACKSTONE, COMMENTARIES *37; accord FINCH, supra note 49, at 39a.

52 Franchise, OXFORD ENGLISH DICTIONARY (3d ed. 2009); cf. 1 WILLIAM BLACKSTONE, COMMENTARIES *37 (“Franchise and liberty are used as synonymous terms . . . ”).
service, or from restrictions on hunting in the king's forests. But the word was also used to refer to more affirmative rights and powers that the king could grant, including the power to levy and collect certain types of taxes or tolls and rights in property that otherwise would go to the king. Likewise, Blackstone observed that “[i]t is . . . a franchise for a number of persons to be incorporated, and subsist as a body politic, with a power to maintain perpetual succession and do other corporate acts.”

After the United States became independent, American lawyers continued to use the word “franchise,” but they recast it to avoid references to the king's prerogative or to royal grants. Writing for a majority of the Supreme Court in 1839, for instance, Chief Justice Roger Taney defined franchises as “special privileges conferred by government upon individuals, and which do not belong to the citizens of the country, generally, of common right.” He added: “It is essential to the character of a franchise that it should be a grant from the sovereign authority, and in this country no franchise can be held which is not derived from a law of the state.”

James Kent’s Commentaries on American Law provided both a similar definition (“certain privileges conferred by grant from government, and vested in individuals”) and a similar account of how franchises were created (in the United States, “whoever claims an exclusive privilege . . . must show a grant from the legislature”).

Kent emphasized that many of the categories of franchises granted in England had no relevance in the United States. In his words, “Corporations, or bodies politic, are the most usual franchises known in our law.” But apart from granting the franchise of corporate status, legislatures also conferred various other special privileges upon individuals or entities that proposed to serve the public in some special respect. For instance, although private people normally were

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54 See id. at 562-63 (listing “[f]iscal powers” as another category of thirteenth-century franchises). Early on, even the power to hold courts that would administer justice (and enable the franchisee to collect fees and fines) was a type of “franchise” that the king might grant. See id. at 563-72; cf. Naomi D. Hurnard, The Anglo-Norman Franchises (pts. 1 & 2), 64 ENG. HIST. REV. 289, 433 (1949) (arguing that Maitland exaggerated the extent to which franchise courts were authorized to hear serious criminal cases).

55 See 2 WILLIAM BLACKSTONE, COMMENTARIES *37 (listing the rights to “waifs, wrecks, estrays, treasure-trove, royal fish, forfeitures, and deodands” as “franchises” that the king might grant).

56 Id. But see 1 KYD, supra note 50, at 15 (arguing that under Kyd's preferred definition, “a corporation cannot be called a franchise” because the status of incorporation was not an estate or inheritance that “may be granted and conveyed from one to another”).

57 Bank of Augusta v. Earle, 38 U.S. (13 Pet.) 319, 595 (1839); see also JOYCE, supra note 49, at 5 (“This definition has been extensively quoted or adopted and relied upon as an authority by the courts . . . .”).


59 3 JAMES KENT, COMMENTARIES ON AMERICAN LAW 366 (New York, O. Halsted 1828).

60 Id.
not allowed to obstruct the public right of navigation along a river, a private company might be granted the franchise of building and maintaining a bridge over the river (and collecting a charge from users). On similar principles, the government might grant private individuals or entities the franchise of operating a ferry to transport members of the public across the river for a fee. Likewise, an early twentieth-century treatise about franchises observed that utility companies might be authorized “to dig up the streets of a city or town” and to lay water or gas lines for the purpose of supplying residents, and transit companies might be authorized “to construct and operate a street railway.” In Kent’s locution, all these grants were “franchises.”

Admittedly, nineteenth-century courts and commentators used the word “franchise” in various ways, and they did not always give it a clear definition. Still, the definitions offered by Chief Justice Taney and Chancellor Kent persisted throughout the century. Both judicial opinions and treatises defined a “franchise” as “a privilege or authority vested in certain persons by grant of the sovereign . . . to exercise powers, or to do and perform acts which without such grant they could not do or perform.”

In contrast to powers that people could exercise simply as a matter of private right, the privileges or authorities conferred by franchises were said to be “of a public nature” in the sense that they “cannot be legally exercised without legislative grant.” As a condition of receiving the grant, moreover, franchisees often promised to perform “important duties of a public character.” As we shall see, though, franchisees who were living up to their end of the bargain were thought to enjoy private rights in their franchises. In the words of one court,

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62 See JOYCE, supra note 49, at 45-46.
63 Id. at 41-43, 48-50.
64 See KENT, supra note 59, at 367 (“Special privileges conferred upon towns and individuals in a variety of ways, and for numerous purposes, having a connexion with the public interest, are franchises.”).
65 See, e.g., Morgan v. Louisiana, 93 U.S. 217, 223 (1876) (“Much confusion of thought has arisen in this case and in similar cases from attaching a vague and undefined meaning to the term ‘franchises.’”); City of Bridgeport v. N.Y. & New Haven R.R. Co., 36 Conn. 255, 266 (1869) (“The term ‘franchise’ has several significations and there is some confusion in its use.”); City of Potwin Place v. Topeka Ry. Co., 33 P. 309, 310 (Kan. 1893) (“The term ‘franchise’ seems to be used by the courts with much laxity.”); see also JOYCE, supra note 49, at 1-14 (canvassing definitions).
66 Tuckahoe Canal Co. v. Tuckahoe & James River R.R. Co., 38 Va. 42, 75-76 (1840); accord, e.g., JOHN LEWIS, A TREATISE ON THE LAW OF EMINENT DOMAIN IN THE UNITED STATES 181 (Chicago, Callaghan & Co. 1888).
The grant of a franchise is in the nature of a vested right of property. . . . So long as the grantee fulfills the conditions and performs the duties imposed upon him by the terms of the grant, he has a vested right which cannot be taken away, or otherwise impaired by the Government, any more than other property.69

B. Corporate Franchises

1. The Distinction Between Public and Private Corporations

As we consider where franchises fit in doctrines about vested rights, we can start with what Kent identified as the most common franchise known to American law—the grant of corporate status. By the 1810s, the Supreme Court had begun to articulate doctrines that shaped discussion of this topic for the rest of the nineteenth century and beyond.

The process started in Terrett v. Taylor, where the Court (through Justice Story) drew a sharp distinction between “public corporations” and “private corporations.”70 Although both types of corporations owed their existence to the legislature, Justice Story indicated that the doctrine of vested rights treated them differently once they had been created. In Justice Story’s telling, “public corporations which exist only for public purposes, such as counties, towns, cities, &c.,” did not have vested rights in their charters; even after a state legislature had created a public corporation, the legislature normally could resume some or all of the political powers that the legislature had initially granted.71 By contrast, “the principles of natural justice, . . . the fundamental laws of every free government, . . . the spirit and the letter of the constitution of the United States, and . . . the decisions of most respectable judicial tribunals” all cut against the idea that the legislature could unilaterally repeal the charter of a private corporation and direct the disposition of the corporation’s property.72 Of course, the common law recognized some grounds for the forfeiture of corporate charters; a private

69 Id.
70 13 U.S. (9 Cranch) 43, 51-52 (1815).
71 See id. at 52. Although Story asserted that “the legislature may, under proper limitations, have a right to change, modify, enlarge or restrain” public corporations, he suggested that the legislature needed to “securn[e] . . . the property” held in the name of these corporations “for the uses of those for whom and at whose expense it was originally purchased.” Id.; cf. HENDRIK HARTOG, PUBLIC PROPERTY AND PRIVATE POWER: THE CORPORATION OF THE CITY OF NEW YORK IN AMERICAN LAW, 1730–1870, at 7-18 (1983) (noting that although nineteenth-century authors distinguished between the “political power” and the “property rights” that had been granted to New York City, the city’s charter did not itself draw this distinction, and even the regulatory powers granted by the charter arguably “came to the corporation as private property”).
72 See Terrett, 13 U.S. (9 Cranch) at 52.
corporation could act in such a way as to lose its right to exist. But Justice Story implied that legislatures could not authoritatively declare, by statute, that such a forfeiture had occurred. Consistent with the idea that vested rights were at stake, “a judicial judgment” was necessary.74

A few years later, the same concepts played central roles in the famous Dartmouth College case.75 In 1769, the governor of the province of New Hampshire (acting in the king’s name) had issued a charter establishing the Trustees of Dartmouth College as a “body corporate and politic.”76 The charter gave the Trustees various corporate powers, including the authority to select successor trustees.77 In 1816, however, the New Hampshire state legislature enacted statutes increasing the number of trustees by nine (who would be appointed by the state’s governor and executive council) and requiring various important decisions to be approved by a new board of overseers (filled mostly with appointees of the governor and executive council).78 The old trustees went to court to challenge the validity of these statutes.

The New Hampshire Superior Court, which upheld the statutes, began its analysis by observing that “corporations may be divided into public and private.”79 In the state court’s telling, for-profit corporations that were operated at least partly for the benefit of private shareholders were private corporations, and the franchises and property of such corporations could amount to vested private rights.80 But the Trustees of Dartmouth College did not fit this template; its franchises were to be exercised for the purpose of education (a “matter of public concern”), and the individual trustees who were resisting the legislature’s changes lacked “any private interest in the property of this institution.”81 For these and other reasons, the court...
concluded that the Trustees of Dartmouth College should be regarded as a public corporation. According to the court, moreover, nothing in either the State or the Federal Constitution prevented the legislature from revising the charter of such an entity. In the court’s words, “All public interests are proper objects of legislation; and it is peculiarly the province of the legislature, to determine by what laws those interests shall be regulated.”

When the case reached the U.S. Supreme Court, Daniel Webster (representing the old trustees) acknowledged that “[s]ome corporations are for government and political arrangement,” and “[t]hese may be changed and modified as public convenience may require” (assuming that property rights were respected). According to Webster, though, the state court had defined this category of corporations too broadly. Rather than being a public corporation that remained subject to legislative interference, Dartmouth College was properly regarded as a private eleemosynary corporation—a charity rather than a for-profit entity, but one that had been established “for the management of private property, according to the will of the donors,” and one whose corporate franchises “are as inviolable as any vested rights of property whatever.” In Webster’s words, “Whether the State will grant these franchises, and under what conditions it will grant them, it decides for itself. But when once granted, the constitution holds them to be sacred, till forfeited for just cause.”

In keeping with the general doctrine of vested rights, moreover, Webster added that the legislature could not conclusively declare such a forfeiture: “Corporate franchises can only be forfeited by trial and judgment,” and a legislature that sought to rescind a franchise by statute would be “assum[ing] to exercise a judicial power.”

Of course, the Federal Constitution says little about separation of powers at the state level—and while the Fifth Amendment forbids the federal government to deprive any person of life, liberty, or property without “due process of law,” the Federal Constitution did not impose a similar restriction on the states until the Fourteenth Amendment was ratified in 1868. At the time of Dartmouth College, the primary restrictions on a state legislature’s ability to abrogate vested private rights were found in state constitutions. Webster argued at length that the statutes in question violated New

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82 Id. at 119-20.
83 Id. at 120-21.
85 See id. at 562-76.
86 Id. at 573.
87 Id. at 560, 579.
88 U.S. CONST. amend. V. On the longstanding connection between the idea of “due process of law” and the separation of powers, see Nathan S. Chapman & Michael W. McConnell, Due Process as Separation of Powers, 121 YALE L.J. 1672 (2012); see also Nelson, supra note 2, at 569 n.42 (citing additional sources).
Hampshire's constitution, but he conceded that the U.S. Supreme Court did not have jurisdiction to reverse the state court's judgment on that basis; the "single question" was "whether these acts are repugnant to the constitution of the United States."  

On that topic, Webster pointed to the Contract Clause of the Federal Constitution (which says that "[n]o State shall . . . pass any . . . Law impairing the Obligation of Contracts") in Fletcher v. Peck, the Supreme Court had already held that this clause prevents states from impairing a private person's rights not only under contracts with another private person, but also under contracts with the state itself. Fletcher had also established that a grant conferred by statute could sometimes give rise to such a contract—and if it did, the Contract Clause would limit the state legislature's power to repeal or amend that statute. Admittedly, the contract at issue in Fletcher was the sort of contract that could be made between purely private parties—a sales contract about the transfer of land upon payment of the purchase price. But in the

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90 Id. at 557 (acknowledging "the limits which bound the jurisdiction of the Court in this case"); see Judiciary Act of 1789, ch. 20, § 25, 1 Stat. 73, 85-87 (describing the Supreme Court's appellate jurisdiction over cases from the state courts).
91 U.S. CONST. art. I, § 10.
92 10 U.S. (6 Cranch) 87, 137-39 (1810).
93 In 1795, the legislature of the state of Georgia had enacted a statute selling four huge tracts of public land to four private companies for a total of half a million dollars. See C. Peter Magrath, Yazoo: Law and Politics in the New Republic 7 (1966); Act of Jan. 7, 1795, 1794–1795 Ga. Laws 1. Technically speaking, the statute did not itself grant the land, but it directed the governor to do so upon proof that the first installment of the purchase price had been paid. See id. at 3-6. The purchasers did indeed pay the money and the governor granted the land. Soon, though, it emerged that the four companies had allowed legislators who supported the statute to buy shares in the companies on favorable terms, and the state was engulfed in accusations of corruption. See Charles F. Hobson, The Great Yazoo Lands Sale: The Case of Fletcher v. Peck 38-40 (2016). In 1796, after elections had "largely purged [the legislature] of those who had succumbed to the bribes," Magrath, supra, at 12, the new legislature enacted a statute purporting to declare that the earlier statute was "null and void," that all grants derived from it were also void, and that the land described in the earlier statute belonged to the state. See Act of Feb. 13, 1796, 1796 Ga. Laws 1, 5; see also id. (providing for good measure that the enrolled version of the earlier statute "shall . . . be publicly burnt, in order that no trace of so unconstitutional, vile and fraudulent a transaction, other than the infamy attached to it by this law, shall remain in the public offices thereof"); Hobson, supra, at 53-54 (reporting that this ceremony occurred two days later). But in Fletcher v. Peck, the Supreme Court held that this new statute violated the Contract Clause. 10 U.S. (6 Cranch) at 136-39 (reasoning that the earlier statute amounted to a contract that was performed when the governor granted the land, and the state legislature could not validly unwind the legal effect of that transaction). To be sure, a party to a conveyance sometimes could obtain rescission by proving fraud in court (subject to the need to protect the rights of innocent third parties). See id. at 133. But the legislature could not simply enact a statute making its own findings of fraud and authoritatively declaring that the land still belonged to the state.
Dartmouth College case, Webster argued that a charter granting corporate powers, when accepted, “is as much a contract as a grant of land.”94 Writing for the Supreme Court, Chief Justice Marshall agreed that “[i]t can require no argument to prove[,] that the circumstances of this case constitute a contract.”95 Marshall rattled off the circumstances that he had in mind:

An application is made to the crown for a charter to incorporate a religious and literary institution. In the application, it is stated that large contributions have been made for the object, which will be conferred on the corporation, as soon as it shall be created. The charter is granted, and on its faith the property is conveyed. Surely in this transaction every ingredient of a complete and legitimate contract is to be found.96

Like Webster and Story, Marshall emphasized that the Contract Clause did not prevent states from reorganizing “their [own] civil institutions, adopted for internal government”97—the entities that Story had called “public corporations.”98 In Marshall’s words,

If the act of incorporation be a grant of political power, if it create a civil institution to be employed in the administration of the government, or if the funds of the college be public property, or if the State of New-Hampshire, as a government, be alone interested in the transactions, the subject is one in which the legislature of the State may act according to its own judgment, unrestrained by any limitation of its power imposed by the constitution of the United States.99

According to Marshall, however, matters were different “if this be a private eleemosynary institution.”100 Ultimately, the Supreme Court did indeed classify the Trustees of Dartmouth College as private rather than public—with the result that the Contract Clause prevented the state legislature from either repealing its charter or making a “violent alteration in [the charter’s] essential terms.”101

Marshall’s opinion for the Court confined itself to “the circumstances of this case” and did not explicitly assert that the charters of all private corporations amounted to contracts with the state. In an influential

95 Id. at 627 (Marshall, C.J.).
96 Id.; see also id. at 643-44 (“This is plainly a contract to which the donors, the trustees, and the crown, (to whose rights and obligations New-Hampshire succeeds,) were the original parties.”).
97 Id. at 629.
99 Dartmouth Coll., 17 U.S. (4 Wheat.) at 630-40; see also id. at 658 (referring to the legislature’s “right to change” these civil institutions, which were but “the instruments of government”).
100 Id. at 630.
101 Id. at 650-54.
concurring opinion, though, Justice Story appeared to take that position. To be sure, Story thought that the government enjoyed ongoing control over whatever public corporations it created.\(^1\) For purposes of this doctrine, though, Story defined the category of “public” corporations narrowly, to include only those corporations whose “whole interests and franchises” belonged exclusively to the government.\(^2\) Once the government had issued a charter to a private corporation, moreover, Story thought it “perfectly clear” that the legislature could not unilaterally abrogate the franchises that the charter had granted. In Story’s words,

> [A]ny act of a legislature which takes away any powers or franchises vested by its charter in a private corporation or its corporate officers, or which restrains or controls the legitimate exercise of them, or transfers them to other persons, without its assent, is a violation of the obligations of that charter. If the legislature mean to claim such an authority, it must be reserved in the grant.\(^3\)

2. Was Justice Story Making Things Up?

Historians agree that at the time of these opinions, neither the distinction between public and private corporations nor its constitutional significance was as well settled as Justice Story suggested.\(^4\) Indeed, Professor Morton Horwitz has spoken of “the entirely novel separation between public and private corporations in the Dartmouth College Case,” which Justice Story allegedly promoted in order “to free the newly emerging business corporation from the regulatory public law premises that had dominated the prior law of corporations.”\(^5\) Other scholars, however, see the matter less starkly.\(^6\) I am

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\(^{102}\) See id. at 671-72 (Story, J., concurring).

\(^{103}\) Id.; see also id. at 668-69 ("[S]trictly speaking, public corporations are such only as are founded by the government for public purposes, where the whole interests belong also to the government.").

\(^{104}\) Id. at 712; see also id. at 700 ("In respect to corporate franchises, they are, properly speaking, legal estates vested in the corporation itself as soon as it is in esse.").


\(^{107}\) See Newmyer, supra note 105, at 833 ("The distinction between public and private corporations was not new with the Dartmouth College case; nor, contrary to the impression given by Story’s concurring opinion, was it an established doctrine in American law."); Joan Williams, The Development of the Public/Private Distinction in American Law, 64 Tex. L. Rev. 225, 240 (1985) (reviewing Hartog, supra note 71) (noting that “the basic structure of Story’s categories derived from New England traditions,” but arguing that “Story exaggerated both the immunity of private corporations from sovereign power and the vulnerability of public corporations to that power”); cf.
inclined to think that Story’s position was neither inevitable nor illegitimate: it was not the only possible way of understanding the constitutional status of corporate franchises, but it also did not conflict with a determinate original meaning or a prior consensus.

a. The Concept of “Public” Corporations

As many commentators have observed, the taxonomies of corporations found in leading English works of the eighteenth and early nineteenth centuries did not classify corporations according to whether they were public or private.108 English authors contrasted corporations that consisted of just one person at a time (“corporations sole”) with those that consisted of many people (“corporations aggregate”), and they contrasted “ecclesiastical” corporations with “lay” corporations.109 Within the category of lay corporations, they distinguished “eleemosynary” corporations from other corporations (which they called “civil” corporations).110 But their system of classification did not draw Story’s public/private distinction.

Some English cases did draw such a distinction for certain purposes.111 Story himself emphasized Philips v. Bury, where Lord Chief Justice Holt had contrasted corporations “[f]or publick government” with those “[f]or private charity.”112 As commentators have observed, though, Lord Holt’s opinion was simply about judicial review of decisions made by the “visitor” of a college,113

Gerald E. Frug, The City as a Legal Concept, 93 HARV. L. REV. 1057, 1082, 1100 (1980) (observing that “before the nineteenth century, there was no distinction in England or in America between public and private corporations,” but adding that this distinction “was not purely a legal invention” and “had been generally emerging since the American Revolution”).


109 See, e.g., 1 WILLIAM BLACKSTONE, COMMENTARIES *469-70; see also The Dartmouth College Case, supra note 105, at 216-17 (citing numerous English authors).

110 See The Dartmouth College Case, supra note 105, at 216-17 (noting this taxonomy in the works of Blackstone, Kyd, Wooddeson, and Chitty, among others).

111 See, e.g., Cudden v. Estwick (1704) 90 Eng. Rep. 1138, 1139 (K.B.) (contrasting by-laws made by “a private corporation or company,” which bind only “their own members,” with those made by “a great city or borough,” which can also bind “strangers”).


113 The Bishop of Exeter had removed the rector of a college over which the bishop was the visitor. In Philips, Lord Holt opined that the courts could not second-guess the bishop’s decision; because the college was a corporation for private charity rather than for public government, the decision that there were grounds for removal lay within the visitor’s jurisdiction and could not be collaterally attacked in the royal courts. See id. at 470-71; accord, e.g., Parkinson’s Case (1689) 90 Eng. Rep. 393, 394 (K.B.) (Holt, C.J.).
and the fact that a public/private distinction mattered to that topic did not necessarily support Story’s broader conclusions.\textsuperscript{114}

Of course, even if Story exaggerated the distinction between public and private corporations, it need not follow that he was wrong about the inviolability of corporate charters. According to Lieutenant Warren Hunting, English authorities from the second half of the eighteenth century and the first half of the nineteenth century indicated that “as between the Crown and the recipients of its grants of corporate powers, the charter became a private, vested right.”\textsuperscript{115} As a historical matter, Lieutenant Hunting suggested, Story’s position might simply have been too narrow: “[T]he very precedents [Story] cited to prove that the charters of private corporations were regarded as private property applied equally to public corporations.”\textsuperscript{116}

Hunting focused specifically on the charters of England’s “boroughs”—incorporated entities that wielded powers of local government. In Hunting’s words, “the doctrines that the Crown could not interfere with a charter once granted, and that charters were franchises, applied to borough charters as well as to the charters of other kinds of corporations.”\textsuperscript{117} As various scholars have explained, however, England’s boroughs were not easy to characterize as public or private.\textsuperscript{118} They originated in feudal times, when control over land went along with governmental powers,\textsuperscript{119} and they blended what Frederic Maitland called "ownership" and "rulership."\textsuperscript{120}

\begin{footnotesize}
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\item[\textsuperscript{114}] See The Dartmouth College Case, supra note 105, at 220 (arguing that Lord Holt’s discussion was “limited to the subject of visitation then under consideration”); see also HUNTING, supra note 105, at 74 ("We agree . . . with Mr. Hill that Phillips v. Bury does not warrant the conclusion which Story drew from it . . . .")
\item[\textsuperscript{115}] HUNTING, supra note 105, at 65. The idea that corporate charters were vested as against the Crown did not protect them against abrogation by Parliament; given theories of parliamentary supremacy, a statute abrogating a corporate charter presumably would have had legal effect. Still, such a statute might have been regarded as a breach of faith—and hence something that America’s written constitutions might prevent legislatures from doing. See id. at 71 (acknowledging that “Kyd and Blackstone did seem to consider it necessary to assert that corporations could be dissolved by an act of Parliament,” but expressing uncertainty about whether they reached this conclusion simply “by virtue of [Parliament]’s omnipotence”); cf. Frug, supra note 107, at 1094 (“At the time of the American Revolution, . . . corporate liberty was protected against royal attack, but the extent of its vulnerability if Parliament became hostile remained unresolved.”).
\item[\textsuperscript{116}] HUNTING, supra note 105, at 75.
\item[\textsuperscript{117}] Id.; cf. Frug, supra note 107, at 1092-94 (recounting Charles II’s successful attack on London’s charter in the 1680s, but noting that “the immunity of corporate charters from royal abrogation was reestablished” after the Glorious Revolution).
\item[\textsuperscript{118}] See, e.g., Joan C. Williams, The Invention of the Municipal Corporation: A Case Study in Legal Change, 34 AM. U. L. REV. 369, 380 (1985) (“In the late middle ages . . . when the traditional set of borough powers was defined, no sharp distinction between public and private as yet existed. Boroughs, therefore, exhibited a characteristically feudal mixture of public and private roles.”).
\item[\textsuperscript{119}] See id. at 374-80.
\item[\textsuperscript{120}] FREDERIC WILLIAM MAITLAND, TOWNSHIP AND BOROUGH 11-12, 30-31 (Cambridge, Cambridge Univ. Press 1898), quoted in Frug, supra note 107, at 1087 n.106; see also HUNTING, supra
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In colonial America, New York City had a written charter along the lines of an English borough, and so did a few other municipalities. Professor Hendrik Hartog (author of the leading modern work on this topic) notes that New York City’s corporate charter gave the city a diverse array of legal interests, including an exclusive ferry franchise, title to a great deal of land, and “what might be seen as a hodgepodge of public governmental powers.” At first, Professor Hartog reports, people would not have sought to classify these interests as either public or private. Indeed, such classification might have been difficult, because the corporation used its property rights as part of a strategy of governance. By the early nineteenth century, though, that technique was fading, and people had begun to contrast the city’s proprietary rights with its governmental powers. Consistent with hints in Justice Story’s concurring opinion in Dartmouth College, the 1840 edition of Kent’s Commentaries indicated that while municipal corporations did not have vested rights in their political powers, their property was different: “Grants of property and of franchises coupled with an interest, to public or political corporations, are beyond legislative control, equally as in the case of the property of private corporations.” In 1865, however, New York’s highest note 105, at 83 (“At the time of which we are speaking, society was based upon the feudal system. The land was full of franchises. Political and proprietary rights were everywhere commingled, but commingled in such a way that the proprietary side was by far the more conspicuous.”).  

121 See HARTOG, supra note 71, at 14-19, 25-30 (tracing New York’s various charters, which culminated in the Montgomerie Charter of 1730).  

122 See 1 DAVIS, supra note 76, at 50-60 (concluding that roughly two dozen corporations of this sort were created, of which “sixteen or seventeen survived until the Revolution”); cf. HARTOG, supra note 71, at 22-23 (cautioning against treating these corporations as identical, and emphasizing that charters contained distinctive grants and created different entities). More municipal charters were issued after independence. See Pauline Maier, The Revolutionary Origins of the American Corporation, 50 WM. & MARY Q. 51, 67 (1993). Still, the entities that they created did not necessarily have the same status as England’s ancient boroughs. Cf. Alabama v. Mayor of Mobile, 5 Port. 279, 285-86 (Ala. 1837) (argument of counsel) (arguing that the city of Mobile is a “public corporation” that is “under the control and power of the State government,” and contrasting it with “some of the municipal authorities” in Europe, which “have rights of great antiquity, and of a different nature from any in this State”).  

123 HARTOG, supra note 71, at 15-17.  

124 See id. at 18-20.  

125 See id. at 50-54 (discussing the city’s practice of granting waterfront property to individuals on condition that they build streets and the like).  

126 See id. at 17-18; see also id. at 113-14 (inferring from property grants made by the city in the early 1790s that “city leaders were learning to distinguish the public from the private self of the corporation”); id. at 119 (“The legal significance of the distinction discovered between the property rights and the governmental powers of the corporation was first explored in the case of Mayor v. Scott, decided in 1804.”); id. at 225-29 (discussing the evolution of that distinction in Bailey v. Mayor of New York, 3 Hill 531 (N.Y. Sup. Ct. 1842)).  

127 See supra note 71 and accompanying text.  

128 JAMES KENT, COMMENTARIES ON AMERICAN LAW *706 n.h (4th ed. 1840); see also MURRAY HOFFMAN, A TREATISE UPON THE ESTATE AND RIGHTS OF THE CORPORATION OF
whether there has been an existing distinction in this opinion, between banks, and other corporations dissolve corporations, possessing the privileges indicated by the emblem of a common seal" trying to predict what courts would say, he observed that "the public opinion is, and so far as I beyond the control of the legislature

investors but was authorized to issue banknotes with the state

this pamphlet to advocate repealing the charter of the Massachusetts Bank, which Sullivan grouped

in which Massachusetts towns were corporations). This pri

of property thus held by the city and the proprietary rights of natural persons or private corporations.

, How. Pr. 10, 16 (N.Y. Sup. Ct. 1882) ("I perceive no difference between the tenure

property to other public use than such as concerns the city, or its inhabitants"). But see Webb v. Mayor of New York, 64 How. Pr. 10, 16 (N.Y. Sup. Ct. 1882) ("I perceive no difference between the tenure of property thus held by the city and the proprietary rights of natural persons or private corporations. This privilege, however, is peculiar to the state to the city of New York."); cf. Comment, Municipal Water Systems—Are They Public or Private Property of the City?, 13 Yale L.J. 196, 196-97 (1904) (noting a split of authority across the United States on the question posed by the Comment’s title).


Williams, supra note 118, at 429 n.375.

THE PATH TO RICHES 57 (Boston, P. Edes 1792). Attorney General James Sullivan wrote this pamphlet to advocate repealing the charter of the Massachusetts Bank, which Sullivan grouped with towns rather than bridge companies. See id.; cf. OSCAR HANDLIN & MARY FLUG HANDLIN, COMMONWEALTH 100-01 (rev. ed. 1969) (describing the Massachusetts Bank, which had private investors but was authorized to issue banknotes with the state’s name and seal). But see Art. 9, 7 MONTHLY ANTHOLOGY & BOSTON REV. 187, 191-92 (1809) ("[T]he Massachusetts bank [is] beyond the control of the legislature . . . ”), cited in HANDLIN & HANDLIN, supra, at 153 n.74.

In 1802, Sullivan expressed more uncertainty about the legislature’s power over the bank. Without trying to predict what courts would say, he observed that “the public opinion is, and so far as I understand it, always has been, (that is for eighteen years past) that the legislature cannot, at pleasure dissolve corporations, possessing the privileges indicated by the emblem of a common seal”—and “[w]hether there has been an existing distinction in this opinion, between banks, and other corporations
not necessarily defeat Justice Story's suggestion that neither the Contract Clause nor the broader doctrine of vested rights protected what he called "public" corporations against control by the state legislature.

b. Vested Rights and "Private" Corporations

For many modern critics, the problem with Justice Story's position is not that he gave public corporations too little protection, but rather that he gave private corporations too much. According to one standard account, the reason eighteenth-century English authors did not distinguish public corporations from private corporations is that all corporations were regarded as public entities.133

That is true in some respects. Incorporation was not something that private people could do entirely on their own; corporate status required a "public grant."134 What is more, "such a grant was regarded as a special privilege to be extended only upon condition that the public interest would thereby be promoted"; to receive the benefit of incorporation, an entity needed to serve some public purpose.135 In eighteenth-century England, though, the Crown could not freely retract corporate charters after issuing them, and the extent to which Parliament could legitimately abrogate such charters was not clear.136 Thus, the public-regarding features of incorporation were not necessarily inconsistent with the idea that corporate charters could create vested private rights.

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133 For a full-throated articulation of this view, see Robbins, supra note 108; cf. Hendrik Hartog, Because All the World Was Not New York City: Governance, Property Rights, and the State in the Changing Definition of a Corporation, 1730–1860, 28 BUFF. L. REV. 91, 91-92 (1979) (referring to the "standard" view that "[u]ntil the early years of the 19th century, . . . all corporations were public institutions," though suggesting that this view is too simplistic and warning that "we do not know what it meant to be defined as a 'public' corporation in 18th century America").

134 Robbins, supra note 108, at 170.
135 Id.
136 See Frug, supra note 107, at 1094.
In any event, using English conceptions of the corporation to draw conclusions about American conceptions is potentially hazardous. What modern lawyers think of as the paradigmatic private corporation—the profit-seeking business corporation—was not common in eighteenth-century England. In Professor Pauline Maier’s words, “The British . . . virtually ceased to develop the corporation for business or profit-seeking purposes between the passage of the Bubble Act in 1720 and its repeal 105 years later . . . .”137 That was true in colonial America too,138 but it ceased to be true soon after independence.139 In the 1780s, states issued twenty-eight charters to business corporations,140 and the pace accelerated dramatically in the 1790s141 and

137 Maier, supra note 122, at 51. To be sure, business corporations had existed in England for centuries. See Ron Harris, Industrializing English Law: Entrepreneurship and Business Organization, 1720–1844, at 39 (2000) (“In the second half of the sixteenth century and during the seventeenth century, the corporation . . . increasingly began to be used . . . for profit-oriented organization of business.”); id. at 45 (“The first two decades of the seventeenth century can probably be characterized as the heyday of the initial age of the history of the business corporation.”). Even before the era of the Bubble Act, though, “the corporation went through a long decline.” Id. at 290; see also id. at 81 (“The Bubble Act was not as well defined a turning point as many have argued . . . .”). While some very well-known companies—including the East India Company and the Bank of England—operated in the corporate form throughout the eighteenth century, and while new corporations were also created, the corporation did not become the leading form of business organization in England until the mid-nineteenth century. See Handlin & Handlin, supra note 108, at 3 (“Throughout the whole of the eighteenth century England chartered some half-dozen corporations for manufacturing purposes, and hardly more in any other business sphere. Until well into the nineteenth century the corporation was used extensively only in the organization of canal companies.”); see also Harris, supra, at 33 n.27 (“Business corporations were mentioned only briefly in the major eighteenth-century treatise on corporations, written [by Stewart Kyd] in 1793–1794 . . . .”); cf. id. at 53 (noting the early rise of the East India Company and the Bank of England); id. at 95-100 (discussing the canal corporations of the 1760s and beyond). Ron Harris summarizes the situation in England this way: “The business corporation originated in the sixteenth century, acquired most of its features during the seventeenth and eighteenth centuries, and gained gradual legal recognition in the first half of the nineteenth century to become a major phenomenon in the economy by the late nineteenth century . . . .” Id. at 289-90.

138 See 1 Davis, supra note 76, at 48 (noting that “more than a dozen corporations” with charters granted in England had conducted operations in colonial America, and “[t]he large majority were dominated by business motives,” but “none of th[ose] business corporations had a continuous active existence of more than a score of years”); id. at 87 (“Business corporations which were colonial both in origin and in activity were few, and on the whole of no great importance.”).

139 See Maier, supra note 122, at 51-52.

140 See 2 Davis, supra note 76, at 22 (presenting a state-by-state, year-by-year tabulation). In addition to the charters issued by states, Congress also issued one charter (to the Bank of North America). See id. at 30. As Davis notes, some entities (including the Bank of North America) received charters from multiple states. See id. at 22, 30 (indicating that 22 distinct business corporations were created during the 1780s).

141 See id. at 22-23 (indicating that states issued 259 charters to business corporations in the 1790s, and Congress issued one more); cf. id. at 17-18 (noting that Massachusetts enacted a general incorporation statute for aqueduct companies in 1799, and Davis’s tables do not reflect whatever companies organized themselves under this statute).
beyond. With only slight exaggeration, Professor Kent Newmyer asserts that "[t]he business corporation was the unique creation of American lawmakers during the late eighteenth and early nineteenth centuries . . . ".  

In the 1780s, the two states that issued the most charters to business corporations were Virginia and Massachusetts. In the 1790s, Massachusetts surged into the undisputed lead, and other New England states also issued many such charters. Perhaps because of growing familiarity with business corporations, lawyers alluded to a distinction between public corporations and private corporations in two cases involving Virginia in 1801 and 1802, and the Supreme Judicial Court of Massachusetts is said to have acted upon that distinction later in the same decade. 

Admittedly, even business corporations were connected to public needs; state legislatures incorporated entities to serve specific public purposes, not to conduct business in general. But the idea that incorporation was granted

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142 See DODD, supra note 108, at 11 ("The chartering process went on even more rapidly after the turn of the century[.] . . . [B]y 1830 the New England states alone had created nearly 1900 business corporations . . . .").

143 R. KENT NEWMYER, JOHN MARSHALL AND THE HEROIC AGE OF THE SUPREME COURT 246 (2001); see also JOSEPH K. ANGELL & SAMUEL AMES, A TREATISE ON THE LAW OF PRIVATE CORPORATIONS AGGREGATE 35 (Boston, Hilliard, Gray, Little & Wilkins 1832) ("In no country have corporations been multiplied to so great an extent, as in our own . . . ."); JAMES WILLARD HURST, THE LEGITIMACY OF THE BUSINESS CORPORATION IN THE LAW OF THE UNITED STATES, 1780–1970, at 8 (1970) ("[W]hen we began making important use of the corporation for business in the United States from about 1780, there was little relevant legal experience on which to draw. For 100 years, we proceeded to use the corporate instrument on a scale unmatched in England.").

144 See id. at 112 (indicating that the states that issued the most charters to business corporations in the 1790s were Massachusetts [47], Connecticut [33], and New Hampshire [29]); see also Maier, supra note 122, at 53 ("Although the immediate post-Revolutionary surge in incorporations was not confined to any one region—Virginia, for example, chartered several important corporations for the development of inland navigation in the 1780s—New England, and above all Massachusetts, soon led the nation in creating corporations.").

145 Cf. HORWITZ, supra note 106, at 112 ("The distinction between public and private corporations, so prominent in Justice Story’s concurring opinion in Dartmouth College, was above all a response to the dramatic growth in the number of business corporations during the previous generation.").

146 See Virginia v. Howard, 28 F. Cas. 1224, 1225 (C.C.D.C. 1802) (No. 16,963) (argument of counsel) (contending, unsuccessfully, that a defendant could be criminally prosecuted for keeping a slaughterhouse in violation of a by-law of the corporation of Alexandria, and observing in this context that "[t]here is a difference between private and public corporations"); United States v. Bank of Alexandria, 24 F. Cas. 982, 983 (C.C.D.C. 1801) (No. 14,514) (argument of counsel) (noting that "[t]here are public corporations and private corporations," and arguing unsuccessfully that mandamus should not lie against the officers and directors of a private corporation).

147 See Dale A. Oesterle, Formative Contributions to American Corporate Law by the Massachusetts Supreme Judicial Court from 1806 to 1810, in THE HISTORY OF THE LAW IN MASSACHUSETTS: THE SUPREME JUDICIAL COURT, 1652–1992, at 136-40 (Russell K. Osgood ed., 1992); Williams, supra note 107, at 233. As Professor Williams notes, other New England courts also drew this distinction before the federal Supreme Court did so in Dartmouth College. See id. at 233-34.

148 Professor Hurst reports:
in consideration of benefits to the public coexisted with the idea that corporate charters could create vested private rights. Thus, in an 1806 case involving a company that had been incorporated to build a turnpike (with a right to collect tolls), the Supreme Judicial Court of Massachusetts famously observed that “the rights legally vested in this, or in any corporation, cannot be controled or destroyed by any subsequent statute, unless a power for that purpose be reserved to the legislature in the act of incorporation.” If anything, the fact that states granted corporate status as part of an arrangement to benefit the public may have contributed to the view that corporate charters amounted to contractual bargains between the public and the incorporators—an essential premise of the idea that such charters could trigger the protections of the Contract Clause.

Indeed, a prominent eighteenth-century lawyer (and future Supreme Court Justice) made statements along these lines about the very first business corporation created in the United States after independence—the Bank of North America, chartered by Congress in 1781 and by three states in 1782. In 1785, when the Pennsylvania legislature was considering a bill to repeal the charter that it had issued to the bank three years earlier, James Wilson protested that the legislature “surely” did not have “the same discretionary

Of the 317 separate-enterprise special charters enacted from 1780 to 1801 in the states, nearly two-thirds were for enterprises concerned with transport (inland navigation, turnpikes, toll bridges); another 20 per cent were for banks or insurance companies; 10 per cent were for the provision of local public services (mostly water supply); less than 4 per cent were for general business corporations.

HURST, supra note 143, at 17; see also Maier, supra note 122, at 80 (observing that well into the nineteenth century, it was assumed that “even ‘private’ corporations had to serve a public function”).

190 Wales v. Stetson, 2 Mass. (2 Tyng) 143, 146 (1806).

191 See Bruce A. Campbell, John Marshall, the Virginia Political Economy, and the Dartmouth College Decision, 19 AM. J. LEGAL HIST. 40, 43, 61–63 (1975) (using language in Virginia’s constitution and in charters issued by the Virginia legislature to argue that “in Virginia the charter represented a bargain between the public and the corporation’s sponsors,” and suggesting that this view informed Chief Justice Marshall’s position in Dartmouth College).

A leading book asserts that in Massachusetts, “[t]he application of the contract conception to the relations between state and corporation seemed, as late as 1812, ‘too fanciful to need any observation.’” HANDLIN & HANDLIN, supra note 132, at 155 (quoting Brown v. Penobscot Bank, 8 Mass. (7 Tyng) 445, 448 (1812) (argument of counsel)). In context, though, the lawyer quoted in this passage may simply have been denying that the state had made the particular contractual agreement that the Penobscot Bank claimed, to the effect that the bank would never face special legal penalties for failing to pay its note-holders on time.

power of repeal" with respect to every type of statute. Wilson acknowledged that as "the Representatives of the community," legislators could be trusted with the power to repeal "a law respecting the rights and properties of all the citizens of the state." But that was not true of some other kinds of laws, including "[a] law to vest or confirm an estate in an individual" and "a law to incorporate a congregation or other society." Wilson explained that the act chartering the bank had created a new party with interests distinct from those of the community, and "[r]ules of justice, of faith, and of honor" needed to be observed between them. Foreshadowing the Supreme Court's conclusion in *Dartmouth College*, Wilson suggested that the statute incorporating the bank should "be considered as a compact" that the legislature either could not or at least should not abrogate.

Thomas Paine was even more explicit. In a pamphlet published in 1786, he observed that "[t]he charter of the Bank, or what is the same thing, the Act for incorporating it, is to all intents and purposes an Act of Negotiation and Contract, entered into, and confirmed, between the State on one part, and certain persons mentioned therein on the other part." According to Paine, such "a Contract, or a joint Act," was "an Act of a different kind" than "a law or Act of legislation," because the legislature could not unilaterally repeal it. Likewise, while "[t]he Bank may forfeit the charter by delinquency," the legislature could not simply decree or declare such a forfeiture; instead, "the delinquency must be proved and established by a legal process in a court of justice and trial by jury . . . ."

At least at first, the arguments advanced by Wilson and Paine did not carry the day; the Pennsylvania legislature repealed the bank's charter in

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154. Id.

155. Id.

156. Id. at 17.


158. Id. Thirty years later, Rep. John Sergeant of Pennsylvania took a similar point for granted during debates about the bill to charter the second Bank of the United States. Rep. Sergeant urged his colleagues to think carefully, because the bill "was not . . . an ordinary act of legislation which Congress might at their pleasure repeal." 29 Annals of Cong. 1075 (1816). By its terms, the charter would last for twenty years, and "there would be no power within that period to repeal it." Id.; see also Aditya Bamzai, Tenure of Office and the Treasury: The Constitution and Control over National Financial Policy, 1787 to 1867, 87 Geo. Wash. L. Rev. 1299, 1355 (2019) (noting these statements as evidence that the bank was considered a private entity). In a subsequent speech, Rep. Sergeant indicated that "[t]his is a settled, established principle . . . and almost universally conceded." 34 Annals of Cong. 1385 (1819).

159. Paine, supra note 158, at 16.
1785.\textsuperscript{161} But the legislature reissued a charter to the bank in 1787,\textsuperscript{162} and Professor William Ewald portrays that decision as a vindication of Wilson’s position.\textsuperscript{163} In a forthcoming article, moreover, Dean William Treanor links this episode to the wording of the Federal Constitution’s Contract Clause.\textsuperscript{164} The Clause’s precursor in the Northwest Ordinance had protected only “private contracts or engagements” (which might not include contracts with the government), but the Committee of Style omitted this qualification when it inserted the Contract Clause into the draft Constitution.\textsuperscript{165} Dean Treanor is inclined to attribute this choice to the Committee’s draftsman, Gouverneur Morris, who had addressed the Pennsylvania legislature on behalf of the bank in 1785 and (like Wilson and Paine) had suggested that the bank enjoyed vested rights in its charter.\textsuperscript{166}

To their credit, some of the leading twentieth-century commentators who questioned the legal basis for Justice Story’s opinion in Dartmouth College acknowledged that Wilson and Paine took a similar position in the 1780s.\textsuperscript{167} But another episode from the Founding era has attracted less attention.\textsuperscript{168} In the 1750s, the proprietors of the Province of Pennsylvania had issued a charter to the Trustees of the College, Academy and Charitable School of Philadelphia.\textsuperscript{169} In 1779, the state legislature enacted a statute modifying the

\textsuperscript{161} Act of Sept. 13, 1785, ch. 178, reprinted in 12 The Statutes at Large of Pennsylvania from 1682 to 1801, at 47 (1906).

\textsuperscript{162} Act of Mar. 17, 1787, ch. 1278, reprinted in 12 The Statutes at Large of Pennsylvania, supra note 161, at 412.


\textsuperscript{165} See id. (manuscript at 69, 71).

\textsuperscript{166} See id. (manuscript at 72-76) (discussing Morris’s drafting role); id. (manuscript at 70-71) (suggesting that Morris intentionally adopted wording that could be interpreted to cover corporate charters, even though other delegates to the Philadelphia Convention may not have recognized this choice); id. (manuscript at 76) (noting Morris’s prior address defending the bank); see also Ewald, supra note 163, at 909-10 (emphasizing James Wilson rather than Gouverneur Morris, but likewise concluding that “[t]he Contracts Clause in the Constitution was an outgrowth of the arguments about Pennsylvania’s authority to breach its own charter”); cf. Ely, supra note 153, at 10 (reporting Professor Ewald’s conclusion, though not necessarily endorsing it).

\textsuperscript{167} See Benjamin Fletcher Wright, The Contract Clause of the Constitution 17-18 (1938); Handlin & Handlin, supra note 168, at 19.

\textsuperscript{168} Of course, I am not the only person to describe it. See, e.g., Speir, supra note 152, at 130-33. A detailed account appears in Edward Potts Cheyney, A History of the University of Pennsylvania, in 1 University of Pennsylvania: Its History, Influence, Equipment and Characteristics 44, 80-97 (Joshua L. Chamberlain ed., 1901).

\textsuperscript{169} Additional Charter of the College, Academy, and Charity-School of Philadelphia, at Pennsylvania (Philadelphia, B. Franklin & D. Hall 1755).
charter and converting the school into a university. For the next few years, William Smith—the ousted provost of the school—filed repeated petitions with the state legislature protesting this statute. In 1783–1784, Smith and others also lodged memorials with the state’s Council of Censors, which was charged with “enquir[ing] whether the [state] constitution ha[d] been preserved inviolate” during the previous seven years. Although a committee of the Council agreed that the 1779 statute had been unconstitutional, a majority of the full Council voted to strike this portion of the committee’s report. Later in 1784, however, Smith filed another petition with the state legislature, which was poised to repudiate the prior statute until the minority party fled and deprived the legislature of a quorum.

Smith renewed his petition in 1788 and also published it as a pamphlet. As part of his argument, Smith observed that “[c]olleges and other like corporations are . . . of two sorts.” Some were “constituted for public government, and endowed by the public.” But others, “which . . . are called private corporations,” were “constituted by private persons and for charities specified in the act of foundation.” Smith maintained that once such a private corporation was established, “the state cannot change, alter or abridge any of the laws, rules, orders or privileges of the FOUNDERS,” let alone “disseize the founders of the whole franchises and estates . . . and, dissolving the former body, create a new one upon its ruins!” This time, the legislature

170 Act of Nov. 27, 1779, ch. 871, reprinted in 10 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 161, at 23.
171 See Cheyney, supra note 168, at 92–93 (chronicling Smith’s petitions).
173 PA. CONST. of 1776, ch. II, § 47.
174 See Cheyney, supra note 168, at 93 (noting that the vote was 13 to 9). Some of the majority’s reasons were specific to the old school and its conduct. See, e.g., JOURNAL OF THE COUNCIL OF CENSORS, supra note 172, at 130 (arguing that the old corporation had lost a quorum and had become incapable of exercising its essential functions “long before this act of Assembly was made”); id. at 131 (arguing that a by-law adopted in 1764 was contrary to the existing charters and “amount[ed] to a forfeiture of the said charters”). More broadly, though, the majority suggested that because “corporations . . . are the creatures of society,” they could not “plead any exemption from legislature regulation.” Id. at 131–32 (rejecting the “absurdity” that one session of the General Assembly “can enact a law that no succeeding General Assembly can alter, amend or repeal, without the consent of the corporators”).
175 See Cheyney, supra note 168, at 94–95.
177 Id. at 6 (emphasis omitted).
178 Id.
179 Id.
180 Id. at 5–6. In describing the 1779 statute as an “open violation of the constitution of this commonwealth,” Smith invoked a specific provision preserving “the privileges, immunities and estates” of “all religious societies[,] or bodies of men heretofore united or incorporated for the advancement of religion and learning, [or for] other pious and charitable purposes.” Id. at 3–4
agreed. In March 1789, the legislature declared that the 1779 statute had been “repugnant to justice, a violation of the constitution of this commonwealth and dangerous in its precedent to all incorporated bodies and to the rights and franchises thereof.”\(^{181}\) Without abolishing the university that had been created in 1779, the legislature reanimated the old school and restored its charter.\(^{182}\) Two years later, the two entities were merged (with their consent) to form the University of Pennsylvania.\(^{183}\)

The back-and-forth in Pennsylvania over the Bank of North America and the Philadelphia academy suggests that at the time of the Founding, there was not a consensus about the constitutional status of corporate charters. Still, both the distinction between public and private corporations and the Supreme Court’s interpretation of the Contract Clause in *Dartmouth College* have more historical support than is often suggested. In keeping with that fact, Professor Stephen Siegel reports that the *Dartmouth College* decision was not particularly controversial in its day.\(^{184}\)

In any event, to the extent that the significance of the public/private distinction in this context had not been settled before 1819, *Dartmouth College* helped to settle it. In ensuing decades, courts repeatedly held that the charters of public corporations did not amount to contracts and could be revoked or altered by statute,\(^{185}\) but that the charters of private corporations were different. Writing in 1838, indeed, the Ohio Supreme Court declared that “[n]o proposition is more thoroughly established, than that the franchises of a corporation can not be forfeited without a judgment either on *scire facias* or

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\(^{181}\) Act of Mar. 6, 1789, ch. 1393, reprinted in 15 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 161, at 187, 188-89 (explaining that the 1779 statute, “without trial by jury, legal process or proof of misuser or forfeiture,” had deprived the trustees, the corporation, the teachers, and others of their “charters, franchises and estates”).

\(^{182}\) *Id.* at 189-92.

\(^{183}\) Cheyney, *supra* note 168, at 100.

\(^{184}\) Stephen A. Siegel, *Understanding the Nineteenth Century Contract Clause: The Role of the Property-Privilege Distinction and “Takings” Clause Jurisprudence*, 60 S. CAL. L. REV. 1, 32 (1986). But cf. Thomas Earle, *The Right of States To Alter and Annu1 Charters, Considered, and the Decisions of the Supreme Court of the United States Thereon, Examined* 11-18 (Philadelphia, Carey & Lea et al. 1823) (arguing that the Supreme Court’s decisions on this topic “have been erroneous” and that “[w]e, who assert this erroneousness, . . . are supported by the judges of several state courts”).

\(^{185}\) See, e.g., Coyle v. Gray, 30 A. 728, 731 (Del. 1884) (“The corporation of the city of Wilmington . . . is merely an agency instituted by the state for the purpose of carrying out in detail the objects of government. . . . It has no vested powers or franchises. Its charter . . . is in no sense a contract with the state.”); Town of Marietta v. Fearing, 4 Ohio 427, 432 (1831) (“In this respect there seems to be a well settled distinction between private and public corporations. . . . [A] public corporation, created for the purposes of government, cannot be considered as a contract.”).
"quo warranto" (that is, judicial proceedings to determine whether a recognized
ground for forfeiture had occurred).186

That proposition survived even after methods of incorporation changed
dramatically. Early on, legislatures had almost always created business
corporations on a case-by-case basis: a state legislature (or occasionally
Congress) would enact a “special act” naming the entity, establishing it as a
corporate body, and either listing its powers and obligations or referring to a
standard list found in another statute.187 The fact that the state was issuing a
charter to one particular corporation, and that the state was trying to
encourage that corporation to perform functions that would benefit the
public, may have made it easier to think of the arrangement as contractual.188
But that way of thinking persisted even after states started enacting “general”
incorporation acts that allowed entrepreneurs to organize business
corporations without special permission from the legislature.189 As the
Supreme Court subsequently confirmed, the incorporators’ acceptance of the
terms offered by the state could still create a contract (and the franchises
granted thereby could still be vested rights) even if the state made the same
terms available to other would-be incorporators.190

186 Webb v. Moler, 8 Ohio 548, 552 (1838); see also, e.g., Del. R.R. Tax, 85 U.S. (18 Wall.) 206,
225 (1874) (“That the charter of a private corporation is a contract between the State and the
corporators, and within the provision of the Constitution prohibiting legislation impairing the
obligation of contracts, has been the settled law of this court since the decision in the Dartmouth
College case.”); Mayor of Mobile v. Stonewall Ins. Co., 53 Ala. 570, 578 (1875) (observing that this
document is “settled beyond controversy, by judicial decision,” though criticizing its consequences);
Stephens v. Marshall, 3 Pin. 203, 207-08 (Wis. 1851) (“The power of the legislature to abrogate grants
or franchises, after private rights have become established under them, has not been asserted since
the Dartmouth College Case. The general principle is settled by authority.”).
The Ohio Supreme Court’s acceptance of this doctrine did not last. See infra notes 255–85 and
accompanying text (discussing the Ohio Supreme Court’s resistance in the 1850s).


188 See supra note 151 and accompanying text.

189 On the spread of general incorporation acts, see Susan Pace Hamill, From Special Privilege to
General Utility: A Continuation of Willard Hurst’s Study of Corporations, 49 AM. U. L. REV. 81, 101-04
(1999) (noting that the trend began in the late 1830s and that such acts became common in the ensuing
decades). There are isolated examples of general incorporation acts for certain types of business
corporations before the 1830s, but not many. See DODD, supra note 108, at 417 n.28 (observing that
“the earliest American general incorporation act for business enterprises would seem to be the
Massachusetts general Aqueduct Act of 1799,” and “[t]he earliest general act of real importance is the
New York Manufacturing Corporations Act of 1811”); cf. 2 DAVIS, supra note 76, at 16-17 (noting earlier
examples of general incorporation acts for religious or eleemosynary purposes).

The spread of general incorporation laws caused some commentators to doubt that
incorporation should still be called a “franchise.” See, e.g., 2 Victor Morawetz, A TREATISE ON
THE LAW OF PRIVATE CORPORATIONS 884 (Boston, Little, Brown & Co., 2d ed. 1886) (noting
that what once had required “a gift of a special privilege” was now available to all).

190 See, e.g., Chi., Burlington & Quincy R.R. Co. v. Iowa, 94 U.S. 155, 161 (1877); Miller v.
State, 82 U.S. (15 Wall.) 478, 488, 492 (1872); see also Capital City Gaslight Co. v. City of Des
Moines, 72 F. 829, 831-32 (C.C.S.D. Iowa 1896) (“Whether a charter is given directly, by act of the
3. Some Early Qualifications

Of course, even if the charters that state legislatures granted to private corporations amounted to contracts, the legislatures could determine the wording of the charters that they granted, and hence the terms of the deal. In the late eighteenth century, some acts of incorporation passed by the Connecticut legislature included a clause specifying that the legislature could repeal or amend the act at will. In 1806, when the Supreme Judicial Court of Massachusetts observed that acts of incorporation could give rise to vested rights, the court acknowledged the potential effectiveness of such clauses; as the court put it, “the rights legally vested . . . in any corporation[] cannot be controlled or destroyed by any subsequent statute, unless a power for that purpose be reserved to the legislature in the act of incorporation.” Justice Story’s concurring opinion in Dartmouth College both praised this statement as a matter of general law and recognized the same exception under the Contract Clause. If Dartmouth’s charter had included a reservation clause, Justice Story indicated, the Contract Clause would not have prevented the state from exercising the powers that had been reserved, because that possibility would have been built into the contract all along.

After Dartmouth College, state legislatures often preserved their flexibility by including broad reservation clauses in the acts of incorporation that they passed. Indeed, the Delaware Constitution of 1831 required every new act of legislative body, or whether articles of incorporation or association are adopted under general statutes theretofore enacted by such legislative body, is not material on this point.”).

193 See, e.g., An Act to Incorporate the Norwich Bank § 7 (1796), reprinted in 1 resolves and private laws of the state of connecticut, from the year 1789 to the year 1836, at 131, 133 (Hartford 1837) (“[t]his act or any part thereof may be altered or repealed at the pleasure of the general assembly.”); 2 Davis, supra note 76, at 316 n.2 (citing this and other examples); id. at 315-16 (noting that a similar reservation appeared in a 1789 statute incorporating the Director, Inspectors, and Company of Connecticut Silk Manufacturers); see also Bruce A. Campbell, Dartmouth College as a Civil Liberties Case: The Formation of Constitutional Policy, 70 Ky. L.J. 643, 701 (1982) (noting that “[i]n England, the Crown regularly inserted reservation clauses in corporate charters,” and early American legislatures may have been “following England’s lead” in this respect).

194 Wales v. Stetson, 2 Mass. (1 Tyng) 143, 146 (1806) (emphasis added).
incorporation to include "a reserved power of revocation by the legislature.”

Once states started enacting general incorporation acts, moreover, those acts often included global reservation clauses, applicable to all corporations created under the acts.\(^{196}\) A number of state constitutions similarly reserved the power to alter acts of incorporation,\(^{197}\) and the Supreme Court ultimately held that such constitutional reservations were as effective as reservations in individual acts of incorporation.\(^{198}\) Going forward, the widespread use of reservation provisions limited the practical effect of the *Dartmouth College* doctrine.\(^{199}\)

So did the rule of construction that the Supreme Court announced in the famous *Charles River Bridge* case.\(^{200}\) There, the Court held that a statute incorporating a company to build and maintain a bridge, and authorizing the company to collect tolls at specified rates for the purpose of defraying its expenses, did not impliedly promise that the state would never cause a free bridge to be constructed in the same vicinity. More generally, the Court agreed with a recent English opinion that although an act of incorporation could amount to a contract between the state and the incorporators, "any ambiguity in the terms of the contract, must operate against the adventurers, and in favour of the public, and the [incorporators] can claim nothing that is not clearly given them by the act."\(^{201}\) Even with respect to old charters that did not include reservation clauses, this rule of construction cut back on the scope of the private rights that charters were understood to confer and that the Contract Clause protected against abrogation.\(^{202}\)

\(^{195}\) Del. Const. of 1831, art. II, § 17.

\(^{196}\) See, e.g., WRIGHT, supra note 167, at 60 ("[I]t became the rule rather than the exception to avoid the restrictions imposed by [*Dartmouth College* and related decisions] through the adoption of reservation clauses in general incorporation statutes and constitutional provisions."); see also, e.g., Act of June 10, 1837, ch. 63, § 23, 1837 Conn. Laws 49, 53 ("[T]he General Assembly may at any time, for just cause, rescind the powers of any corporation, created pursuant to the provisions of this act . . ."); cf. N.Y. Rev. Stat. pt. 1, ch. 18, tit. 3, § 8, 1827 N.Y. Laws 449 ("The charter of every corporation, that shall hereafter be granted by the legislature, shall be subject to alteration, suspension and repeal, in the discretion of the legislature.").

\(^{197}\) See WRIGHT, supra note 167, at 85 (citing N.Y. Const. of 1846, art. VIII, § 1, which "was evidently the model" for similar clauses in some other state constitutions).

\(^{198}\) See, e.g., Miller v. State, 82 U.S. (15 Wall.) 478, 497 (1873).

\(^{199}\) Cf. Speir, supra note 152, at 155 n.297 ("At present, 49 states and the District of Columbia have enacted a reservation clause as part of their corporation codes, their constitutions, or both.").

\(^{200}\) Proprietors of the Charles River Bridge v. Proprietors of the Warren Bridge, 36 U.S. (11 Pet.) 420 (1837); see also HORWITZ, supra note 106, at 130-39 (discussing the case’s significance).

\(^{201}\) Charles River Bridge, 36 U.S. (11 Pet.) 544 (quoting Proprietors of the Stourbridge Canal v. Wheelely (1831) 109 Eng. Rep. 1336, 1337 (K.B.)); see also id. at 549 ("In charters of this description, no rights are taken from the public, or given to the corporation, beyond those which the words of the charter, by their natural and proper construction, purport to convey.").

\(^{202}\) See, e.g., Siegel, supra note 184, at 40 ("The strict construction principle was a major undermining of the contract clause's protection of state-granted franchises.").
Still, neither reservation provisions nor the Charles River Bridge principle changed the theoretical status of corporate franchises. The state did not have to grant such franchises, and the state could build appropriate qualifications into the franchises that it chose to grant. But when granted in unambiguous terms and without reservations, corporate franchises amounted to vested private rights.

C. Ferries, Bridges, Turnpikes, and Other Public Utilities

The preceding Section focused mostly on the franchise of incorporation. As noted above, however, nineteenth-century lawyers also used the word “franchise” to refer to various other legal interests that private people could not exercise without a grant from the government, and that the government was supposed to grant only in consideration of benefits to the public, but that nonetheless were regarded as a species of private property once granted.

For instance, the authority to establish a ferry for transporting members of the public across a river, and to collect a toll from passengers, was said to be “among the most common examples of a franchise.”203 In seventeenth-century England, Sir Matthew Hale had observed that “by an ancient right of prerogative,” the king enjoyed certain interests in many rivers, including “[a] right of franchise or privilege, that no man may set up a common ferry for all passengers, without a prescription time out of mind, or a charter from the king.”204 Likewise, nineteenth-century American courts generally agreed that someone who wanted to operate a ferry for members of the public needed a grant from the public’s authorized representatives.205

A state’s grant of a ferry franchise to a private individual or entity amounted to a bargain between the state and the franchisee. Whether by statute or as a matter of unwritten law, the franchisee normally was regarded as a common carrier who owed members of the public a duty to operate the ferry, to keep it in good repair, and not to refuse unreasonably to transport people who tendered the prescribed fee.206 In return, the state allowed the franchisee to collect tolls

203 Davis v. Mayor of New York, 14 N.Y. 506, 523 (1856); accord, e.g., McRoberts v. Washburne, 10 Minn. 23, 27 (1865) (“All the books speak and treat of the right to run a ferry boat for public accommodation and to charge tolls, as a franchise.”).

204 MATTHEW HALE, A TREATISE RELATIVE TO THE MARITIME LAW OF ENGLAND, IN THREE PARTS 6 (London, Francis Hargrave ed., 1787) (emphasis omitted).

205 See Bird v. Smith, 8 Watts 434, 438-39 (Pa. 1839); see also, e.g., Murray v. Menefee, 20 Ark. 561, 566 (1859) (“[A] ferry franchise being the creature of sovereign power, no one can exercise it without the consent of the State . . . .”); cf. 25 C.J. Ferries § 7 (1921) (“In most jurisdictions the power of establishing ferries has been delegated by the state to certain inferior bodies, which are authorized under general laws to issue licenses for this purpose, such as county or session courts, county commissioners, boards of county supervisors, police juries, municipalities, and other bodies.”) (footnotes omitted).

206 See 25 C.J. Ferries §§ 50-59 (1922) (summarizing the duties and liabilities of ferrymen); Sanders v. Young, 38 Tenn. (1 Head) 219, 220 (1858) (“A ferryman is liable as a common carrier.”); see also, e.g., ILL. REV. STAT. ch. 42 (1845) (specifying duties by statute); 2 NATHAN DANE, A GENERAL
from passengers, and the state sometimes promised not to authorize other ferries over the same stretch of river.207 Unless the state reserved the power to rescind the arrangement at will, courts often held that the franchisee’s rights were protected by the Contract Clause of the Federal Constitution.208 By the same token, the franchise was also widely regarded as private property (despite having been granted for the convenience of the public).209 In the Supreme Court’s words, “A ferry franchise is as much property as . . . chattels, or realty. It is clothed with the same sanctity and entitled to the same protection as other property.”210 Chancellor Kent agreed that “[a]n estate in such a franchise, and an estate in land, rest upon the same principle.”211

Consistent with the framework described in Part I, these ideas affected nineteenth-century views about the need for “judicial” power. When a state legislature or its delegate decided to grant a ferry franchise to one applicant and not another, the disappointed applicant was not automatically entitled to judicial review; generally speaking, no one had a vested private right to be awarded a franchise in the first place.212 But once a ferry franchise had been

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ABRIDGMENT AND DIGEST OF AMERICAN LAW 683-85 (Boston, Cummings, Hilliard & Co. 1823) (summarizing Massachusetts statutes and unwritten law); 3 KENT, supra note 128, at *458 (noting that “[t]he privilege of . . . establishing a ferry, and taking tolls for the use of the same, is a franchise,” and adding that “the owners of the franchise are liable to answer in damages, if they should refuse to transport an individual without any reasonable excuse, upon being paid or tendered the usual rate of fare”).


208 See, e.g., Benson v. Mayor of New York, 10 Barb. 223, 240 (N.Y. Sup. Ct. 1850) (“[T]he authorities are abundant to show, that a grant of a franchise of this description, which has been accepted and acted upon, partsake of the nature of a contract, so far as to be protected by [the Contract Clause] . . . .”); 25 C.J., Ferries § 16 (1921) (“A legislative grant of a ferry franchise without reservation, when duly accepted, is a contract between the grantee and the state which cannot be impaired by subsequent legislation, except in so far as the right to do so has been reserved.” (footnote omitted)). But cf. Chapin v. Crusen, 31 Wis. 209, 214-15 (1872) (finding that a statute by which the Wisconsin legislature had authorized a particular ferry did not amount to a contract).

209 See Smith v. Harkins, 38 N.C. (3 Ired. Eq.) 613, 619 (1845) (“[A]lthough the public convenience is the occasion of granting franchises of this nature, and . . . the ferry established . . . is publici juris, yet the property is private . . . .”); see also 2 DANE, supra note 206, at 683 (“[A] ferry becomes property, an incorporeal hereditament, the owners of which, for the public convenience, being obliged by law, to perform certain public services, must, as a reasonable equivalent, be protected in this property . . . .”); 2 EMORY WASHBURN, A TREATISE ON THE AMERICAN LAW OF REAL PROPERTY 21 (Boston, Little, Brown & Co. 1862) (same); cf. State v. Real Est. Bank, 5 Ark. 595, 599 (1844) (“In the language of the civilians, [a franchise] is private property by public use.”).

210 Conway v. Taylor’s Ex’r, 66 U.S. (1 Black) 603, 632 (1862); accord Louisville & Jeffersonville Ferry Co. v. Kentucky, 188 U.S. 385, 394-95 (1903); see also, e.g., Little Rock & Fort Smith Ry. v. McGeehe, 41 Ark. 202, 212 (1883) (observing that “[a] ferry franchise is a sovereign right at common law” and “belongs to no citizen . . . until granted by the sovereign,” but noting that “[w]hen it has been granted it becomes a private vested right”).

211 3 KENT, supra note 128, at *458-59.

212 See, e.g., Lippencott v. Allander, 23 Iowa 536, 537-38 (1867).
granted, neither the legislature nor any other nonjudicial body could conclusively declare that the franchisee had acted in such a way as to forfeit it. In the words of the Supreme Court of Iowa, “the difference between deciding which of two or more persons applying therefor shall have a gratuitous grant of a ferry franchise, and the taking away or revoking that franchise after it has become a vested right in the grantee, is too manifest to require argument to demonstrate.” In particular, “after such franchise has been granted, the right of the licensee therein vested in him,” and “[w]hether he has done acts which forfeit his franchise is a matter for judicial determination.”

Courts reached similar conclusions with respect to toll bridges and turnpikes. Just as establishing a ferry for common use required public authorization, so did building a bridge over a navigable river and offering passage to members of the public who paid a toll. Public authorization was also necessary to collect tolls from members of the public for using a common highway.

But in the nineteenth century, legislatures often granted these...
rights to private companies in order to induce them to build and operate infrastructure that would benefit the public. As with the right to operate a ferry across a navigable river, these rights too were denominated “franchises.”

Again, the government’s decisions about whether to grant such franchises in the first place were not necessarily subject to judicial review. But once the government had granted such franchises without reserving the power to rescind them at will, they were regarded as private property, and they triggered the same separation-of-powers principles as other vested private rights.

property coercively for rights-of-way, they would have been left at the mercy of any individual landowner disposed to be stubborn or extortionate); see also Cnty. Comm’rs v. Chandler, 96 U.S. 205, 208 (1878) (“[T]he right to erect [railroads, turnpikes, bridges, or ferries] is a public right.”).


218 See, e.g., Thompson v. People ex rel. Taylor, 23 Wend. 437, 562 (N.Y. 1860) (opinion of Sen. Edwards) (“Although the right to build the bridge in question and take toll was granted to an individual, it was for the accommodation of the public and was a public franchise, and so are all grants of a similar nature, as well as the grants for public roads and ferries.”); 2 JOHN BOUVIER, INSTITUTES OF AMERICAN LAW 211 (Philadelphia, Robert E. Peterson, 1851) (“The most common [franchises] are the grant of a right or privilege of making roads, bridges, establishing ferries, and taking toll for the use of the same.”).

219 Cf. Truckee & Taho Tpke. Rd. Co. v. Campbell, 44 Cal. 89, 91-92 (1872) (“A grant of . . . a [turnpike] franchise by a Board of Supervisors . . . is not liable to be attacked by a private person, or in a collateral proceeding, for mere error in the exercise of the authority to make the grant. . . . [T]he determination of the Board in respect to [the relevant] questions of fact, is conclusive in this action . . . ”).

220 See, e.g., Powell v. Sammons, 31 Ala. 552, 560 (1858) (“The right of the company to receive and collect toll at their gates, erected in conformity to the charter, is a franchise, and is undoubtedly private property.”); Cal. State Tel. Co. v. Alta Tel. Co., 22 Cal. 398, 422 (1863) (“The grant of a franchise is in the nature of a vested right of property . . . So long as the grantee fulfills the conditions and performs the duties imposed upon him by the terms of the grant, he has a vested right which cannot be taken away, or otherwise impaired by the Government, any more than other property.”), overruled in part on other grounds by City of S.F. v. Spring Valley Water Works, 48 Cal. 493 (1874). In the early twentieth century, a treatise on franchises collected some cases that questioned the status of franchises as property. See JOYCE, supra note 49, at 79-80. But the treatise indicated that these cases were anomalous: “Notwithstanding any assertion to the contrary, franchises are property, and are almost universally classed as real property or incorporeal hereditaments.” Id. at 80 & n.36 (citing many cases).

221 See, e.g., JOYCE, supra note 49, at 867 (“Although a franchise must . . . emanate from the sovereign power, and that power alone can grant it . . . , still when it . . . is once lawfully granted . . . and accepted, it becomes surrounded by constitutional guarantees of protection which no legislative body can set aside and ignore by declaring a forfeiture . . . .”).

The Supreme Court qualified this doctrine in Farnsworth v. Minnesota & Pacific Railroad Co., 92 U.S. 49 (1876). The Territory (and later State) of Minnesota had granted the company some land on which to build a railroad. As a result of further transactions, the company’s ownership of the land was subject to the condition that the company construct a portion of the track by a specified date, and the company agreed that it would forfeit both the land and its franchises to the state if it missed the deadline. See id. at 55-56. When the company nonetheless failed to build the road, the state legislature enacted a statute transferring those property rights to another company. Id. at 56. In ensuing litigation, the Supreme Court held that the state had not needed to go to court first to establish that a forfeiture had indeed occurred. According to Justice Field’s opinion for the Court,
Of course, even after the government had granted someone a franchise to operate a toll bridge or a turnpike, the government could use its power of eminent domain to take the franchise (along with other types of property) for public use; although “[a] franchise is property,” it is not “more sacred[] than other property,” so it was not exempt from the government’s power of eminent domain. When the government used that power, though, it was liable to pay just compensation—and because a vested private right was at stake, the legislature could not conclusively specify the amount of compensation that was just. In the Supreme Court’s words, “this is a judicial and not a legislative question.”

As technology developed, new franchises became possible. For instance, utility companies were granted franchises to run pipes or wires through city streets for the purpose of supplying residents with water, gas, or electricity. Again, courts said that “[s]uch a franchise is property which cannot be destroyed or taken away without compensation.”

The very word “franchise” was often used to connote a strong type of vestedness. While the words “franchise” and “license” were both used in various ways in the late nineteenth and early twentieth centuries, it was fairly common for courts to contrast “an irrevocable franchise” with “a mere license, revocable.

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A forfeiture by the State of an interest in lands and connected franchises, granted for the construction of a public work, may be declared for non-compliance with the conditions annexed to their grant, or to their possession, when the forfeiture is provided by statute, without judicial proceedings to ascertain and determine the failure of the grantee to perform the conditions.

Id. at 66. Still, the Court made clear that the original grantee was not bound by the legislature’s version of the facts: the forfeiture was “left open to legal contestation” in a lawsuit between the original grantee and the person who claimed title pursuant to the forfeiture. Id. at 67-68. Consistent with the idea that vested private rights were at stake, only judicial proceedings were capable of “establish[ing] as matter of record, importing verity against the grantee, the facts upon which the forfeiture depends.” Id. at 66.

A later opinion explained that cases like Farnsworth merely put the government on the same footing as a private person who had granted land subject to a condition subsequent. See Atl. & Pac. R.R. v. Mingus, 165 U.S. 413, 434 (1897). If a private grantor believed that the condition had been breached and that the land had reverted to him, he could reenter the land. By the same token, when the state believed that land had reverted to it, the legislature could assert its rights by statute. See id. But just as reentry by a private grantor would not compel courts to accept the grantor’s version of the facts, neither would a statutory declaration of forfeiture. The statute was a way for the government to assert its position, but the statute did not itself establish that the government’s position was correct.

224 See, e.g., 1 ALLEN RIPLEY FOOTE, THE LAW OF INCORPORATED COMPANIES OPERATING UNDER MUNICIPAL FRANCHISES, SUCH AS ILLUMINATING GAS COMPANIES, FUEL GAS COMPANIES, ELECTRIC CENTRAL STATION COMPANIES, TELEPHONE COMPANIES, STREET RAILWAY COMPANIES, WATER COMPANIES, ETC. 115-16 (Charles E. Everett ed., Cincinnati, Robert Clarke & Co. 1892); JOYCE, supra note 49, at 48-51.
225 People ex rel. Postal Tel.-Cable Co. v. State Bd. of Tax Comm’rs, 169 N.Y.S. 139, 142 (App. Div.), aff’d, 120 N.E. 192 (N.Y. 1918).
at pleasure of the grantor.”226 In the words of one state supreme court that drew this contrast, “a franchise is . . . a vested right protected by the Constitution.”227

D. Controversies about Franchises and Calls for Reform

As the nineteenth century wore on, each of the types of franchises discussed above generated controversy. Courts, commentators, and political reformers all expressed concerns about the power of state and local legislatures to grant special rights to favored individuals or corporations, especially if the Federal Constitution would prevent subsequent legislatures from undoing those grants. Eventually, the Dartmouth College doctrine itself came under attack from both state judges and commentators. But while the Supreme Court qualified that doctrine in various respects, the Court continued to regard franchises as vested rights.

1. Statutory Reforms and Constitutional Restrictions on the States’ Power to Grant Franchises

Early in the nineteenth century, controversy about franchises focused mostly on acts of incorporation. As noted above, some state legislatures had included reservation clauses in corporate charters even before the Dartmouth College decision, and this practice became widespread thereafter.228 Starting in the 1830s, moreover, some states adopted constitutional provisions that effectively prevented the state legislature from granting charters without such reservations.229 At the same time, Jacksonians raised pointed concerns about

226 Union Inst. for Sav. v. City of Boston, 112 N.E. 637, 637-38 (Mass. 1916); see also, e.g., Levis v. City of Newton, 75 F. 884, 889 (C.C.S.D. Iowa 1896) (asking rhetorically whether gas companies that had been assumed to hold “franchises” from various cities instead held “merely . . . licenses, which are revocable at the pleasure of the councils of these different cities”), aff’d, 79 F. 715 (8th Cir. 1897); Recent Important Decisions, Corporations—Franchise and License Distinguished, 6 Mich. L. Rev. 704, 706 (1908) (noting this usage of the terms “franchise” and “license” in a different case). For discussion of how courts have decided whether a grant amounts to a “franchise” or a mere “license,” see John Greil, The Unfranchised Competitor Doctrine, 66 VaL. L. Rev. 357, 388-91 (2021). Greil also cites old cases recognizing that the owners of ferry franchises, street-railway franchises, and the like could obtain injunctive relief against competitors who were operating without legal authorization—a further indication that these franchises were historically regarded as property. See id. at 379-85 (citing Walker v. Armstrong, 2 Kan. 198 (1861); Carroll v. Campbell, 17 S.W. 884 (Mo. 1891); Patterson v. Wellman, 67 N.W. 1040 (N.D. 1896); and Puget Sound Traction, Light & Power Co. v. Grassmeyer, 173 P. 504 (Wash. 1918)); cf. 1 JAMES L. HIGH, A TREATISE ON THE LAW OF INJUNCTIONS 18 (Chicago, Callaghan & Co., 3d ed. 1890) (reciting the traditional doctrine that “in the absence of any injury to property rights,” equity “will not lend its aid by injunction to restrain the violation of public or penal statutes, or the commission of immoral and illegal acts”).
227 Elizabeth City v. Banks, 64 S.E. 189, 192 (N.C. 1909).
228 See supra notes 191–94 and accompanying text.
229 See supra notes 195–99 and accompanying text.
the very concept of special acts of incorporation, and states began to enact general incorporation acts that allowed businesses to incorporate themselves on standard terms without special approval from the legislature. To be sure, the legislatures in many of these states continued to grant special charters for much of the nineteenth century. But by 1889, a majority of states had adopted constitutional amendments that prohibited or at least restricted the issuance of special charters.

Starting in the 1870s, some state constitutions imposed similar restrictions on charters more broadly. For instance, the Illinois Constitution of 1870 forbade the state legislature to enact “local or special laws” of various descriptions, including those “[g]ranting to any corporation, association or individual any special or exclusive privilege, immunity or franchise whatever.” Many other states adopted similar provisions. Likewise, the constitution with which Colorado entered the Union in 1876 forbade the state legislature to pass any law “making any irrevocable grant of special privileges, franchises, or immunities”—and again other states adopted similar

230 See, e.g., WHAT IS A MONOPOLY? 13 (New York, George P. Scott & Co. 1835) (“Every corporate grant is directly in the teeth of the doctrine of equal rights, for it gives to one set of men the exercise of privileges which the main body can never enjoy. Every such grant is equally adverse to the fundamental maxim of free trade . . .”); see also ARTHUR M. SCHLESINGER, JR., THE AGE OF JACKSON 188-89 (1953) (discussing this pamphlet by Theodore Sedgwick, which originated as articles in the New York Evening Post in 1834).

231 See supra note 189; see also SCHLESINGER, supra note 230, at 337 (observing that general incorporation statutes are “a direct legacy from Jacksonian democracy”); Herbert Hovenkamp, The Classical Corporation in American Legal Thought, 76 GEO. L.J. 1593, 1634-36 (1988) (similarly noting the Jacksonian character of this reform).

232 See HURST, supra note 143, at 21 (describing general incorporation acts of the mid-nineteenth century as “optional” and noting that “legislatures . . . continued to grant special charters with different terms”); Hamill, supra note 189, at 123-28 (tracing state constitutional prohibitions on special charters and concluding that “a significant number of state legislatures permitted special charters through the early twentieth century”).

233 See Hamill, supra note 189, at 127.

234 ILL. CONST. of 1870, art. 4, § 22.

235 See, e.g., ARIZ. CONST. of 1912, art. 4, § 19; COLO. CONST. of 1876, art. 5, § 25; MINN. CONST. of 1857, art. 4, § 33 (1881); MONT. CONST. of 1889, art. 5, § 26; NEB. CONST. of 1875, art. 3, § 15; N.M. CONST. of 1912, art. 4, § 24; N.Y. CONST. of 1846, art. 3, § 18 (1874); N. DAK. CONST. of 1889, art. 2, § 69; S. DAK. CONST. of 1889, art. 3, § 23; WYO. CONST. of 1889, art. 3, § 27; see also Act of July 30, 1886, ch. 818, § 1, 24 Stat. 170, 179 (imposing this restriction on territorial legislatures).

236 COLO. CONST. of 1876, art. 2, § 11.
language.\(^{237}\) State constitutions also explicitly restricted municipalities’ power to grant franchises.\(^{238}\)

The spread of such provisions reflects discomfort with the *Dartmouth College* doctrine, or at least with some of its consequences. Formally speaking, of course, the doctrine persisted: when the state had granted someone an irrevocable franchise that the recipient had accepted and that was supported by consideration, the Supreme Court continued to regard the franchise as a vested private right. But to the extent that state constitutions deprived legislatures of their power to grant irrevocable franchises in the first place, the *Dartmouth College* doctrine had less room to operate.

2. Limitations on the *Dartmouth College* Doctrine

In the second half of the nineteenth century, some state judges and commentators took more direct aim at the *Dartmouth College* doctrine. As described below, the Ohio Supreme Court launched a frontal attack on the doctrine in the 1850s. By the 1870s and 1880s, several leading authors had joined the fray, sharply criticizing the doctrine for preventing current legislators from rescinding franchises that their predecessors had granted unwise or corruptly.\(^{239}\) Indeed, a law review article published in 1874 referred to “the murmuring at the entire doctrine which is beginning to be

\(^{237}\) See, e.g., ALA. CONST. of 1901, art. 1, § 22; ARIZ. CONST. of 1912, art. 2, § 9; KY. CONST. of 1891, Bill of Rights, § 3; S. DAK. CONST. of 1889, art. 6, § 12; UTAH CONST. of 1895, art. 1, § 23. Along the same lines, the Texas Constitution of 1876 provided that “no irrevocable or uncontrollable grant of special privileges or immunities shall be made; but all privileges and franchises granted by the legislature or created under its authority shall be subject to the control thereof.” TEX. CONST. of 1876, art. 1, § 17. Ultimately, though, the Texas Supreme Court read this provision narrowly. See Mayor of Houston v. Houston City St. Ry. Co., 19 S.W. 127, 130–31 (Tex. 1892) (tentatively concluding that this provision was simply intended to permit revocation for cause, not revocation “at the mere pleasure or will of the legislature,” and holding that Houston’s city council could not validly repeal an ordinance that had authorized the railway company to operate in the city streets for a term of thirty years).

\(^{238}\) See, e.g., ARIZ. CONST. of 1912, art. 13, §§ 4–6; OKLA. CONST. of 1907, art. 18, § 5(a).

\(^{239}\) See THOMAS M. COOLEY, A TREATISE ON THE CONSTITUTIONAL LIMITATIONS WHICH REST UPON THE LEGISLATIVE POWER OF THE STATES OF THE AMERICAN UNION *279* n.3 (2d ed. 1871) (“Every privilege granted or right conferred . . . being made inviolable by the Constitution, the government is frequently found stripped of its authority in very important particulars, by unwise, careless, or corrupt legislation . . . .”); FRANCIS WHARTON, COMMENTARIES ON LAW 554, 556 (Philadelphia, Kay & Brother 1884) (observing that “there is a growing tendency to doubt the correctness of the general rule laid down in [*Dartmouth College*], so far as it involves the assertion that a state cannot recall a franchise granted to a private corporation or modify grants made to such a corporation,” and adding that “[t]he policy of irrevocably granting away public franchises . . . has become far more questionable with the lapse of years than it was [then]”); see also VICTOR MORAWETZ, A TREATISE ON THE LAW OF PRIVATE CORPORATIONS OTHER THAN CHARITABLE 417 (Boston, Little, Brown & Co. 1882) (“The rule established by the Dartmouth College case was acquiesced in for a time; but it has been much criticised of late years, . . . and a tendency has been manifested by the courts to limit its application as far as possible.”); Hovenkamp, *supra* note 235, at 1618–24 (highlighting both Cooley’s and Wharton’s discussions).
heard throughout the country, the restless, fitful desire to get rid of it . . . which large classes of people begin to feel."\textsuperscript{240}

Various critics suggested that the Supreme Court never should have held that franchises could be vested private rights. As one state judge wrote in 1892,\textsuperscript{241}

The decision of the supreme court of the United States in the celebrated Dartmouth College Case, where it was declared that a franchise, upon being accepted by the grantee, became a perfect contract, which the state could neither recall nor in any wise impair, has never been universally admitted to have been based upon sound principles of government. Many eminent writers and courts have thought that a franchise is a mere privilege extended by the sovereign power of the state, which it could recall whenever it should be deemed advisable so to do.\textsuperscript{241}

Still, the same judge observed that “[t]he courts have generally . . . from necessity yielded to the supreme court of the United States”—with the result that franchises continued to be treated as vested rights notwithstanding these protests.\textsuperscript{242}

As we shall see, the Supreme Court eventually qualified the Dartmouth College doctrine in ways that reflected some of the critics’ concerns. Most prominently, the Court concluded that even if a state promised never to subject a particular corporation to particular types of regulations, the Contract Clause would not prevent the state from changing its mind; no one could acquire a vested right to be exempt from core aspects of a state’s police powers. But while the concept of “franchises” did not extend to everything of value that the government might grant, the Court never repudiated the idea that true franchises amounted to vested rights.

a. Public Offices

As background for understanding limits on the concept of “franchises,” it helps to start with the treatment of public offices. Traditionally, the common law of England had treated some offices as the property of the officeholder.\textsuperscript{243} Thus, although Blackstone distinguished between offices and franchises, he categorized them both as “incorporeal hereditaments.”\textsuperscript{244} During the nineteenth century, though, American courts largely rejected this way of

\begin{itemize}
\item \textsuperscript{240} The Dartmouth College Case, supra note 105, at 191.
\item \textsuperscript{241} Houston City St. Ry. Co., 19 S.W. at 130.
\item \textsuperscript{242} Id.
\item \textsuperscript{243} See STUART BANNER, AMERICAN PROPERTY: A HISTORY OF HOW, WHY, AND WHAT WE OWN 8 (2011).
\item \textsuperscript{244} 2 WILLIAM BLACKSTONE, COMMENTARIES *56-37.
\end{itemize}
thinking about public offices. In the United States, incumbents were said to hold their offices in trust for the public, not as a species of private property.245 Admittedly, Chief Justice Marshall’s opinion in *Marbury v. Madison* indicated that William Marbury had a “vested legal right” in the office to which he had been appointed.246 But Congress had not tried to eliminate that office,247 and Marshall’s majority opinion in *Dartmouth College* suggested that “offices held within a State for State purposes” normally remained subject to state control.248 Three decades later, the Supreme Court explicitly held that even if a state statute specified the term of an office and the fees or compensation that the officeholder would collect, the person who was appointed to this office did not thereby acquire a contractual right to serve the full term at the specified pay; without violating the Federal Constitution’s Contract Clause, the legislature could always amend the statute to shorten the term or to reduce the compensation for work that the officeholder had not yet performed.249 By and large, state courts agreed that public offices created by statute “are not held by grant or contract, nor has any person a private property or vested interest in them, and they are therefore liable to such modifications and changes as the law-making power may deem it advisable to enact.”250

245 See Woolhandler, supra note 3, at 1029-31 (citing cases); see also Taylor v. Beckham, 178 U.S. 548, 576 (1900) (“The view that public office is not property has been generally entertained in this country.”).

246 5 U.S. (1 Cranch) 137, 162 (1805).

247 See Woolhandler, supra note 3, at 1031 (“Statutory entitlements might be vested in the weak sense as against executive intrusion while not being vested . . . against legislative termination; it is not clear in which sense Marshall meant the right was vested. The issue of whether Marbury’s office was legislatively defeasible was not presented . . . .”).

248 See Trs. of Dartmouth Coll. v. Woodward, 17 U.S. (4 Wheat.) 518, 627-29 (1819). But cf. id. at 699 (Story, J., concurring) (including “offices” along with “franchises” as types of “incorporeal hereditaments” whose owners “have a legal estate and property in them”): See Butler v. Pennsylvania, 51 U.S. (10 How.) 402, 416-17 (1851). But cf. Hall v. Wisconsin, 103 U.S. 5, 8-11 (1880) (limiting this doctrine to “officer[s]” and distinguishing people who performed services for the government as mere employees or contractors).

249 See Butler v. Pennsylvania, 51 U.S. (10 How.) 402, 416-17 (1851). Accord, e.g., Stuhr v. Curran, 44 N.J.L. 181, 188-89 (1882), abrogated on other grounds by N.J. Dep’t of Corr. v. Int’l Fed’n of Pro. & Tech. Eng’rs, Local 195, 780 A.2d 525 (N.J. 2001); City of Steubenville v. Culp, 38 Ohio St. 18, 23 (1882); see also Conner v. Mayor of New York, 5 N.Y. 285, 295 (1851) (opinion of Ruggles, C.J.) (“Public offices in this state are not incorporeal hereditaments; nor have they the character or qualities of grants.”); id. at 296 (“The prospective salary or other emoluments of a public office[] are not . . . property . . . .

250 State ex rel. Att’y Gen. v. Davis, 44 Mo. 129, 131 (1869); accord, e.g., Stuhr v. Curran, 44 N.J.L. 181, 188-89 (1882), abrogated on other grounds by N.J. Dep’t of Corr. v. Int’l Fed’n of Pro. & Tech. Eng’rs, Local 195, 780 A.2d 525 (N.J. 2001); City of Steubenville v. Culp, 38 Ohio St. 18, 23 (1882); see also Conner v. Mayor of New York, 5 N.Y. 285, 295 (1851) (opinion of Ruggles, C.J.) (“Public offices in this state are not incorporeal hereditaments; nor have they the character or qualities of grants.”);

When the plaintiff accepted the office of clerk, he must be supposed to have known that the legislature had the power to regulate and change his compensation as the public interests might require.”); Commonwealth v. Bacon, 6 Serg. & Rawle 322, 323 (Pa. 1820) (rejecting a mayor’s challenge to a law reducing his salary after his term had begun, and observing that “[t]hese services rendered by public officers do not, in this particular, partake of the nature of contracts, nor have they the remotest affinity thereto”); FLOYD R. MECHEM, A TREATISE ON THE LAW OF PUBLIC OFFICES AND OFFICERS 293-96 (Chicago, Callaghan & Co. 1890) (“Except in North Carolina, it is now well settled that there is no contract, either express or implied, between a public officer and the government whose agent he is. . . . Neither, except in North Carolina, can a public office be regarded as the property of the incumbent.”); MONTGOMERY H. THROOP, A TREATISE ON THE LAW
In keeping with this view, many courts held that the legislature could establish administrative mechanisms to remove officeholders for cause before the expiration of their terms. By the end of the nineteenth century, a number of courts did say that the officeholder in question was entitled to notice and an opportunity to be heard (at least in the absence of clear statutory language to the contrary)—a doctrine that presaged modern notions of procedural due process. According to the majority rule, though, the proceedings did not have to occur in a true court: vested private rights were not at stake in proceedings to remove someone from public office, and so “judicial” power in the constitutional sense was not required.

RELATING TO PUBLIC OFFICERS AND SURETIES IN OFFICIAL BONDS 345 (New York, J.Y. Johnston Co. 1892) (“[I]n this country an office is not regarded as property, nor has the officer any vested rights therein, which are within the protection of the United States constitution, or the general provision of a state constitution, forbidding legislative interference with property or vested rights.”). But see People ex rel. Att’y Gen. v. Wells, 2 Cal. 198, 203-04 (1852) (“Under our system of government, [an office] may be regarded as a contract between the State on one hand and the individual on the other, whereby he assumes the performance of certain duties for a certain compensation. For these purposes he becomes seised of the office, as of any other property, in the right and enjoyment of which he cannot be disturbed or defeated, except by operation of law.”); see also BANNER, supra note 243, at 8-9 (quoting early statements by Alexander Hamilton to the effect that officeholders could have vested rights in their offices); cf. Hoke v. Henderson, 15 N.C. 1, 16-24 (1833) (acknowledging that the legislature can abolish or modify offices by statute, but endorsing a limited version of the idea that “an office is deemed the subject of property”), overruled by Mial v. Ellington, 46 S.E. 961 (N.C. 1903).

251 See MECHEM, supra note 250, at 287 (“If there is the appointment or election for made for a definite term or during good behavior, and the removal is to be for cause, it is now clearly established by the great weight of authority that the power of removal can not, except by clear statutory authority, be exercised without notice and hearing . . .”).


253 See, e.g., Donahue v. County of Will, 100 Ill. 94, 103-07 (1881), overruled in part by E. St. Louis Fed’n, 687 N.E.2d at 1021; State ex rel. Whitaker v. Adams, 15 So. 490, 491 (La. 1894); Att’y Gen. ex rel. Rich v. Jochim, 58 N.W. 611, 613-14 (Mich. 1894); State ex rel. Att’y Gen. v. Hawkins, 5 N.E. 228, 232-33 (Ohio 1886); Cameron v. Parker, 38 P. 14, 29 (Okla. 1894); State ex rel. Starkweather v. Common Council, 64 N.W. 304, 305-06 (Wis. 1895); Territory v. Cox, 6 Dak. 501, 508-12 (Dak. Terr. Dist. Ct. 1889); see also Lynch v. Chase, 40 P. 666, 667 (Kan. 1893) (“The decided weight of authority is that, while the proceeding to remove from office for cause involves the examination of facts and the exercise of judgment and discretion by the executive officer, his action is not judicial in the sense that it belongs exclusively to the courts.”); Alonzo H. Tuttle, Removal of Public Officers from Office for Cause (pt. 2), 3 MICH. L. REV. 341, 347 (1905) (“[R]emoval for cause . . . is quasi judicial or judicial in nature but not judicial in the sense that it comes within the inhibition of the clause ‘all judicial power shall be vested in the courts.’”). But see, e.g., Christy v. City of Kingfisher, 76 P. 135, 136-37 (Okla. Terr. 1904) (holding that removal for cause is “judicial action” that necessitates the involvement of courts with “judicial power”); cf. Page v. Hardin, 47 Ky. 648, 672-75 (Ky. 1848) (concluding that “every proceeding for the removal of an officer for cause . . . is essentially an exercise of the judicial power of the Commonwealth,” though adding that the legislature could nonetheless “refer the case of any particular officer to the action and judgment of the Governor, or to some other officer or tribunal”).
b. Exemptions from the Exercise of Governmental Powers

The doctrines that I have just surveyed can be summarized as follows: public officers lacked vested private rights in the powers of their office. Instead of acquiring any sort of ownership interest in the governmental power that the public allowed them to exercise, individual officeholders held such power only as “agent[s] of the public.”

By contrast, there was more controversy about the status of exemptions from governmental power. When a legislature wanted to encourage the creation of a corporation, the legislature sometimes promised not to exercise certain powers against the corporation, and the legislature sometimes included this exemption in the corporation’s charter. From the mid-nineteenth century on, lawyers engaged in fierce debates about whether such exemptions amounted to vested private rights. Indeed, this issue caused the Ohio Supreme Court to repudiate the Dartmouth College doctrine in its entirety and to deny that the Contract Clause insulated any charter provisions against subsequent repeal. As we shall see, the U.S. Supreme Court held firm against this challenge, but the Court subsequently articulated important limits on the kinds of exemptions that the Federal Constitution required legislatures to respect.

i. Controversy About Tax Exemptions

The flashpoint for the Ohio Supreme Court’s resistance involved exemptions from state and local taxes. In 1845, the Ohio legislature had enacted a statute allowing individuals “to associate and form companies for the purpose of carrying on the business of banking.” The statute specified that “[e]ach banking company, organized under this act, or accepting thereof, and complying with its provisions,” would pay six percent of its profits to the state “in lieu of all taxes to which such company, or the stockholders thereof, on account of stock owned therein, would otherwise be subject.” Six years later, however, the legislature enacted a statute subjecting banks to the normal

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Dullam v. Wilson, 19 N.W. 112, 115-16 (Mich. 1884) (agreeing that when the state constitution authorized the governor to remove public officers for cause, it “clothe[d] him with judicial power,” although perhaps only in the sense that required notice and an opportunity to be heard).

254 Lynch, 40 P. at 667.

255 For valuable discussion, see Siegel, supra note 184, at 41-54.

256 See id. at 41 n.203.

257 Act of Feb. 24, 1845, § 1, 43 Ohio Laws 24, 24. Each such company could choose to operate either “as an independent banking company” or as a “branch of the State Bank of Ohio.” Id. § 7, 43 Ohio Acts at 27. Once at least seven qualifying companies had elected to operate as branches of the State Bank of Ohio, they were each to appoint a member of a “board of control” that would have various powers over the branches. Id. §§ 13-14, 43 Ohio Laws at 30-31; see also id. § 16, 43 Ohio Laws at 32 (providing for the board of control to operate as a corporation until at least 1866).

258 Id. § 60, 43 Ohio Laws at 48.
property taxes, and a new state constitution subsequently prohibited special tax exemptions for corporations. Banks that already had been organized under the 1845 statute argued that the Federal Constitution prevented these new laws from applying to them: by organizing themselves under the 1845 statute, they had acquired a contractual exemption from taxation, and the state could not unilaterally alter that contract.

The Ohio Supreme Court disagreed. Some of its arguments stayed within the rubric of the Dartmouth College doctrine. For instance, the court argued that even under the state constitution that had been in force in 1845, the Ohio legislature had lacked the authority to make contracts that would prevent future legislatures from exercising the state’s powers of taxation. (If that were true, this restriction would have had the same effect as a constitutional reservation clause.) Likewise, Justice John Corwin argued that the State of Ohio used banking companies “in the exercise of one of its sovereign functions and duties, to regulate the currency,” and each banking company should therefore be regarded as “a public institution” that remained subject to public control. But the Ohio Justices also went farther. In a frontal assault on the doctrine that Dartmouth College had been taken to establish, they denied that an ordinary corporate charter amounted to a contract, and they argued that the legislature could repeal acts of incorporation no less than other statutes.

As part of this argument, Chief Justice Thomas Bartley insisted that the rights and powers conferred by a corporate charter were conceptually different than vested private rights. Casting his point in Lockean terms,

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259 Act of Mar. 21, 1851, 49 Ohio Laws 56.
260 Ohio Const. of 1851, art. XIII, § 4 (“The property of corporations, now existing, or hereafter created, shall forever be subject to taxation, the same as the property of individuals.”).
261 See Debolt v. Ohio Life Ins. & Tr. Co., 1 Ohio St. 563, 577-83 (1853), aff’d, 57 U.S. (16 How.) 416 (1854).
262 See, e.g., Home of the Friendless v. Rouse, 75 U.S. (8 Wall.) 430, 438 (1869) (dictum).
263 Knoup v. Piqua Branch of the State Bank of Ohio, 1 Ohio St. 603, 608-09 (1853), rev’d, 57 U.S. (16 How.) 369 (1854). Justice Corwin clarified that when he referred to “banking,” he did not mean merely “the receiving of money on deposit[.]” or “the purchase and sale of bullion and bills of exchange.” Id. at 610; see also id. (noting that those activities “require no permission from government, nor is the right to transact them a franchise”). Instead, he used the term to refer to “the business of issuing promissory notes, bills, or certificates, to circulate as money.” Id. Unlike simple promissory notes that an individual might issue, “[a] bank bill is designed to perform the office of money, and does perform that office.” Id. at 620. According to Justice Corwin, “No citizen can issue such a bill without permission from government . . . . The right to coin money, or, what is, in effect, the same, to issue bills, notes and obligations, to circulate as money, is a sovereign power.” Id. Justice Corwin concluded that “[a] corporation established upon such a consideration, and for such a purpose, must needs be a public corporation.” Id.
264 See, e.g., Bank of Toledo v. City of Toledo, 1 Ohio St. 622, 657-69 (1853); Mechanics’ & Traders’ Branch of the State Bank of Ohio v. Debolt, 1 Ohio St. 591, 597-603 (1853) (dictum); see also Hovenkamp, supra note 231, at 1615-16 (describing these and other Ohio cases as “exhibiting extreme state court disregard of federal law”).
Chief Justice Bartley contrasted “the franchise of a corporation” (which “is an adventitious or derivative right, originating in the government”) with “[t]he rights of private property, . . . personal liberty and personal security” (which “are original and fundamental rights, existing anterior to and independent of civil government”). 265 To be sure, people in the state of nature might enter into contracts, and those contracts might concern things that did not otherwise fit the template of property. But as Chief Justice Bartley understood the theory of American government, the type of authority conferred by a corporate charter could not really be disposed of by contract or become the subject of private property. In his view, the franchise of a corporation should instead be regarded in the same way that Americans regarded the occupancy of a public office—as “a trust of civil power granted or delegated in the administration of the public affairs,” but “remain[ing] subservient to . . . the public welfare.” 266

These statements influenced the two paragraphs in my 2007 article that used the word “franchise.” 267 Indeed, when I referred to “franchises” interchangeably with “privileges” to describe a category of legal interests that were not vested rights, I quoted Chief Justice Bartley. 268 But the U.S. Supreme Court did not share his view. To the contrary, when one of the Ohio cases reached the U.S. Supreme Court on a writ of error in 1854, a majority of the Court rejected the Ohio judges’ arguments. In Piqua Branch of the State

265 Bank of Toledo, 1 Ohio St. at 663-64.
266 Id. at 662-64 (emphasis omitted). He explained:

In this country, no vested right of private property can exist or be held in the civil power or authority of government. . . . When, in the establishment of the civil institutions of the State, or in the administration of the government, civil power and authority is vested or delegated to any person or persons, [it] is still a trust to be exercised pursuant to the design of its original delegation by the people, and ever subject to control and regulation for that purpose.

Id. at 659-60; see also id. at 642-52 (criticizing the “arbitrary distinction” between public and private corporations and arguing that every corporation is “a political institution of the state”).

Justice Corwin articulated a narrower version of this idea. He agreed that “[a] franchise is a right belonging to the government, as a sovereign, yet committed, in trust, to some officer, corporation or individual.” Knop, 1 Ohio St. at 614. As Justice Corwin understood the Ohio Constitution, moreover, whatever private advantages might flow from the grant of a franchise were not properly regarded as vested property rights; franchises were conferred only for “the public good,” and the public remained in charge of them. Id. at 615-16 (emphasis omitted). Still, Justice Corwin asserted that the mere right to be a corporation, unaccompanied by other sovereign powers, was not a franchise in this sense. See id. at 613. Unlike Chief Justice Bartley, then, Justice Corwin might not have thought that the legislature could freely repeal simple acts of incorporation. Justice Corwin seemed more concerned with other delegations to corporations (such as delegations of the power “to coin money,” or “to appropriate private property” by exercising the state’s power of eminent domain). Id. at 644.

267 See Nelson, supra note 2, at 567-68.
268 Id. at 568 & n.36.
Bank of Ohio v. Knop,269 the U.S. Supreme Court held that the banking companies in question were indeed private corporations;270 that their acceptance of the terms offered by the 1845 statute had created a binding contract with the state;271 that in the absence of special limitations in the state constitution, the state was just as capable of making a contract about the amount and objects of taxation as about other topics;272 and that having made such a contract, the state legislature could not abrogate it by statute.273

Members of the Ohio Supreme Court were not persuaded. In Piqua itself, they apparently thought hard about whether to enter the U.S. Supreme Court’s mandate, and ultimately did so only over a long and radical dissent by Chief Justice Bartley.274 By that time, the U.S. Supreme Court had already issued another majority opinion reiterating what it had said in Piqua.275 In later cases, however, the Ohio Supreme Court refused to treat these opinions by

269 57 U.S. (16 How.) 369 (1854).
270 See id. at 380-81 (indicating that in light of the relevant precedents, “no legal fact is susceptible of less doubt”).
271 See id. at 380-83.
272 See id. at 383-88. As the Court noted, earlier cases tended to support this proposition. See id. at 385-87 (citing New Jersey v. Wilson, 11 U.S. (7 Cranch) 164 (1812), and Gordon v. Appeal Tax Ct., 44 U.S. (3 How.) 133 (1845)).
273 See id. at 380, 389, 392.
274 See Piqua Branch of the State Bank of Ohio v. Knoup, 6 Ohio St. 342, 343-448 (1857) (Bartley, C.J., dissenting) (arguing that notwithstanding Martin v. Hunter’s Lessee, 14 U.S. (1 Wheat.) 304 (1816), the Supreme Court does not have appellate jurisdiction over state courts); Siegel, supra note 184, at 50-51, 51 n.253 (describing this episode and noting that “[i]t took the Ohio Court two years” to enter the U.S. Supreme Court’s mandate).
the U.S. Supreme Court as binding precedents. The U.S. Supreme Court therefore continued to reverse the Ohio Supreme Court’s judgments.

Admittedly, the U.S. Supreme Court was divided. Throughout the relevant period, several Justices agreed with one of the Ohio judges’ principal arguments: as a matter of state constitutional law, the typical state legislature lacked the power to make contracts surrendering its successors’ powers of taxation with respect to a particular corporation. A number of state courts also took this position, as did many lawyers. Over time, moreover, a majority of the U.S. Supreme Court qualified and limited its doctrines about

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276 The Ohio Supreme Court set this pattern within months after the U.S. Supreme Court’s decision in *Piqua*. See Order of the Ohio Supreme Court (July 26, 1854) (enforcing Ohio’s tax against another bank); in Transcript of Record at 8, *Mechanics’ & Traders’ Bank v. Debolt*, 59 U.S. (18 How.) 380 (1856) (No. 73); Order of the Ohio Supreme Court (July 26, 1854) (same), in Transcript of Record at 8–9, *Mechanics’ & Traders’ Bank v. Thomas*, 59 U.S. (18 How.) 384 (1856) (No. 74). In 1856, the U.S. Supreme Court reversed these decrees. *Debolt*, 59 U.S. (18 How.) at 383; *Thomas*, 59 U.S. (18 How.) at 382. For a brief time thereafter, a majority of the Ohio Supreme Court accepted the U.S. Supreme Court’s position. See Hovenkamp, supra note 23, at 1616 & n.152 (citing cases); A.W. Gans, Annotation, *Tax Exemptions and the Contract Clause*, 173 A.L.R. 15, 38 n.16 (1948) (referring to this “brief interlude”). In 1858, however, the Ohio Supreme Court reverted to its original position. See Sandusky City Bank v. Wilber, 7 Ohio St. 481, 481–82 (1858) (indicating in the syllabus that the key questions were matters of Ohio law as to which the U.S. Supreme Court’s opinions were not binding); see also Skelly v. Jefferson Branch of the State Bank of Ohio, 9 Ohio St. 607, 607 (1860) (stating more broadly in the syllabus that precedents established by the U.S. Supreme Court “do not bind and conclude the judgment of this court”), rev’d, 66 U.S. (1 Black) 436 (1862). (For the significance of the Ohio Supreme Court’s syllabus, see Ohio Sup. Ct. R. VI, 5 Ohio St. vii (1858) (indicating that the syllabus is prepared “by the Judge assigned to deliver the opinion of the Court,” subject to the revision of “the Judges concurring therein,” and states “the points of law, arising from the facts of the case, that have been determined by the Court.”))

277 See Hovenkamp, supra note 23, at 1616 & n.153 (citing *Skelly*, 66 U.S. (1 Black) at 430); Ann Woolhandler, *The Common Law Origins of Constitutionally Compelled Remedies*, 107 Yale L.J. 77, 94 & n.91 (1997) (also citing Franklin Bank v. Ohio, 66 U.S. (1 Black) 474 (1862); see also Siegel, supra note 184, at 47 & n.234 (noting that the U.S. Supreme Court reversed other state courts on this issue as well)).

278 See Siegel, supra note 184, at 49–50 (noting that Justices Campbell, Catron, and Daniel dissented in *Piqua* and subsequent cases, and “when they left [the Court], Chief Justice Chase and Justices Field and Miller continued the dissent”).

279 See, e.g., Washington Univ. v. Rouse, 75 U.S. (8 Wall.) 439, 444 (1869) (Miller, J., dissenting) (“We do not believe that any legislative body, sitting under a State constitution of the usual character, has a right to sell, to give, or to bargain away forever the taxing power of the State.”); *Piqua*, 57 U.S. (16 How.) at 407 (Campbell, J., dissenting) (characterizing the Ohio legislature’s powers, and “especially” its power of taxation, as “trust powers” that legislators “held . . . in deposit[,] to be returned . . . to their constituents without abuse or diminution”); id. at 404 (Catron, J., dissenting) (concluding that “according to the constitutions of all the States of this Union . . . the sovereign political power is not the subject of contract so as to be vested in an irrepealable charter of incorporation,” and “the taxing power is a political power of the highest class”).

280 See, e.g., Mott v. Pa. R.R. Co., 30 Pa. 9, 27–33 (1858); W. Wis. Ry. Co. v. Bd. of Supervisors, 35 Wis. 257, 265–66 (1874) (dictum), aff’d, 93 U.S. 595 (1876); see also Siegel, supra note 184, at 51–52 (citing cases from other states too).

281 See Ernest W. Hufcett, *Legislative Tax-Exemption Contracts*, 24 Am. L. Rev. 399, 415–16 (1890) (speculating that “a large majority of the profession” would agree with the dissents in *Piqua*).
tax exemptions in various ways.\textsuperscript{282} (For instance, contrary to a suggestion in Justice Story’s concurring opinion in *Dartmouth College*,\textsuperscript{283} the Court held that the Contract Clause normally did not prevent states from rescinding tax exemptions or other legal interests that the legislature had given an existing entity as a mere “gratuity” rather than as part of an exchange of consideration.\textsuperscript{284}) But the Court continued to say that when a corporation had validly been granted an exemption from taxation as part of its charter, for consideration and without any applicable reservations, a subsequent legislature could not unilaterally eliminate the exemption by statute.\textsuperscript{285} 

ii. Core Aspects of the Police Power

While a majority of the Supreme Court recognized the possibility of contractual exemptions from state or local taxes, the Court was less receptive to the idea of contractual exemptions from certain aspects of the police power. In that context, the Court accepted some of the arguments that the Ohio Supreme Court had tried to make with respect to the power of taxation.

\textsuperscript{282} See id. at 477–79; see also Charles W. McCurdy, *Justice Field and the Jurisprudence of Government-Business Relations: Some Parameters of Laissez-Faire Constitutionalism*, 1863–1897, 61 J. AM. HIST. 970, 991–92 (1975) (noting these limitations, as well as the fact that state legislatures had various ways of putting pressure on corporations to renegotiate tax exemptions that the legislature wanted to end, and concluding that “the question was of little importance as a practical matter or a legal issue”).

\textsuperscript{283} See Trs. of Dartmouth Coll. v. Woodward, 17 U.S. (4 Wheat.) 518, 683–84 (1819) (Story, J., concurring). After *Dartmouth College*, state judges appear to have been divided about whether the legislature could rescind franchises that were not supported by consideration. Compare Derby Tpk. Co. v. Parks, 10 Conn. 522, 541 (1835) (“No case has been shewn to prove, that a consideration is necessary.”); with Young v. Harrison, 6 Ga. 130, 145 (1849) (dictum) (indicating that the legislature would remain in control of a ferry franchise “unless it was founded on valuable consideration”).


\begin{quote}
There is reason and authority for holding that a supplement to a charter of incorporation which merely confers upon it a new right or enlarges an old one, without imposing any new or additional burden upon it, is a mere license or promise by the state and may be revoked at pleasure. It is without consideration to support it and cannot bind a subsequent legislature . . . .
\end{quote}

Phila. & Gray’s Ferry Passenger Ry. Co.’s Appeal, 102 Pa. 123, 129 (1885); see also Pa. R.R. Co. v. Bowers, 16 A. 836, 838 (Pa. 1889) (“A franchise granted without a consideration moving from the grantees of such franchise is not binding upon the state.”); MORAWETZ, supra note 239, at 421 (“A grant by a State of a continuing privilege or future right, such as an exemption from taxation, to a corporation already in existence may be revoked, unless it is binding upon the State as a contract. It is necessary, therefore, that such grant be made upon a valid consideration.”).

Consider *Beer Co. v. Massachusetts*, decided by the U.S. Supreme Court in 1878. In 1828, the Massachusetts legislature had incorporated the Boston Beer Company “for the purpose of manufacturing malt liquors in all their varieties.” In 1869, however, the legislature enacted a law sharply restricting the manufacture and sale of liquor in Massachusetts. The Boston Beer Company argued that its charter gave it a contractual right (protected by the Federal Constitution) to make and sell beer even in the face of subsequent statutory prohibitions, but the Supreme Court disagreed. For one thing, the charter had been subject to a broad reservation provision, and the Court held that this provision defeated the company’s contractual argument. But the Court indicated that even in the absence of an explicit reservation provision, the company still would have lost, because “[t]he legislature had no power to confer any such rights” as the company was claiming.

In its words, “[t]he legislature cannot, by any contract, divest itself of the power to enact laws for “the protection of the lives, health, and property of the citizens, and . . . the preservation of good order and the public morals.”

The Court expanded upon this point in *Stone v. Mississippi*. In 1867, the Mississippi legislature had passed a statute creating a corporation for twenty-five years and giving it the power to conduct lotteries. As part of this arrangement, the statute required the corporation to pay the state $5000 up front and to post a bond to secure the payment of an additional annual tax on its receipts from the sale of lottery tickets. But after the corporation had been operating for a few years, a new state constitution prohibited all lotteries, and the legislature enacted a statute implementing this prohibition. As in *Beer Co.*, the corporation argued that it had a contractual right to continue operating lotteries under the arrangement established by the 1867 statute and that the Contract Clause prevented the state from unilaterally abrogating this arrangement. Again, though, the Supreme Court disagreed. Even though the

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286 97 U.S. 25 (1878); see also *Wright*, supra note 167, at 196-99 (observing that “[n]ot until 1878 did the Court hand down a decision explicitly based upon the principle that there are certain police or regulatory powers which the states may not contract away,” but noting that state courts and legal treatises had embraced this principle earlier).


290 *Id. at 31-32 (opinion of the Court).

291 *Id. at 33.

292 *Id.; see also McCurdy, supra note 282, at 993 (noting a suggestion to the same effect in *Boyd v. Alabama*, 94 U.S. 645, 650 (1877)).

293 101 U.S. 814 (1886).

294 *Act of Feb. 16, 1867, ch. 256, §§ 1, 6, 11, 1867 Miss. Laws 349, 349-51, 354.

295 *See id. § 8, 1867 Miss. Laws at 352-53.

296 *MISS. CONST.* of 1868, art. XII, § 15; *Act of July 9, 1870, ch. 58, 1870 Miss. Laws 144.
1867 statute seemed to promise that the corporation would be able to continue conducting lotteries, the legislature that was sitting in 1867 could not really commit its successors to this position: “No legislature can bargain away the public health or the public morals.”

Rather than being a subject of vested private rights, “the power of governing is a trust committed by the people to the government, no part of which can be granted away.”

To reconcile this principle with the Contract Clause, the Court asserted that “[t]he contracts which the Constitution protects are those that relate to property rights, not governmental.”

The Court conceded that “the line which separates governmental from property rights” is not always obvious, but the Court saw no uncertainty with respect to lotteries: “Certainly the right to suppress them is governmental.”

Thus, “[a]ny one . . . who accepts a lottery charter does so with the implied understanding that the people, in their sovereign capacity, and through their properly constituted agencies, may resume it at any time when the public good shall require, whether it be paid for or not.”

According to the Court, a charter authorizing a corporation to conduct lotteries created “in legal effect nothing more than a license” that the state could revoke—“a permit, good as against existing laws, but subject to future legislative and constitutional control or withdrawal.”

In the ensuing years, the Supreme Court applied the same idea to a number of valuable privileges that legislatures had conferred in acts of incorporation. For instance, after the Louisiana legislature had granted a company the exclusive right to operate slaughterhouses in New Orleans, and after the company had made extensive investments in its facilities, the Court held that the Contract Clause did not prevent the state from ending the company’s monopoly; the authority to regulate “unwholesome trades, slaughter-houses, [and] operations offensive to the senses” was a core aspect of the police power, and a legislature could not deprive its successors of that authority by contract in a way that the Federal Constitution required the state

297 Stone, 101 U.S. at 819.
298 Id. at 820.
299 Id.
300 Id. at 820-21.
301 Id. at 821.
302 Id. In a later case, the Court acknowledged that the constitution of a particular state might restrict the state legislature’s power over lottery companies. See New Orleans v. Houston, 119 U.S. 265, 268-69, 273-76 (1886) (discussing L.A. CONST. of 1879, art. 167). But even if the people of a state chose to tie the legislature’s hands in this way, the authority to operate a lottery still would not become a contractual right of the sort that the Contract Clause protected; if the state constitution were later amended to expand the legislature’s power, the Federal Constitution would not prevent the state legislature from regulating lottery companies that had been created under the old regime. See id. at 275; see also Douglas v. Kentucky, 168 U.S. 488, 498-99 (1897) (clarifying this point).
303 See Act of Mar. 8, 1869, No. 118, 1869 La. Laws 170; see also Slaughter-House Cases, 83 U.S. (16 Wall.) 36, 61-62, 80-81 (1873) (upholding this statute against Fourteenth Amendment challenges).
to respect. For the same reason, the Contract Clause did not prevent a state legislature from overriding a provision in a railroad company’s charter that had exempted the company from tort liability for the death of any of its employees. While the Supreme Court was “not prepared to say that the legislature can make valid contracts on no subject embraced in the largest definition of the police power,” certain aspects of the police power were not to be bargained away, and the Court declined to treat exemptions from those powers as vested contractual rights. By the early twentieth century if not before, the Court had said the same thing about the power of eminent domain: even if a corporation’s charter said that the state would never use the power of eminent domain against the corporation’s franchises or other property, the Contract Clause would not prevent the state from changing its mind later.

The idea that exemptions from the police power amounted to revocable licenses, rather than vested rights of the sort that the Contract Clause protects, helps to account for a basic shift in the patterns of constitutional litigation. Professor Wright famously calculated that for the first century of the Constitution’s operation (that is, between 1789 and 1889), the Contract Clause came up in almost forty percent of the cases in which the Supreme

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306 Butchers’ Union, 111 U.S. at 750-51; see also New Orleans Gas Co. v. La. Light Co., 115 U.S. 650, 662 (1885) (referring to “cases in which grants of exclusive privileges respecting public highways and bridges over navigable streams have been sustained as contracts, the obligations of which are fully protected against impairment by State enactments,” and taking those cases to show that “the police power, according to its largest definition, is restricted in its exercise by the National Constitution”).
307 See Butchers’ Union, 111 U.S. at 751 (concluding that “a wise policy forbids the legislative body to divest itself of the power to enact laws for the preservation of health and the repression of crime,” and refusing to read the Contract Clause to contradict that policy); cf. New Orleans Gas Co., 115 U.S. at 669 (emphasizing that the Court had announced this principle “with reference to particular kinds of private business which, in whatever manner conducted, were detrimental to the public health or the public morals,” and concluding that “[t]he present case involves no such considerations”). For references to other cases and useful discussion of the doctrine, see WRIGHT, supra note 167, at 203-13.
308 In Contributors to the Pennsylvania Hospital v. City of Philadelphia, 245 U.S. 20 (1917), the Court cast this point as a matter of settled doctrine:

There can be now, in view of the many decisions of this court on the subject, no room for challenging the general proposition that the States cannot by virtue of the contract clause be held to have divested themselves by contract of the right to exert their governmental authority in matters which from their very nature so concern that authority that to restrain its exercise by contract would be a renunciation of power to legislate for the preservation of society or to secure the performance of essential governmental duties. . . . [I]t is equally true that the previous decisions of this court leave no doubt that the right of government to exercise its power of eminent domain upon just compensation for a public purpose comes within this general doctrine.

Id. at 23-24.
Court heard constitutional challenges to state legislation, and it was the basis for decision in nearly half of the cases from that period in which the Supreme Court held that a state law was unconstitutional.\textsuperscript{309} During the period from 1890 to the 1930s, however, the Due Process Clause of the Fourteenth Amendment supplanted the Contract Clause as a focus of constitutional challenges to state regulatory enactments.\textsuperscript{310} That is partly because of how the Supreme Court interpreted the Due Process Clause during the so-called \textit{Lochner} era, but it is also because of how cases like \textit{Stone v. Mississippi} interpreted the Contract Clause. If a particular regulatory requirement did not violate the Due Process Clause (because it was a legitimate exercise of the state's police power), then the Contract Clause normally would not prevent the state from enforcing that requirement even against a corporation to which the state legislature had once promised an exemption. When litigants challenged the constitutionality of a state's purported exercise of the police power, then, the key arguments normally boiled down to the Due Process Clause rather than the Contract Clause.

As doctrine under the Due Process Clause developed, moreover, the Supreme Court held that states had more leeway to regulate businesses that were “affected with a public interest” than to regulate other types of businesses.\textsuperscript{311} The kinds of businesses that exercised franchises granted by the government (besides the simple franchise of incorporation) were paradigmatic examples of businesses that were affected with a public interest.\textsuperscript{312} But while legislatures could and did regulate franchise-based businesses to a greater

\textsuperscript{309} See Wright, \textit{supra} note 167, at 95.

\textsuperscript{310} See id. at 95-100; see also, e.g., James L. Kainen, Nineteenth Century Interpretations of the Federal Contract Clause: The Transformation from Vested to Substantive Rights Against the State, 31 BUFF. L. REV. 381, 381 (1982) (“By the end of the nineteenth century, the due process clause had usurped the place of the contract clause as the centerpiece in litigation about individual rights.”); id. at 387-404 (canvassing scholarly explanations for this shift).

\textsuperscript{311} Munn v. Illinois, 94 U.S. 113, 126 (1877) (quoting Hale, \textit{supra} note 204, at 77-78); see also Barry Cushman, Rethinking the New Deal Court: The Structure of a Constitutional Revolution 47-65 (1998) (discussing Munn and its progeny).

\textsuperscript{312} See Munn, 94 U.S. at 126 (using ferry franchises as an example); see also Charles Wolff Packing Co. v. Ct. of Indus. Rels., 262 U.S. 522, 535 (1923) (noting that one category of “[b]usinesses said to be clothed with a public interest justifying some public regulation” consisted of “[t]hose which are carried on under the authority of a public grant of privileges which either expressly or impliedly imposes the affirmative duty of rendering a public service demanded by any member of the public”); California v. Cent. Pac. R.R. Co., 127 U.S. 1, 40 (1888) (“[A] franchise is a right, privilege or power of public concern, which ought not to be exercised by private individuals at their mere will and pleasure, but should be reserved for public control and administration, either by the government directly, or by public agents, acting under such conditions and regulations as the government may impose in the public interest, and for the public security.”); But cf. Nebbia v. New York, 291 U.S. 502, 531-32 (1934) (noting that businesses did not have to be “dependent upon public grants or franchises” in order to be “subject to regulation in the public interest”).
extent than some other businesses, the franchises continued to be regarded as vested private rights that legislatures could not freely rescind.\textsuperscript{313}

III. \textit{Oil States} and \textit{Patents for Inventions}

Nineteenth-century conceptions of “franchises” are relevant today because of the revival of interest in the broader framework described in Part I. In a series of separate opinions, Justice Thomas has used that framework to identify the kinds of claims that Congress can authorize administrative agencies to resolve and the kinds of claims whose authoritative adjudication instead requires “judicial” power.\textsuperscript{314} Like my initial article, some of those opinions lump “franchises” together with “privileges”\textsuperscript{315} and suggest that under the original understanding of the Constitution, both “could be taken away without judicial process.”\textsuperscript{316}

The cases in which Justice Thomas first addressed these issues did not themselves involve franchises. But in \textit{Oil States Energy Services, LLC v.}

\begin{itemize}
\item \textsuperscript{313} For a few examples, consider the following statements:

[T]he right to operate a [cotton] gin and to collect tolls therefor, as provided by [Okla. Comp. Stat. §§ 3712–18 (1921)], is not a mere license, but a franchise, granted by the state in consideration of the performance of a public service; and as such it constitutes a property right within the protection of the Fourteenth Amendment.

\textit{Frost v. Corp. Comm'n, 278 U.S. 515, 519-20 (1929).}

The grant by ordinance to an incorporated telephone company, its successors and assigns, of the right to occupy the streets and alleys of a city with its poles and wires for the necessary conduct of a public telephone business, is a grant of a property right in perpetuity, unless limited in duration by the grant itself or as a consequence of some limitation imposed by the general law of the State, or by the corporate powers of the city making the grant. . . . If the grant be accepted and the contemplated expenditure made, the right cannot be destroyed by legislative enactment or city ordinance based upon legislative power, without violating the prohibitions placed in the Constitution for the protection of property rights.


[T]he grant of a right to supply gas or water to a municipality and its inhabitants through pipes and mains laid in the streets, upon condition of the performance of its service by the grantee, is the grant of a franchise vested in the State, in consideration of the performance of a public service, and after performance by the grantee, is a contract protected by the Constitution of the United States against state legislation to impair it.

\textit{Walla Walla City v. Walla Walla Water Co., 172 U.S. 1, 9 (1898); see also id. at 17 ("[W]here a contract for a supply of water is innocuous in itself and is carried out with due regard to the good order of the city and the health of its inhabitants, . . . the police power cannot be invoked to abrogate or impair it.").}

\textsuperscript{314} \textit{See supra note 8 (citing cases).}


\textsuperscript{316} \textit{Dimaya, 138 S. Ct. at 1246 (Thomas, J., dissenting).}
Greene's Energy Group, LLC, the Supreme Court considered the constitutionality of a federal statute allowing the Patent and Trademark Office to cancel a patent for an invention.\textsuperscript{317} In upholding the statute, Justice Thomas's majority opinion relied on the idea that when the government gives an applicant the kinds of rights that a patent confers, the government is “grant[ing] a public franchise,” and Congress can validly reserve the power to cancel this franchise in the manner that the statute described.\textsuperscript{318} This Part evaluates that conclusion in light of the relevant history.

A. A Brief Summary of the English Background

Scholars have written extensively about the early history of patents in England,\textsuperscript{319} and I have nothing to contribute on that topic. Because the English background is relevant, though, this Section summarizes it briefly.

In England, the precursors of what modern lawyers think of as patents developed as a subset of a much broader category. From an early date, the Crown used “letters patent” to grant special privileges of various sorts to the people named in the letters.\textsuperscript{320} (The adjective “patent” simply indicated that the letters were “exposed to open view”; they were “matter[s] of public record” and were “usually directed or addressed by the king to all his subjects at large.”\textsuperscript{321}) Starting in the mid-sixteenth century, some letters patent gave the people named in the letters a temporary monopoly in the manufacture of particular products.\textsuperscript{322} The exclusive rights conferred by these letters were paradigmatic “franchises,” granted by the Crown as a matter of royal prerogative.\textsuperscript{323}

The prerogative did not necessarily entitle the Crown to impose restraints that would be of no benefit to the realm.\textsuperscript{324} But in many circumstances, the

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\textsuperscript{317} 138 S. Ct. 1365, 1370 (2018).
\textsuperscript{318} Id. at 1373.
\textsuperscript{321} 2 William Blackstone, Commentaries *346.
\textsuperscript{322} See Ramon A. Klitzke, Historical Background of the English Patent Law, 41 J. Pat. Off. Soc'y 615, 627-35 (1959) (discussing an isolated example of such a grant from 1449, but otherwise tracing this practice to the second half of the sixteenth century); see also E. Wyndham Hulme, The History of the Patent System Under the Prerogative and at Common Law, 12 Law Q. Rev. 141, 145-50 (1896) (listing “the industrial monopoly licenses issued during the period 1561–70”).
\textsuperscript{323} See, e.g., Klitzke, supra note 322, at 623-28; cf. 4 W.S. Holdsworth, A History of English Law 343 (1924) ("It was only very occasionally that Parliament intervened to encourage the founder of a new industry by the grant of statutory privileges.").
\textsuperscript{324} See Harold G. Fox, MONOPOLIES AND PATENTS: A STUDY OF THE HISTORY AND FUTURE OF THE PATENT MONOPOLY 57 (1947); see also Oren Bracha, The Commodification of
grant of temporary monopolies was said to be beneficial. For instance, consistent with the mercantilist ideas of the day, Queen Elizabeth often granted such monopolies to try to foster new industries in England. Sometimes the Crown granted these monopolies to foreign artisans who agreed to move to England and teach their crafts to Englishmen. Sometimes the recipients were native Englishmen who proposed to introduce to England industries that were established in other countries. Sometimes the recipients claimed to have invented genuinely new machines or processes that were thought to be useful, and the Crown was rewarding them.

In practice, the Crown did not limit its grants to situations of this sort. Whether to please favorites, to compensate servants, or to raise revenue for the Crown beyond the parliamentary subsidy, Queen Elizabeth and her successors sometimes granted monopolies in industries that already existed and needed no encouragement. Even when the Crown was acting for less

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325 See D. Seaborne Davies, The Early History of the Patent Specification, 50 LAW Q. REV. 86, 97-98 (1934) (examining what patents themselves said about the benefits to the public).


327 See MacLeod, supra note 320, at 10-12; see also E. Wyndham Hulme, THE HISTORY OF THE PATENT SYSTEM UNDER THE PREROGATIVE AND AT COMMON LAW: A SEQUEL, 16 LAW Q. REV. 44, 52 (1900) (tabulating grants from 1561 to 1603 and concluding that grants to foreigners became less common over time); Adam Mossoff, Rethinking the Development of Patents: An Intellectual History, 1550–1800, 52 HASTINGS L.J. 1255, 1261 & n.25 (2001) [hereinafter Mossoff, Intellectual History] (using Hulme’s numbers to infer a shift in motivations for the grants).

328 See Fox, supra note 324, at 60-61 (discussing an early example).


330 See Lipson, supra note 326, at 354-55; see also Carolyn A. Edie, Tactics and Strategies: Parliament’s Attack Upon the Royal Dispensing Power 1597–1689, 29 AM. J. LEGAL HIST. 197, 204 (1985) (noting that in the later years of her reign, Queen Elizabeth “found . . . that she could offer neither adequate payment to her servants nor rewards to her favorites,” and she granted monopolies in lieu of cash); Walterscheid, Antecedents (pt. 2), supra note 326, at 871 (noting that although James I suspended existing monopolies at the start of his reign, “he soon fell into the trap of issuing patents of monopoly as rewards to court favorites”). On the use of patents to generate revenue for the Crown, see Klitzke, supra note 322, at 640-41 (acknowledging that “Elizabeth would frequently reserve a small rent to herself in the patent grant,” but calling the amounts “nominal”); see also Lipson, supra note 326, at 356 (reporting that patents did not produce much revenue for either
self-interested reasons, moreover, patents were granted “upon the faith of [the patentee’s] representations,” and the information that the patentee provided was not always true. Thus, when Queen Elizabeth asserted that some of her patents had produced results “contrary to her Majesty’s expectation at the time of those grants,” she was able to blame the patentees: “[I]t doth appear that some of the said grants were not only made upon false and untrue suggestions contained in her letters patents, but have been also notoriously abused . . . .”

In anticipation of such problems, the typical patent reserved power for the Crown to revoke or terminate the grant upon finding it to be harmful or unwarranted. According to Professor D. Seaborne Davies, the earliest known example of such a clause appears in a patent granted in 1575, and the clause “gradually came into general use.” The mature version of the clause contemplated proceedings in the Privy Council to find the facts that the clause made grounds for revocation (such as that the grant was “inconvenient or prejudicial to the realm” or, later, that the purported invention was not new or that the patentee was not the true inventor). In Professor Davies’s words, “The Privy Council did not hesitate to exercise its powers under this clause throughout the seventeenth century and there are records extant of revocations made under the clause certainly as late as 1779.”

Whether private litigants could challenge the validity of patents in court was more contested. In 1601, when a plaintiff who allegedly had imported goods in violation of a patent brought a trespass suit against the defendants who had seized those goods, Elizabeth’s Privy Council took the position that

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331 Hulme, supra note 322, at 151.
333 See Davies, supra note 325, at 102.
334 Id. Professor Davies suggests that the clause was already common by 1601, when Queen Elizabeth sought to quell controversy about her patents by revoking some of the most objectionable. See id. at 103 & n.62. Except for a brief hiatus from 1625 to 1627 and another “[f]or a short time after the Restoration,” the clause was also familiar in the patents of Elizabeth’s successors, and it eventually “became a fixed feature of all patents of invention.” Id. at 103.

Of course, monarchs with broad views of their prerogative powers might have thought that they could revoke royal grants even in the absence of such reservations. Still, including an explicit reservation in the grant made it unnecessary to take an aggressive position on that topic.

335 See id. at 102-03 & n.61; see also, e.g., H. Tomás Gómez-Arostegui & Sean Bottomley, Privy Council and Seire Facias 1700–1883: An Addendum to the Brief for H. Tomás Gómez-Arostegui and Sean Bottomley as Amici Curiae in Support of Neither Party 3 (Nov. 6, 2017), http://ssrn.com/abstract=3054989 (quoting a 1713 patent that authorized termination by the Crown for all these reasons).
336 Davies, supra note 325, at 103; see also id. at 103-04 (reporting that the most common grounds for revocation were “non-user or . . . lack of novelty, or because the patentee was not the first inventor”). For a catalog of revocation cases in the Privy Council, see E. Wyndham Hulme, Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794 (pts. 1 & 2), 33 LAW Q. REV. 63, 80 (1917).
“her Prerogative Royall may not be called in question for the validitie of the letters patentes.” Soon thereafter, though, Elizabeth changed her tune under pressure from Parliament; she declared a number of patents void, and she gave permission for people aggrieved by other grants “to take their ordinary remedy by her Highness’s laws of this realm.”

Elizabeth’s concession averted potentially hostile legislation from Parliament, but the détente did not survive the reign of James I. In 1624, amid continued outrage over “odious monopolies” and as part of a broader struggle over the royal prerogative, Parliament enacted the Statute of Monopolies. That statute began with several broad declarations, including that (1) “all Monopolies and all Commissions, Grants, Licenses, Charters, and letters patent . . . for the sole buying, selling, making, working, or using of any thing within this Realm . . . are altogether contrary to the Laws of this Realm, and so are and shall be utterly void,” and (2) “all Monopolies and all such Commissions, Grants, Licenses, Charters, [and] letters patent . . . as aforesaid and the force and validity of them . . . shall be forever hereafter examined, heard, tried, and determined by and according to the Common Laws of this Realm and not otherwise.” Still, the statute made various exceptions, including one that left room for the development of modern

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337 Mosoff, Intellectual History, supra note 327, at 1267 (quoting Letter to the Lord Cheefe Justice of the Common Pleas and to the Rest of the Justices of that Courte (Oct. 7, 1601), in 32 Acts of the Privy Council of England (2d ser.) 237, 237 (1907)). The patent in question was the playing-card monopoly that was also at issue in the Case of Monopolies, summarized infra note 338. See Jacob I. Corré, The Argument, Decision, and Reports of Darcy v. Allen, 45 EMORY L.J. 1261, 1312-21 (1996) (describing the trespass action).
338 Elizabeth’s Proclamation Concerning Monopolies, supra note 332, at 157. The most famous example of litigation in the common-law courts about the validity of an Elizabethan patent is the Case of Monopolies (1603), 77 Eng. Rep. 1260 (K.B.). Letters patent had granted the plaintiff a monopoly on both the importation and the domestic manufacture of playing cards. See id. at 1260-61. The plaintiff sued the defendant for allegedly violating these exclusive rights, but the court entered judgment for the defendant. Id. at 1266. A dozen years later, Coke’s report of the case portrayed the court as having held that the plaintiff’s grant was “utterly void” for various reasons (such as that the Queen must have been deceived, for the grant would serve only “the private gain of the patentees” and would not benefit the public). Id. at 1262-65. Contrary to Coke’s report, modern scholars believe that the court did not deliver opinions to explain the judgment. See Corré, supra note 337, at 1325. Still, the report does show the kinds of arguments that common-law lawyers could advance circa 1615, when the report was published.
339 For accounts, see FOX, supra note 324, at 75-77; Walterscheid, Antecedents (pt. 2), supra note 326, at 865-66.
342 For instance, it took care not to repeal any pre-existing grants that had been made or confirmed by Act of Parliament. See id. § 7. It also exempted charters and other grants or letters patent to “any City, Borough, or Town Corporate within this Realm”; to “any Corporations, Companies, or Fellowships of any Art, Trade, Occupation, or Mistery”; and to “any Companies or
patent law. Specifically, section 6 said that the statute's declarations “shall not extend to any letters Patent and Grants of Privilege for the term of fourteen years or under . . . of the sole working or making of any manner of new Manufactures within this Realm, to the true and first Inventor and Inventors of such Manufactures,” provided that these grants “be not contrary to the Law nor mischievous to the State, by raising of the prices of Commodities at home, or hurt of Trade, or generally inconvenient.”343 (The word “Inventor” in this provision was understood to include not only people who made original discoveries but also people who simply introduced practices to England from elsewhere in the world.344)

Despite Parliament's declaration that the validity of patents should be tried and determined “according to the Common Laws of this Realm,” scholars agree that the Privy Council “continued to exercise the chief control over matters relating to patents” until the eighteenth century.345 That did not necessarily violate the Statute of Monopolies; the patents that section 6 tolerated arguably were exempt from all of the preceding declarations in the statute,346 and in any event almost every patent granted by the Crown continued to specify that the patent would have no further effect if revoked by the Crown upon findings made by the Privy Council.347 In practice, though, the Privy Council eventually stopped playing this role.348 Starting in the 1780s and continuing into the nineteenth century, when the Crown thought that a patent should be revoked, the Crown went to court; the normal mechanism for revocation became a scire facias action brought by the Crown (or someone acting in the name of the Crown) against the patentee.349

343 Id. § 6 (spelling and punctuation modernized). This exemption addressed patents or grants “hereafter to be made.” Id. Section 5 made a similar exception for patents and grants that already existed, except that they were allowed to last for up to twenty-one years. See id. § 5.
344 See Walterscheid, Antecedents (pt. 2), supra note 326, at 877 (citing sources).
345 HOLDSWORTH, supra note 323, at 354; see also Hulme, supra note 336, at 63 (noting that the period "from the Statute of Monopolies to Dollond's case (1766)" is "almost barren of recorded Common Law decisions" in patent cases).
347 See supra notes 333–36 and accompanying text.
348 See BRACHA, supra note 340, at 22 & n.39 (noting that in the second half of the eighteenth century, "Privy Council patent revocation proceedings atrophied and eventually disappeared," though doubting that the Privy Council's role ended as abruptly as an earlier scholar had thought).
349 See Christopher Beauchamp, Repealing Patents, 72 VAND. L. REV. 647, 654-60 (2019). For more detail about the decline of Privy Council revocation proceedings and the rise of scire facias, see generally Gómez-Arostegui & Bottomley, supra note 335.
By the 1780s, English practices with respect to patents had also changed in other ways. Scholars have highlighted two developments that had the potential to affect how people conceptualized the legal interests conferred by a patent.

First, and quite early, the Crown's process for issuing patents became routinized.\(^3\) Legally speaking, the issuance of a patent was always discretionary. But in practice, a majority of applicants who followed the procedures and whose petitions met the requirements received a patent, and the patents themselves conferred "an increasingly standard set of entitlements."\(^4\) Although Professor Oren Bracha cautions against exaggerating this development, he notes that it sowed the seeds for thinking of patents as "standard rights" rather than "particularistic privileges."\(^5\)

Second, in the first half of the eighteenth century, the Crown's law officers developed the practice of requiring patentees to provide specifications that disclosed the details of their invention.\(^6\) Whatever the original motivations for this requirement,\(^7\) Lord Mansfield noted that it enabled other people to practice the invention after the patent expired, and thereby gave the public a benefit in exchange for the exclusive rights that the patentee was getting.\(^8\) Soon, lawyers were describing the disclosure of the invention as "[t]he consideration[] which the patentee gives for his monopoly."\(^9\) In the words of Professor Adam Mossoff, that way of thinking suggests that a patentee "has entered into a . . . contract [with society]" and "is morally entitled to the benefits of this contract, i.e., legal protection of his patent right."\(^10\)

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3. See Bracha, supra note 324, at 200-02; see also MACLEOD, supra note 320, at 40-48 (describing the process).

4. Id. at 202-03.

5. See Davies, supra note 325, at 90 (noting that most patents issued after 1734 included a clause requiring the patentee to provide specifications); Walterscheid, Antecedents (pt. 3), supra note 346, at 778-81 (citing scholarship that attributes this requirement to the law officers).

6. Compare MACLEOD, supra note 320, at 51-55 (concluding that the specification "certainly" was not introduced "for the purpose of disseminating inventions by disclosure," and discussing other possible motivations), with SEAN BOTTOMLEY, THE BRITISH PATENT SYSTEM DURING THE INDUSTRIAL REVOLUTION, 1700-1852: FROM PRIVILEGE TO PROPERTY 46-50, 89-91 (2014) (suggesting that the specification was "initially introduced at the behest of petitioners" but "by the middle of the eighteenth century" came to be seen "as the consideration on which the patent was awarded").

7. See E. Wyndham Hulme, On the History of Patent Law in the Seventeenth and Eighteenth Centuries, 18 LAW Q. REV. 280, 285 (1902) (providing excerpts from Mansfield's instructions to the jury in the 1778 case of Liardet v. Johnson); see also BRACHA, supra note 340, at 24 (noting that Mansfield's account "became the new doctrinal orthodoxy" by the 1780s).

8. Turner v. Winter (1787) 99 Eng. Rep. 1274, 1276 (K.B.) (argument of counsel). Admittedly, even before the specification requirement, patentees could have been said to provide other "consideration" for their exclusive rights, so this way of talking could have emerged earlier. Cf. Hulme, supra note 326, at 314, 318 (arguing that "the [patentee's] undertaking to work the grant"—and hence to introduce a new industry to England—"constituted the essential consideration of the early Monopoly system").

9. Mossoff, Intellectual History, supra note 327, at 1301 (emphasis omitted); see also BOTTOMLEY, supra note 354, at 79 ("[A] distinct rationale for the patent was constructed by the
B. Conceptions of Patents in the United States


After independence, the United States did not reinvent patent law, but it also did not exactly duplicate English practices. I will set colonial and early state practices aside and focus on the federal level.

American patents had a different legal basis than English patents. The Federal Constitution gave the President executive power but not unspecified “prerogative” powers. Unlike the Crown, then, the President could not validly issue patents on his own authority. Instead, the Constitution allowed Congress to establish a federal patent system by statute. In the words of Article I, “The Congress shall have Power . . . to 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.”

The first federal Patent Act, enacted by Congress in 1790, either established or reflected another important difference between American and English concepts. In England, although the Statute of Monopolies had restricted the Crown’s authority to confer exclusive rights, the statute’s exception for “Inventors” had been understood broadly; the statute did not prevent the Crown from granting exclusive rights to people who simply introduced new trades or manufacturing techniques into England from abroad. In the United States, by contrast, true creation (not mere importation) was required for a federal patent. As Edward Walterscheid has recounted in detail, one version of the bill that became the Patent Act of 1790 would have treated the first importer of a device as its inventor within the United States, but members of Congress rejected this provision during the legislative process. Indeed, Walterscheid adduces evidence that Rep. James

1770s, one where the patent was conceived as representing a contract between the inventor and the public.


1359 See, e.g., United States v. Am. Bell Tel. Co., 128 U.S. 315, 362-63 (1888) (“[W]e have here no prerogative right of the crown; and letters patent, whether for inventions or for grants of land, issue not from the President but from the United States. The President has no prerogative in the matter.”).

1360 U.S. CONST. art. I, § 8, cl. 8.


1362 EDWARD C. WALTERSCHEID, THE NATURE OF THE INTELLECTUAL PROPERTY CLAUSE 319-26 (2002); see also H.R. 41, 1st Cong. § 6 (Feb. 16, 1790), in 6 DOCUMENTARY HISTORY
Madison doubted Congress’s constitutional power to authorize what modern scholars call “patents of importation.”163 Be that as it may, the Patent Act of 1790 required applicants to claim that they “have invented or discovered [a] useful art, manufacture, engine, machine, or device, or [an] improvement therein not before known or used,”164 and the Patent Act of 1793 used similar language.165 Consistent with both the legislative history and an additional statute enacted in 1800,166 early judges said that “if . . . [a person] was not the original inventor, in reference to other parts of the world as well as America, he is not entitled to a patent.”167

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163 See Walterscheid, supra note 362, at 321-25 ( canvassing the legislative history and private correspondence, and concluding that constitutional concerns were a major reason for the omission of the language that would have authorized patents of importation); cf. id. at 323-27 (noting that those concerns may not have been well founded).

164 Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 109-10; see also Walterscheid, supra note 362, at 325 (noting that the phrase “in the United States” had appeared at the end of this provision in one version of the bill, but the phrase was deleted in recognition of the elimination of the section that would have treated importers like inventors).

165 See Patent Act of 1793, ch. 11, § 1, 1 Stat. 318, 318-19 (requiring applicants to allege that they “have invented [a] new and useful art, machine, manufacture or composition of matter, or [a] new and useful improvement on any art, machine, manufacture or composition of matter, not known or used before the application”).

166 The Patent Act of 1793 had allowed only “citizens of the United States” to apply for patents. Id. at 318; cf. Patent Act of 1790 § 1, 1 Stat. 109 (inviting applications from “any person”). In 1800, Congress broadened the category of potential applicants to include noncitizens who had been living in the United States for at least two years by the time of their application—but people who sought a patent under this statute had to attest that to the best of their knowledge, the “invention, art or discovery” that they were attempting to patent “hath not . . . been known or used either in this or any foreign country.” Act of April 17, 1800, ch. 25, § 1, 2 Stat. 37, 38.

167 Reuten v. Kanows, 20 F. Cas. 555, 556 (C.C.D. Pa. 1804) (No. 11,710) (jury instruction of Bushrod Washington); see also Walterscheid, supra note 362, at 330-35 (citing Reuten; Dawson v. Follen, 7 F. Cas. 216, 216 (C.C.D. Pa. 1808) (No. 3670) (jury instruction of Bushrod Washington); and Evans v. Eaton, 8 F. Cas. 846, 853 (C.C.D. Pa. 1816) (No. 4559), rev’d on other grounds, 16 U.S. (3 Wheat.) 454 (1818)). In support of the same conclusion, Justice Story also pointed to section 6 of the Patent Act of 1793, which allowed defendants to defeat infringement claims (and, indeed, to get the court to declare a patent “void”) on the ground that the patented thing “was not originally discovered by the patentee, but had been in use, or had been described in some public work anterior to the supposed discovery of the patentee.” 1 Stat. at 322. Under these provisions, Story observed, “it has been uniformly held, that it must be shown that the invention is new, not only in the United States, but to the world.” Mellus v. Silsbee, 16 F. Cas. 1332, 1333 (C.C.D. Mass. 1825) (No. 9404); see also Margo A. Bagley, Patently Unconstitutional: The Geographic Limitation on Prior Art in a Small World, 87 Minn. L. Rev. 679, 698 n.67 (2003) (calling attention to Story’s opinion).

The Patent Act of 1836 relaxed this principle somewhat. Each applicant for a patent still had to swear or affirm “that he does verily believe that he is the original and first inventor or discoverer of the art, machine, composition, or improvement, for which he solicits a patent, and that he does not know or believe that the same was ever before known or used.” Patent Act of 1836, ch. 357, § 6, 5 Stat. 117, 119. But if, unbeknownst to the applicant, the invention was known to people in a foreign country, a U.S. patent could nonetheless be issued to the applicant unless the invention either had been patented in the other country or had been described in a printed publication there. See id. § 7,
As Professor Mossoff has noted, an increased emphasis on applicants' creativity potentially dovetailed with a different way of thinking about patent rights—not as governmental largesse, nor even as part of a deal between the public and an inventor, but as something that the inventor truly deserved even before a patent was issued. In the context of copyright law, several state legislatures had already declared that "there is no Property more peculiarly a Man's own than that which is produced by the Labour of his Mind," and they had suggested that security for "the Fruits of [a person's] Study and Industry" is "one of the natural Rights of all Men." In January 1791, moreover, the National Constituent Assembly of France explicitly endorsed a similar idea with respect to patents. In the preamble of a patent statute that was modeled on English and American law, the Assembly declared that "every new idea, the manifestation or development of which could become useful to society, belongs originally to him who conceived it; an idea of a secret invention or discovery abroad from defeating the "rightful property" of an American inventor who "has been so fortunate as to invent or discover the same thing" and who was entitled to "the fruits of his ingenuity." Patents for Invention, 5 Op. Att'y Gen. 19, 21 (1848); see also id. at 21-22 (defending the rights of "an original bona fide inventor in this country, who verily believed himself the original and first inventor, or discover[er], at the time of his application," and observing that under the statute, "[t]he fact that an invention not patented, and not described in any printed publication, has been before known or used in any foreign country, is rendered immaterial, except so far as it may have come to the knowledge of the applicant").

5 See Mossoff, Intellectual History, supra note 327, at 1302-15 (arguing that even in England, the conception of novelty in eighteenth-century patent law was linked to John Locke's idea of a natural right to property in the fruits of one's own labor).

368 Act of Mar. 17, 1783, ch. 26, 1783 Mass. Acts (Jan. Sess.) 216, 216; Act of Nov. 7, 1783, 1783 N.H. Laws (Oct. Sess.) 305, 305; An Act for the Purpose of Securing to Authors the Exclusive Right and Benefit of Publishing Their Literary Productions, for Twenty-One Years, 1783 R.I. Laws (Dec. Sess.) 6, 6; see also Adam Mossoff, Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context, 92 CORNELL L. REV. 953, 982 & n.134 (2007) (hereinafter Mossoff, Jefferson) (calling attention to these statutes). Admittedly, what people said about copyrights did not necessarily extend to patents. Compare Edward C. Walterscheid, Inherent or Created Rights: Early Views on the Intellectual Property Clause, 19 HAMLIN L. REV. 81, 85 (1995) (noting that in eighteenth-century England, the common law was thought to recognize property rights in literary works but not in inventions), with THE FEDERALIST NO. 43 at 288 (James Madison) (Jacob E. Cooke ed., 1961) (explaining the constitutional provision that empowers Congress to secure exclusive rights for authors and inventors by noting that "[t]he copy right of authors has been solemnly adjudged in Great Britain to be a right at common law" and observing that "[t]he right to useful inventions[ ] seems with equal reason to belong to the inventors").


371 Act of Jan. 7, 1791, in 41 PROCES-VERBAL DE L'ASSEMBLEE NATIONALE (Paris 1791) ("[T]oute idée nouvelle dont la manifestation ou le développement peut devenir utile à la société, appartient

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spoke as if most of his colleagues in the U.S. House of Representatives accepted this idea. In an 1824 debate about a bill involving patents, Rep. Webster assumed his colleagues would agree “that the right of the inventor is a high property; it is the fruit of his mind—it belongs to him more than any other property— . . . and he ought to be protected in the enjoyment of it.” 372 Webster knew his audience: the colleague whom he was debating (future President James Buchanan) “concur[red] . . . heartily . . . in [Webster’s] sentiments . . . respecting the property which an inventor has in that which is the product of his own genius.” 373

Of course, even if an inventor has some moral entitlement to prevent others from freely using his idea, it would have been difficult to enforce that entitlement in the state of nature. For Lockeansthus, that practical point would not disprove the existence of the entitlement. Indeed, the fact that smooth enforcement requires state power does not necessarily distinguish intellectual property from other forms of property.

Still, there are important differences between property in ideas and property in physical things. In an 1813 letter that has since become famous, Thomas Jefferson invoked those differences to try to debunk the notion “that inventors have a natural and exclusive right to their inventions.” 374 Even if there could be a natural right to property “in an acre of land, for instance,” Jefferson took theorists to agree that any such right rested on occupation of the land and lasted only so long as the occupation continued. 375 According to Jefferson, ideas were “incapable of . . . exclusive appropriation” in the relevant sense, and so “inventions . . . cannot in nature be a subject of property.” 376 In
his words, “the moment [an idea] is divulged, it forces itself into the possession of every one, and the receiver cannot dispossess himself of it”—and yet “no one possesses the less, because every other possesses the whole of it.”\textsuperscript{377} Jefferson concluded that “if nature has made any one thing less susceptible, than all others, of exclusive property, it is the action of the thinking power called an Idea.”\textsuperscript{379} To be sure, society could choose to encourage invention by giving people “an exclusive right to the profits arising from [their ideas]”—but “this may, or may not be done, according to the will and convenience of the society, without claim or complaint from any body.”\textsuperscript{379}

Two centuries later, it is hard to know how many members of the founding generation agreed with Jefferson and how many shared the views that he was criticizing. In Professor Mossoff’s words, “The historical record is mixed.”\textsuperscript{380} Professor Oren Bracha suggests that at least in some quarters, “a strong ideological support for patent rights had consolidated” by the 1790s, but neither law nor practice reflected “a clear shift to a right-based system.”\textsuperscript{381} More broadly, although a “new conceptual framework” that saw “the patent as an inventor’s property right in his mental creation” had emerged, “[i]t was not immediately clear . . . how this new concept of patent rights changed the nature of the inventor’s claim on the state, compared with the privilege system.”\textsuperscript{382}

Some features of founding-era patent law are hard to reconcile with the notion that inventors have a natural right to control the use of their ideas even after those ideas have been disclosed. The Constitution itself authorizes Congress to give inventors exclusive rights only “for limited Times”\textsuperscript{383}—a restriction that seems inconsistent with the strongest possible versions of a natural right to intellectual property.\textsuperscript{384} On their face, moreover, the Patent

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\textsuperscript{377} Letter from Thomas Jefferson to Isaac McPherson, supra note 374, at 383.
\textsuperscript{378} Id.
\textsuperscript{379} Id.
\textsuperscript{380} Mossoff, Jefferson, supra note 369, at 1008.
\textsuperscript{381} BRACHA, supra note 340, at 191-201.
\textsuperscript{382} Id. at 188.
\textsuperscript{383} U.S. CONST. art. I, § 8, cl. 8.
\textsuperscript{384} See, e.g., EXPOSITION OF PART OF THE PATENT LAW 6 (1816) (asserting that by limiting the duration of patents, “the public claim more than their right; for the ingenuity and labour of the inventor is his, exclusively, by natural law and justice”). The author of this pamphlet, Oliver Evans, was an inventor who “completely revolutionized the processes of flour manufacture.” Coleman Sellers, Jr., Oliver Evans and His Inventions, 122 J. FRANKLIN INST. 1, 1 (1886). In 1790, he was awarded one of the earliest federal patents. See id. at 8. A few years after it expired, Congress enacted a private bill authorizing the Secretary of State to grant him a new patent for another fourteen years.
Act of 1790 and the Patent Act of 1793 both gave federal officials the discretion to grant patents to worthy applicants, without creating any obligation to do so.

Still, these features of early patent law are consistent with a more modest version of natural-rights thinking. While inventors may not have a natural right to prevent others from using their ideas after the ideas have become public, inventors have no duty to disclose their ideas in the first place. The absence of such duty might be cast as one type of natural “right”—the liberty to keep one’s ideas to oneself. In the words of a modern commentator, the patent system encourages inventors to surrender “the natural right to keep an invention secret” in exchange for “the civil right of a patent.”

That characterization dovetails with the view that patents reflect a contract between the public and the inventor, under which the inventor receives exclusive rights for a limited time in exchange for disclosing an idea that people will be able to use freely thereafter. Scholars agree, moreover, that by the early nineteenth century, this notion of patent as contract was “a common theoretical justification, offered by both British and North American writers.”

The Patent Act of 1790 fits this characterization well. Recall that in eighteenth-century England, the Crown’s law officers had developed the practice of requiring patentees to furnish specifications, and Lord Mansfield eventually explained that requirement as part of an exchange between the public and the inventor. In the United States, section 2 of the Patent Act of 1790 both codified the specification requirement and echoed Lord Mansfield’s explanation of it.


387 See supra notes 353–57 and accompanying text.

388 Section 2 provided:

[T]he grantee . . . of each patent shall, at the time of granting the same, deliver to the Secretary of State a specification in writing, containing a description . . . and explanations and models (if the nature of the invention or discovery will admit of a model) of the thing . . . by him . . . invented or discovered . . . ; which specification shall be so particular, and said models so exact, as not only to distinguish the invention or discovery from other things before known and used, but also to enable a workman or other person skilled in the art or manufacture . . . to make, construct, or use the same, to the end that the public may have the full benefit thereof, after the expiration of the patent term . . . .
The idea that rights conferred by a patent sounded in contract (and hence vested upon issuance of the patent rather than at the time of the invention) also fits with the roles that the Patent Act of 1790 gave executive and judicial actors. Anyone who claimed to “have invented or discovered any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used” could apply for a patent by petitioning three high-ranking executive officials—the Secretary of State, the Secretary of War, and the Attorney General. If a majority of those officials “deem[ed] the invention or discovery sufficiently useful and important,” they had discretion to authorize the preparation of a patent, which the executive branch would issue in the name of the United States. On the other hand, if the three officials decided not to grant a patent, the statute did not appear to contemplate any judicial review. Thus, the statute put the executive branch in charge of whether to issue a patent in the first place.

Once a patent was issued, though, any challenges to its validity had to proceed in court. Within the first year after issuance, a challenger who averred that the patent had been “obtained surreptitiously . . . or upon false suggestion” could file a motion in the district court for the district where the patentee resided, and the judge could order the patentee to “show cause why process should not issue against him . . . to repeal such patent[].” Ultimately, “in case no sufficient cause shall be shown to the contrary, or if it shall appear that the patentee was not the first and true inventor or discoverer, judgment shall be rendered by such court for the repeal of such patent.” Even after


Professor Beauchamp suggests that proceedings to repeal a patent are therefore an exception to what Ann Woolhandler and I have described as the historical precursors of modern standing doctrine, under which private litigants normally needed a private litigable interest. See Beauchamp, supra note 349, at 667 & n.105 (citing Woolhandler & Nelson, supra note 3). I do not deny the existence of such exceptions, but I am not sure that repeal proceedings were one. The plaintiff in a repeal proceeding was trying to establish that he did not owe the defendant a duty to refrain from
the deadline for this sort of proceeding passed, the defendant in an infringement suit could avoid liability by successfully challenging the truth of the patentee’s claim of invention or the adequacy and accuracy of the patent’s specifications. But while these matters were open for judicial consideration, American patents did not reserve any power of revocation for the executive branch, and until the twentieth century no federal patent statute tried to build such a power into the terms of the bargain that patentees were offered.

As Professor Christopher Beauchamp has noted, this fact does not necessarily prove “that the [revocation] process was seen as inherently judicial”; perhaps Congress simply wanted to assign the revocation function to “geographically distributed federal officials,” and judges were the only such officials whom it made sense to use. Still, the way that the early federal patent statutes allocated decisionmaking is at least suggestive. Congress plainly believed that executive-branch officials could be authorized to decide whether to issue patents in the first place. But in keeping with the idea that patents (like contracts) gave rise to vested rights after issuance, Congress did not authorize the same executive-branch officials who issued patents to entertain motions to revoke them.

Of course, those officials had enough to do as it was. The idea that every application for a patent would be evaluated personally by the Secretary of State, the Secretary of War, and the Attorney General would be laughable today, and it did not work well in 1790 either. In 1793, Congress therefore enacted a new Patent Act that simply authorized the Secretary of State to cause a patent to be prepared upon receiving an application that met the

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393 Patent Act of 1790 § 6, 1 Stat. at 111-12. In infringement suits, the 1790 Act made the patent “prima facie evidence[] that the said patentee . . . was . . . the first and true inventor or . . . discoverer . . . of the thing so specified, and that the same is truly specified,” but the Act allowed the defendant to introduce evidence to the contrary. See id. at 111. The Patent Act of 1793 omitted the “prima facie evidence” language (presumably because the 1793 Act contemplated that the executive branch would issue patents without much scrutiny). The 1793 Act added that if the defendant in an infringement suit showed that the patentee was not the true inventor or that the patent’s specifications concealed or added information “for the purpose of deceiving the public,” then the court should not only render judgment for the defendant but also declare the patent “void.” Patent Act of 1793 § 6, 1 Stat. at 322.

394 Beauchamp, supra note 349, at 666.

395 See Edward C. Walterscheid, The Use and Abuse of History: The Supreme Court’s Interpretation of Thomas Jefferson’s Influence on the Patent Law, 39 IDEA: J. L. & TECH. 195, 203-04 (1998) (concluding that the main impetus for the Patent Act of 1793 was the “recognition by the members of the Patent Board . . . that they simply had insufficient time to properly carry out the tasks assigned to them under the Act”).
statute’s formal requirements. Although the statute cast this authority as a power rather than a duty, Professor Bracha asserts that no one expected the Secretary to examine the substantive merits of the application: “it was clear to everyone involved that patents would be issued on demand.” At any rate, that is basically what happened. Although only fifty-seven patents had been issued under the Patent Act of 1790, nearly ten thousand were issued under the Patent Act of 1793, including many that were not really valid.

The fact that it was easy to get a patent, and that many patents were obtained upon false suggestions, affected how federal district judge William Van Ness interpreted the procedure for judicial “repeal” of a patent. The Patent Act of 1793 essentially duplicated the provision in the Patent Act of 1790 about that procedure, but neither statute specified the nature of the proceedings. Sitting on circuit in 1816, Justice Story had interpreted the statutory language to call for “a proceeding in the nature of a scire facias at common law,” complete with trial by jury. Judge Van Ness disagreed. Because patents in the United States were being “granted as matters of course, if the applicant complies with the forms of the law,” and because purported inventors could use bad patents to “harass the

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396 Patent Act of 1793 § 1, 1 Stat. at 318-21. As under the Patent Act of 1790, the Attorney General would review the patent for matters of form after the patent was prepared, but the Attorney General no longer had a role in the initial decisionmaking, and the Secretary of War had no role at all. See id.

397 BRACHA, supra note 340, at 202. The principal exception appears to have been “interfering applications”—but even then, disputes about which application to grant were to be resolved by arbitrators rather than by the Secretary of State. See Patent Act of 1793 § 9, 1 Stat. at 322-23.

398 See, e.g., S. Doc. No. 24-338 (1836), reprinted in 18 J. PAT. OFF. SOC’Y 854, 856 (1995) (“The act of 1793 . . . gives, according to the practical construction it has received, no power to the Secretary to refuse a patent for want of either novelty or usefulness. The only inquiry is whether the terms and forms prescribed are complied with.”); Robert P. Merges, The Hamiltonian Origins of the U.S. Patent System, and Why They Matter Today, 104 IOWA L. REV. 2559, 2568 (2019) (“From 1793 to 1836, inventors who sent the proper documents to the State Department received a patent.”); see also Patents for Inventions, 1 Op. Att’y Gen. 170, 171 (1812) (advising the Secretary of State that when an applicant had submitted the paperwork required by the statute, “the Department of State has no discretion to decline to issue the patent as applied for,” and “[t]he efficacy of the patent, when issued, will be for judicial cognizance.”).


400 See Edward C. Walterscheid, Patents and Manufacturing in the Early Republic, 80 J. PAT. & TRADEMARK OFF. SOC’Y 855, 886 (1998); see also S. Doc. No. 24-338, supra note 398, at 857 (“A considerable portion of all the patents granted are worthless and void, as conflicting with, and infringing upon one another, or upon[] public rights not subject to patent privileges . . . .”); cf. id. at 859-60 (noting large increases in the number of patents granted each decade).

401 See supra notes 391–92 and accompanying text.

402 See Beauchamp, supra note 349, at 674.


404 See McGaw v. Bryan, 16 F. Cas. 96, 97 (S.D.N.Y. 1821) (No. 8793). Although Federal Cases (compiled by the West Publishing Company in the late nineteenth century) lists the date of this opinion as June 29, 1821, that appears to be the date of the patent. The opinion was issued in 1822. See Practice Under the Patent Laws of the United States, 1 U.S.L.J. 82, 83-84 (1822).
community,” he thought that the statute should be understood to establish an “easy and summary” procedure by which courts could examine the validity of a patent soon after it was issued.405

Ultimately, however, the Supreme Court rejected Judge Van Ness’s position as insufficiently attentive to the private rights that were at stake after a patent had been granted. Writing for the Court in the 1824 case of Ex parte Wood, Justice Story explained that ambiguities in the statutory language should be resolved in the manner “most congenial to our institutions.”406 Justice Story added that during the period covered by a patent, “[t]he inventor has . . . a property in his inventions[—]a property which is often of very great value, and of which the law intended to give him the absolute enjoyment and possession.”407 In Justice Story’s view, Congress should not lightly be understood to have “institute[d] a new and summary process, which should finally adjudge upon [the inventor’s] rights, without a trial by jury, without a right of appeal, and without any of those guards with which, in equity suits, it has fenced round the general administration of justice.”408 Thus, even though the summary process described by Judge Van Ness would occur in court, Justice Story suggested that it would not adequately protect “the security of vested rights and property.”409 Instead, the Supreme Court interpreted the statutory language to envision full-fledged proceedings akin to other civil actions, and the Court issued a writ of mandamus commanding Judge Van Ness to conduct such proceedings in the case at hand.410

2. The Patent Act of 1836

Although concerns about the profusion of bad patents did not cause the Supreme Court to embrace Judge Van Ness’s summary procedure for post-issuance revocation, those concerns eventually led Congress to change the

405 McGaw, 16 F. Cas. at 98-99; see also Beauchamp, supra note 349, at 677-78 (discussing both this opinion and Judge Van Ness’s background, which included having been “Aaron Burr’s second in the duel that killed Alexander Hamilton”). As Professor Beauchamp notes, Judge Van Ness’s opinion in Thompson v. Haight, 23 F. Cas. 1040 (C.C.S.D.N.Y. 1826) (No. 13,957), expressed similar concerns about the “very alarming facility with which patents are procured.” Id. at 1041; see also id. at 1042 (urging policymakers to introduce “[s]ome mode . . . of examining into the novelty and utility of alleged inventions, before patents are issued to the applicants”). Again, Federal Cases apparently reports the wrong date for Thompson; that opinion too probably was issued in 1822. See Beauchamp, supra note 349, at 676 n.169; Note by the Publishers of the Journal, 1 U.S.L.J. 459, 459 (1823) (referring to the opinion in the January 1823 issue).
407 Id. at 608; see also id. at 609 (referring to the inventor’s “exclusive property”).
408 Id. at 608.
409 See id. at 612.
410 Id. at 614-15.
mechanism for issuing patents in the first place. The Patent Act of 1836 created a new federal agency called the Patent Office, headed by a Commissioner of Patents. Any person who claimed to have “discovered or invented any new and useful art, machine, manufacture, or composition of matter” and who wanted “to obtain an exclusive property therein” could apply to the Commissioner for a patent. After the applicant submitted the required specifications (and paid the required fee), the Commissioner would “make or cause to be made[] an examination of the alleged new invention or discovery”—and if the Commissioner deemed the invention “sufficiently useful and important” and found no disqualifying facts, “it shall be his duty to issue a patent therefor.”

Despite creating this statutory duty, the Patent Act of 1836 was not constructed on the premise that inventors had a vested right to obtain a patent before one was granted. For the first three years of the Act’s operation, when the Commissioner denied applications for a patent, the disappointed applicants normally had no right to judicial review; they could “appeal” the Commissioner’s decision to a board of examiners that operated under the auspices of the executive branch, but the process normally stopped there. Not until 1839 did Congress allow all disappointed applicants to take the matter to court.

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411 See S. Doc. No. 24-338, supra note 398, at 857-58 (cataloguing “the evils which necessarily result from the law as it now exists,” under which “the Department of State has been . . . issuing patents on every application, without any examination into the merit or novelty of the invention”).


414 Id. § 7, 5 Stat. at 119-20. The potentially disqualifying facts were “that the same had been invented or discovered by any other person in this country prior to the alleged invention or discovery thereof by the applicant, or that it had been patented or described in any printed publication in this or any foreign country, or had been in public use or on sale with the applicant’s consent or allowance prior to the application.” Id. at 119; see supra note 367.

415 See Patent Act of 1836 § 7, 5 Stat. at 120 (providing that the board would be “composed of three disinterested persons, who shall be appointed for that purpose by the Secretary of State”); P.J. Federico, Evolution of Patent Office Appeals (pt. 1), 22 J. PAT. OFF. SCI. & TECH. L. 838, 838-42 (1994) (describing this system of review). As discussed below, the 1836 Act did give disappointed applicants recourse to the courts in one situation: if the board of examiners upheld the denial of an application “on the ground that the patent applied for would interfere with an unexpired patent previously granted,” the applicant could seek relief in a court of equity, which might ultimately determine (“on notice to adverse parties and other due proceedings”) that the existing patent was invalid and that the applicant was indeed entitled to a patent. See Patent Act of 1836 § 16, 5 Stat. at 123-24 (lumping this situation together with cases in which “two interfering patents” had been issued); see also infra subsection III.B.4.

416 See Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354 (authorizing suits in equity by disappointed applicants). Apart from freestanding suits in equity, the 1839 Act also created a summary mechanism for disappointed applicants to “appeal” the Commissioner’s decision to the chief judge of the district court of the United States for the District of Columbia. See Act of Mar. 3, 1839, § 11, 5 Stat. at 354; see also infra notes 541-43 and accompanying text (noting uncertainty about how to characterize later versions of this procedure).
From the start, though, once a patent had been issued, only a court could authoritatively declare its invalidity. If two existing patents interfered with each other, “any person interested in any such patent” could bring suit in a court of equity, which “may adjudge and declare either the patents void in the whole or in part.”417 Likewise, defendants who were sued for infringing a patent could avoid liability by proving various facts relating to the patent’s validity (such as that “the patentee was not the original and first inventor or discoverer of the thing patented” or that the specification had concealed facts “for the purpose of deceiving the public”).418

Presumably because the executive branch would no longer be granting patents on demand, the Patent Act of 1836 dropped the provisions of the earlier statutes that had authorized people to sue for the “repeal” of a patent shortly after its issuance.419 What is more, neither the 1836 Act nor its successors explicitly authorized the federal government itself to sue for the cancellation of a patent. In later years, courts divided over the viability of such suits,420 until the Supreme Court held that the United States could indeed bring suit in equity to cancel a patent that had been obtained by fraud.421 But even when the Commissioner of Patents had identified grounds to cancel a patent, the executive branch could not cancel the patent on its own.422 As the Supreme Court eventually confirmed, “The only authority competent to set a patent aside, or to annul it, or to correct it, for any reason whatever, is vested in the judicial department of the government, and this can only be effected by proper proceedings taken in the courts of the United States.”423 For the Supreme Court, that conclusion followed from the nature of the private rights at stake:

418 See id. § 15, 5 Stat. at 123.
420 Compare Attorney Gen. ex rel. Hecker v. Rumford Chem. Works, 32 F. 608, 620, 624 (C.C.D.R.I. 1876) (concluding that the Attorney General cannot sue in his own name to repeal a patent, and suggesting that such a suit does not lie in the name of the United States either), and United States v. Am. Bell Tel. Co., 32 F. 591, 601 (C.C.D. Mass. 1887) (agreeing that “the government, in the absence of any express enactment, has no power to bring a bill in equity to cancel a patent”), rev’d, 128 U.S. 355 (1888), with United States v. Gunning, 18 F. 511, 512 (C.C.S.D.N.Y. 1883) (holding that the United States can sue in equity to vacate a patent that was obtained by fraud).
422 See McCormick Harvesting Mach. Co. v. Aultman, 169 U.S. 606, 612 (1898) (noting that if an existing patent had been obtained by fraud or deception, the Commissioner of Patents should ask the Attorney General to institute a suit to cancel the patent, but the Commissioner could not cancel the patent himself, for that “would be to deprive the [patentee] of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive”); cf. Grant v. Raymond, 31 U.S. (6 Pet.) 218, 229 (1832) (argument of Daniel Webster) (“The vacating and canceling the record of a patent is in its nature a judicial act.”).
once a patent was issued, "[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property." 424

In taking this position, the Supreme Court explicitly analogized patents for inventions to patents for land—instruments by which the United States transferred title to real property from the federal government to a private person. 425 Although Congress could grant titles by statute, 426 much federal land was instead doled out by the executive branch pursuant to statutory authority, and the issuance of a patent was typically the final step in the administrative process. 427 Even after the government had issued a land patent declaring the transfer of title, the law recognized certain grounds on which the government could ask a court to set aside the patent or to declare it void. 428 But as the Supreme Court repeatedly emphasized in the 1860s and 1870s, the agency that had issued the patent could not itself cancel the patent authoritatively: “That is a judicial act, and requires the judgment of a

424 McCormick, 169 U.S. at 609; cf. McClurg v. Kingsland, 42 U.S. (1 How.) 202, 206 (1843) (noting that although the Patent Act of 1836 had repealed earlier patent laws, “[t]his repeal . . . can have no effect to impair the right of property then existing in a patentee,” and citing Society for the Propagation of the Gospel v. Town of New Haven, 21 U.S. (8 Wheat.) 464, 493 (1823), which had observed that “the termination of a treaty cannot devest rights of property already vested under it”).

425 See McCormick, 169 U.S. at 608-09 (asserting that “repeated decisions of this court” had established that the executive branch cannot revoke or cancel a patent once it has been issued, and adding that “in this respect a patent for an invention stands in the same position and is subject to the same limitations as a patent for a grant of lands”); Am. Bell Tel. Co., 128 U.S. at 364-68 (citing a series of Supreme Court opinions about patents for land); see also Consol. Fruit Jar Co. v. Wright, 94 U.S. 92, 96 (1877) (dictum) (“A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.”). But cf. United States v. Am. Bell Tel. Co., 167 U.S. 224, 238 (1897) (comparing patents for land to patents for inventions, and observing that “although each vests in the patentee certain rights, yet they are not in all things alike”); infra note 618.

Current federal law continues to treat patents as property, but Congress has chosen concepts of personal rather than real property as the appropriate baseline. See 35 U.S.C. § 261 (“Subject to the provisions of this title, patents shall have the attributes of personal property.”); Act of July 19, 1952, ch. 990, § 1, 66 Stat. 792, 810 (enacting this provision).

426 Nelson, supra note 2, at 577.

427 See, e.g., Roger D. Billings, The Homestead Act, Pacific Railroad Act and Morrill Act, 39 N. Ky. L. Rev. 699, 713-15 (2012) (describing the process under the Homestead Act of 1862); see also Harrison Land Act, ch. 55, § 7, 2 Stat. 73, 76 (1800) (describing registers’ duties in connection with the sale of lands in the Northwest Territory and authorizing the President to grant patents upon proof of final payment).

428 See United States v. Stone, 69 U.S. (2 Wall.) 525, 535 (1865) (indicating that this relief was available not only for “fraud in the patentee” but also for certain kinds of “mistake,” such as “where the [issuing] officer has no authority in law to grant [the patents in question], or where another party has a higher equity [than the patentee] and should have received the patent”). To the extent that other people claimed rights in land that the government had purported to grant, they too could challenge the validity of a patent in court. See Smelting Co. v. Kemp, 104 U.S. 636, 640-48 (1882) (summarizing nineteenth-century cases about the grounds upon which a court of law would disregard a patent, as well as the broader grounds upon which a litigant could seek relief from a court of equity); see also Poll’s Lessee v. Wendal, 13 U.S. (9 Cranch) 87, 98-99 (1815) (discussing similar doctrines with respect to land patents issued by a state).
Once a patent had been issued, after all, the patentee could claim a vested private right in the land that he had been granted, and the idea that the executive branch could conclusively adjudicate and reject such a claim “is utterly inconsistent with the universal principle on which the right of private property is founded.” This principle can be traced all the way back to Marbury v. Madison, where Chief Justice Marshall not only analogized Marbury’s commission to a land grant but also noted that “[t]he question whether a right has vested or not, is, in its nature, judicial, and must be tried by the judicial authority.”

3. Did the Idea of Patents as Property Originate in the Jacksonian Era?

According to Professor Herbert Hovenkamp, the idea that patents for inventions “have the same protections that apply to rights in land or other traditional property” did not emerge until the Jacksonian era, when “the patent gradually became rebranded as a set of ‘property’ rights.” More broadly, Professor Hovenkamp warns against attributing later ideas to the founding generation. While his warning is well taken, I think that he is only partially correct about patents.

Professor Hovenkamp is correct, I think, that early state legislatures regarded patents in essentially the same way that they then regarded corporate charters—as franchises that the state could grant on a case-by-case basis to encourage economic development. Even after the Constitution was ratified, that view persisted at least at the state level; while members of the First Congress may have believed that federal patents could be issued only to genuine inventors as a reward for new discoveries, states were thought to be able to grant exclusive rights to “developers” who “promised to build something with existing technology” and whose rights were conditioned on

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429 Stone, 69 U.S. (2 Wall.) at 535; see also, e.g., Moore v. Robbins, 96 U.S. 530, 533 (1878) (“The functions of [the executive] department necessarily cease when the title has passed from the government.”).

430 Moore, 96 U.S. at 534.

431 5 U.S. (1 Cranch) 137, 165 (1803); see also Johnson v. Towsley, 80 U.S. (13 Wall.) 72, 85 (1871) (agreeing with Marshall’s premise that someone who purchased land from the federal government had a vested right once he paid his money and received a certificate entitling him to a patent, even if the patent was not actually issued).

432 Marbury, 5 U.S. (1 Cranch) at 167.

433 Herbert Hovenkamp, The Emergence of Classical American Patent Law, 58 Ariz. L. Rev. 263, 271 (2016); see also id. at 293 (“Increasingly after the Civil War, the Supreme Court treated patents as a species of property, having many of the same constitutional protections as other forms of property.”).

434 See, e.g., Hovenkamp, supra note 217, at 1-5 (arguing, contrary to the rhetoric of modern libertarians, that the Constitution was not written against the backdrop of laissez-faire economics).

435 See Hovenkamp, supra note 433, at 166-68.

436 See id. at 272-73.
putting that promise into practice.\footnote{Id. at 276.} In this respect, Professor Hovenkamp suggests, states continued to follow what he calls “pre-classical theories of economic development,” of the sort that had animated mercantilism.\footnote{Id. at 265; see also Hovenkamp, supra note 231, at 1595 (referring to the “pre-classical, mercantilist model”).} Just as states in the late eighteenth and early nineteenth centuries granted corporate charters selectively, to encourage specific enterprises that would benefit the public, so too states granted other exclusive rights to entrepreneurs who promised to do something useful.\footnote{See Hovenkamp, supra note 433, at 276.} And just as states were thought to have a symbiotic relationship with the corporations to which they issued charters,\footnote{See Hovenkamp, supra note 231, at 1595 (noting that under the “pre-classical” model, each business corporation “was a unique entity created by the state for a special purpose and enjoying a privileged relationship with the sovereign”).} so too the “pre-classical” model “envisioned considerable state involvement in ensuring that granted patents were actually used in socially beneficial ways.”\footnote{Hovenkamp, supra note 433, at 267.}

As Professor Hovenkamp notes, this model of economic development eventually gave way to what we now call “classical” economics, which “began to take serious hold in the United States in the 1830s” and which rejected the idea that governments were better than individual market actors at directing capital to productive uses.\footnote{See id. at 273, 275; see also 2 ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS 1-256 (London 1776) (systematically repudiating many of the premises of mercantilism).} At the same time, Jacksonians condemned the corruption that they associated with granting special privileges to favored individuals or entities. Professor Hovenkamp observes that at the federal level, the Patent Act of 1836 reflected both trends: it “limit[ed] the number of issued patents” by requiring substantive examination of patent applications, but it gave the responsible administrative officials a duty to grant applications that satisfied “politically neutral” criteria and it envisioned little role for “government economic policy making.”\footnote{See id. at 273, 275; see also 2 id. at 284 (“[T]he emergent classical conception of the patent saw it as a narrowly authorized property right, given only to inventors and thereafter placed more or less completely under the patent owner’s control.”).} Under the influence of this system, Professor Hovenkamp argues, federal patents came to be viewed as “property right[s], pure and simple”—meaning that “once they were issued, patents were subject to the management of their owners” and came with “few social obligations.”\footnote{Id. at 271, 273, 307; see also id. at 284 (“[T]he emergent classical conception of the patent saw it as a narrowly authorized property right, given only to inventors and thereafter placed more or less completely under the patent owner’s control.”).} In Professor Hovenkamp’s account, that is the point of the analogy between patents
and land; the owner of a patent could choose to practice it or not,445 with “little
government oversight other than protection of title and boundaries.”446

Professor Hovenkamp acknowledges that once patents were thought of as
property rights in this sense, they could be revoked “only through judicial
process and for cause.”447 He asserts, however, that under the “pre-classical”
idea that patents were “exclusive privileges granted in exchange for a promise
to develop economic infrastructure,” they could be “revoked by the same
legislative body” that issued them.448 Despite the richness and insight of
Professor Hovenkamp’s overall account, I do not believe that this particular
assertion was ever true of federal patents, and I doubt that it was
uncontroversially true even of the kinds of exclusive rights that states granted.

In discussing the “pre-classical” conception of patents, Professor
Hovenkamp himself focuses primarily on the exclusive rights that states
granted, and he notes differences between those grants and federal patents.449
Still, his article can be read to suggest that federal patents did not “evolv[e]
into a ‘property right’” until after Congress enacted the Patent Act of 1836.450
Contrary to that suggestion, the Patent Act of 1793 itself spoke of patentees
as “obtaining an exclusive property” in their inventions,451 and lawyers and
judges alike used similar locutions to describe the rights conferred under that
statute.452 When instructing a jury on circuit, moreover, Supreme Court
Justice Henry Baldwin asserted that once a patent had been issued under the
Act, a court that treated the patent as void for a reason not listed in the Act
would be violating the principles of Fletcher v. Peck.453 That objection would

445 See id. at 287; see also id. at 271 (“The decision to make productive use of the innovation
represented in a patent became purely private, emulating the law of real property.”).
446 Id. at 275.
447 Id. at 293.
448 Id. at 292; see also Camilla A. Hrdy, State Patent Laws in the Age of Laissez Faire, 28
449 See, e.g., Hovenkamp, supra note 433, at 267 (“[S]tate patents, but not federal patents, were
issued to ‘promoters’—that is, to those who had not really invented anything new, but rather
promised to install technology or infrastructure in a new place.”).
450 Id. at 270.
452 See supra note 407 and accompanying text; see also, e.g., Osborn v. Bank of the U.S., 22 U.S.
(9 Wheat.) 738, 792 (1824) (argument of counsel) (describing “the patent rights granted by
the national government” as “individual property”); Gray v. James, 10 F. Cas. 1019, 1021 (C.C.D. Pa. 1819)
(No. 5719) (describing the infringement of a patent as “an unlawful invasion of property to which [the
patentee] was exclusively entitled”); Evans v. Jordan, 8 F. Cas. 872, 873 (C.C.D. Va. 1813) (No. 4564)
(Marshall, C.J.) (“The constitution and [the statute], taken together, give to the inventor, from the
moment of invention, an inchoate property therein, which is completed by suing out a patent.”),
reviewed on pro forma certificate of division, 13 U.S. (9 Cranch) 599 (1815); cf. Mossoff, Jefferson, supra
note 369, at 992-97 (citing many cases treating patents as property, including some from this era).
453 See Whitney v. Emmett, 29 F. Cas. 1074, 1080 (C.C.E.D. Pa. 1831) (No. 17,583) (“No case could
arise in which the language of the supreme court, in Fletcher v. Peck, would be more forcibly applicable;
the character of ex post facto legislation, so severely reprobed in their opinion, would not depend on
apply all the more readily to a statute that purported to revoke a patent—something that, as far as I know, Congress never did.

With respect to the exclusive rights that states granted for the purpose of encouraging economic development, Professor Hovenkamp is correct that these grants were analogous to the franchises conferred by corporate charters. As the Dartmouth College case attests, though, once a state legislature granted such franchises to private individuals or entities, the legislature could not freely rescind the grant. Unless a reservation of that power was built into the grant itself, the Contract Clause of the Federal Constitution protected corporate charters against legislative repeal, and the same was true of other kinds of franchises.454

Professor Hovenkamp does cite one early example of a state legislature that purported to repeal a patent by statute,455 but the lessons of that example are equivocal. The protagonist of the story is John Fitch, who has as good a claim as anyone to have invented the steamboat.456 In 1786 and 1787, at a time when the federal government had no power to issue patents, the state legislatures of New Jersey, Delaware, New York, Pennsylvania, and Virginia all enacted statutes granting Fitch exclusive rights to make and use steamboats within the state for a fourteen-year term.457 In 1798, however, the New York legislature purported to repeal its grant and to convey similar rights to Robert Livingston.458 The 1798 statute indicated that the legislature was acting upon the suggestion “that the said John Fitch is either dead or hath withdrawn himself from this State without having made any attempt in the

the tribunal which exercised it.”); see also id. (asserting that in a suit for patent infringement, “the trial is on a question of property, of private right, unconnected with the public interest, and without any reference to the public, unless a case is made out of a design to deceive them”).

454 See supra notes 84–104 and 212–27 and accompanying text.

455 Hovenkamp, supra note 433, at 280–81, 292; see also Hrdy, supra note 448, at 66 n.83 (citing the same example).

456 See THOMPSON WESTCOTT, THE LIFE OF JOHN FITCH, THE INVENTOR OF THE STEAMBOAT 119–47 (Philadelphia, J.B. Lippincott & Co. 1857) (describing the genesis of Fitch’s idea in 1785 and his early efforts to obtain support); cf. JAMES THOMAS FLEXNER, STEAMBOATS COME true: AMERICAN INVENTORS IN ACTION 367–68 (1992) (acknowledging that “Fitch built in 1790 a remarkably effective boat,” but concluding that “he never completely understood what he was doing” and “was incapable of repeating his success”).

457 See WESTCOTT, supra note 456, at 150–51 (New Jersey); id. at 173–75 (Pennsylvania); id. at 175–76 (Delaware and New York); id. at 197 (Virginia). For the texts of the statutes, see Act of Mar. 18, 1786, ch. 136, 1785 N.J. Acts 266; Act of Mar. 19, 1787, ch. 57, 1787 N.Y. Laws 472; Act of Mar. 28, 1787, ch. 1286, reprinted in 12 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 161, at 441: Act of Nov. 7, 1787, ch. 77, 1787 Va. Acts 42; see also Act of Feb. 3, 1787, 1786–1787 Del. Laws 25 (noting the statute but not reprinting it). Virginia’s act included a condition that Fitch failed to satisfy, so it lapsed after three years. WESTCOTT, supra note 456, at 197, 297.

space of more than ten years for executing the plan for which he so obtained an exclusive privilege, whereby the same is justly forfeited.\footnote{Id. at 216. These suggestions were not true. See WESTCOTT, supra note 456, at 184-93, 248-56, 277-91 (describing Fitch’s work on the steamboat); id. at 369-70 (noting that Fitch died in the summer of 1798).}

Although this episode is well known, its controversiality is not. To guard against “laws inconsistent with the spirit of this constitution, or with the public good,” New York’s state constitution provided for a Council of Revision (composed of the governor, the chancellor, and the judges of the supreme court) to review all bills that passed both houses of the state legislature.\footnote{N.Y. CONST. of 1777 art. III.} In 1798, when the legislature passed the bill repealing Fitch’s rights, the Council of Revision objected to the bill, for exactly the reason that the doctrine of vested rights would predict: the bill “supposes that the . . . privileges which were granted to John Fitch . . . had become forfeited,” but “it doth not appear that the facts from which such forfeiture is to arise, have been found in some due course of law.”\footnote{JOURNAL OF THE ASSEMBLY OF THE STATE OF NEW-YORK; AT THEIR TWENTY-FIRST SESSION 269 (Albany, Loring Andrews & Co. 1798).} Admittedly, the legislature overrode this objection and enacted the bill anyway. But in the 1810s, the prominent lawyer and legislator William A. Duer sided with the Council of Revision\footnote{See WILLIAM ALEXANDER DUEL, A LETTER, ADDRESSED TO CADWALLADER D. COLENS, ESQUIRE 79 (Albany, E. & E. Hosford 1817).} and pointed out that the validity of the 1798 repeal “ha[s] never been adjudicated.”\footnote{WESTCOTT, supra note 456, at 204; see also id. at 207-47 (evaluating the evidence offered by both men).}

The contests between Fitch and James Rumsey, who claimed to have invented a steamboat before Fitch,\footnote{Id. at 262-65.} are also instructive. In 1788 and 1789, Rumsey’s allies filed petitions on his behalf in each of the five state legislatures that had granted exclusive rights to Fitch.\footnote{See An Act Giving James Rumsey the Exclusive Right of Constructing and Navigating Certain Boats for a Limited Time, ch. 75, 1784 Va. Laws (Oct. Sess.) 21; cf. WESTCOTT, supra note 456, at 220 (reporting Fitch’s argument that at this time, Rumsey was envisioning a boat propelled by poles rather than steam). The Pennsylvania legislature had enacted a similar statute in 1785, but with the proviso that “this act shall be void and of no effect” unless Rumsey brought his plans to fruition within the next twelve months. Act of Mar. 25, 1785, ch. 1144, reprinted in 11 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 165, at 517, 518.} In Virginia, where Rumsey had previously been granted exclusive rights to an unspecified type of boat that he later claimed to involve steam,\footnote{An Act Giving James Rumsey the Exclusive Right of Constructing and Navigating Certain Boats for a Limited Time, ch. 75, 1784 Va. Laws (Oct. Sess.) 21; cf. WESTCOTT, supra note 456, at 220 (reporting Fitch’s argument that at this time, Rumsey was envisioning a boat propelled by poles rather than steam).} they asked the legislature...
simply to repeal Fitch’s grant. In the other four states, they asked the legislature to grant Rumsey exclusive rights to his plan for a steamboat (along with various other inventions)—a proposal that would have narrowed the rights previously granted to Fitch. Ultimately, all five states refused to repeal or limit Fitch’s grant. At least in Pennsylvania, and perhaps in other states, the doctrine of vested rights was a central part of the discussion.

In September 1788, as soon as Fitch learned of his rival’s petition to the Pennsylvania legislature, he protested that Rumsey was seeking “the very right which, by special act of Assembly, passed the 28th of March, 1787, is vested in [Fitch].” By virtue of that earlier statute, he continued, “[Fitch’s] property in the exclusive right to all steamboats in the State of Pennsylvania is as firmly established in him as the right of any man in the State to his house or his farm.” The committee to which the legislature referred Rumsey’s petition did not go quite so far; its report left open the possibility that “the Legislature may have a right to repeal laws which convey grants that are

467 See JOURNAL OF THE HOUSE OF DELEGATES OF THE COMMONWEALTH OF VIRGINIA; BEGUN AND HELD IN THE CITY OF RICHMOND, IN THE COUNTY OF HENrico, ON MONDAY, [OCTOBER 20, 1788], at 48 (Richmond, Thomas W. White 1828).


469 See WESTCOTT, supra note 456, at 262-66 (providing details).

470 See Letter from John Fitch to the Honourable Legislature of the State of New Jersey (Nov. 3, 1788), trentonhistory.org/Documents/Manuscript/MS132.html [https://perma.cc/X6QV-D4PY] (arguing that in light of Fitch’s reliance, “the property conveyed by [the earlier] Law” should be no less secure than people’s “Houses and . . . farms,” and adding that “any limitation or restriction to the Law not warranted by the Law itself, would be a violation of the constitution, which directs all controversies about property to be decided in courts of Justice”). But cf. DELAWARE PROCEEDINGS, supra note 468, at 41 (suggesting that Delaware legislators rejected Rumsey’s petition for the threshold reason that under the new Federal Constitution, an alleged inventor’s request for exclusive rights should be directed to Congress).

471 Petition of John Fitch to the Honourable the Representatives for the Commonwealth of Pennsylvania (Sept. 6, 1788), in 1 REPORT OF THE COMMISSIONER OF PATENTS FOR THE YEAR 1849, at 557 (Washington 1850).

472 Id. Fitch’s reference to “all steamboats” was not an exaggeration. Rather than being limited to his specific design, the grant from the Pennsylvania legislature covered steamboats in general. See Act of Mar. 28, 1787, ch. 1286, § 2, reprinted in 12 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 161, at 441 (granting Fitch, for fourteen years, “the sole and exclusive right and privilege of constructing, making, using, employing and navigating . . . every species or kind of boats or water craft which may be urged or impelled through the water by the force of fire or steam, in all . . . waters whatsoever within . . . this state”).
highly injurious to the general welfare.” Still, the committee set a high bar for such repeals: “the resuming such legislative grants ought never to be done, unless upon the most pressing necessity.” The committee recommended that the legislature grant Rumsey exclusive rights to his other claimed inventions, but not to any design for a steamboat.

In February 1789, when the legislature’s next session began, Rumsey’s allies tried again. Their new petition and Fitch’s response were again referred to a committee, which took the occasion to think more generally about the power of “granting exclusive rights to the benefits arising from new discoveries or inventions”; ultimately, the committee recommended vesting this power in “a body better possessed, than the Legislature can be, of the means of enquiring and examining into their originality and merits.” The legislature, however, postponed consideration of this idea and set times for representatives of Fitch and Rumsey to argue their positions before the full assembly. In a sign that important legal and constitutional issues were involved, the legislature also requested the justices of the state’s supreme court to attend the arguments. The Justices did attend, and the legislature asked them to supply written opinions on the following question: “Can this House, consistently with the principles of law, justice, and the constitution of this state, enact a law upon the principles of the report before this House, in the case contested between John Fitch and James Rumsey?”

Justice George Bryan said no: Fitch’s existing grant “ought not to be disturbed by any new proceeding whatever.” Bryan’s opinion focused mostly on the bad consequences that would result from “violating the public faith” by rescinding legislative grants. Still, he cast his conclusion in the terms that the legislature’s question had suggested: a proposal that would

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474 Id.
475 Id.
477 See id. at 62.
478 Id. at 135.
479 Id. at 140; see also id. at 145, 150-51 (setting a different time to hear from Rumsey’s representative).
480 Id. at 142.
481 See id. at 145, 154.
482 Id. at 163.
483 Id. at 168.
484 See id. at 169 (arguing that such revocations would cause both “public mischief” and “private injustice”); see also id. at 168-69 (“[I]t is more for the interest of the community to abide by its own legislative grants, than to resume them even in cases wherein they have been improperly made, unless indeed there be a very great necessity for so doing . . .”).
limit Fitch’s grant “cannot be adopted, consistently with the principles of law, justice, and the constitution of this state.”

Chief Justice Thomas M’Kean’s opinion took a different tack. M’Kean noted that in England, letters patent granted by the king were “voidable by scire facias” if “the King has been deceived in his grant by untrue suggestions or otherwise.” Because “a House of Assembly here may be deceived, as well as the King in Great-Britain,” M’Kean opined that the legislature could repeal a statutory grant that had been “obtained upon untrue suggestions or misrepresentations.” Thus, M’Kean apparently thought that if Rumsey were the true inventor of the steamboat, then the legislature could properly repeal its grant to Fitch and grant exclusive privileges to Rumsey instead. But M’Kean added that “if any controversy should arise thereupon, the same should be put in such a train, that it may be tried without prejudice in a court of common law.” While this statement is ambiguous, M’Kean may have thought that the validity of a repeal would depend on whether Fitch had obtained his grant by false suggestions, and that this issue would ultimately be for the courts to decide.

The third Justice, Jacob Rush, ducked the constitutional question in a related way. Although the statute granting exclusive rights to Fitch had been worded broadly, Rush maintained that it should not be interpreted to give Fitch rights to anything other than what he himself had invented—and if his representations of having invented something were false, then “the grant itself would be merely void.” According to Rush, the proposal that the legislature was considering (to grant Rumsey rights in things that Rumsey claimed to have invented) would “leave John Fitch in the entire and exclusive possession of such specific discovery as he has actually made,” so it would not detract from his existing grant at all.

The legislature postponed further consideration of the matter until its next session. When the legislature returned to the subject in September 1789, a member introduced a bill that would have granted Rumsey exclusive rights to all of his claimed inventions, including what the bill called “Rumsey’s steam boat.” Again, Fitch submitted a strongly worded remonstrance, complaining

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485 Id. at 170.
486 Id. at 179.
487 Id.
488 Id.
489 See supra note 472.
491 Id. at 180 (emphasis omitted).
492 Id. at 191.
493 See MINUTES OF THE THIRTEENTH GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, IN THEIR THIRD SESSION 238, 275 (Philadelphia 1789) (emphasis omitted).
that this bill would “invad[e] the just and legal rights granted to him by a solemn law of the state.” Fitch understood past episodes in Pennsylvania history (including those involving the Bank of North America and the Philadelphia academy) to establish that a statute granting a charter created vested rights that the legislature could not revoke, and he argued that the same was true of his grant. Anticipating the Marshall Court, he also argued that the proposed bill would violate the Contract Clause of the Federal Constitution.

Ultimately, the full legislature sided with Fitch. Before enacting Rumsey’s bill, the legislature deleted the language about steamboats, so that the statute did not cut back on what the legislature had previously granted to Fitch.

Fitch was not the only person who thought that state grants of this sort created vested rights. After the Constitution took effect and Congress enacted the federal Patent Act, some people believed that states could not continue to grant exclusive rights for inventions; on one view, either the Constitution itself had transferred this power to the federal government or the Patent Act should be understood to occupy the field. Still, the patents that states had granted

For a template of the bill, see AN ACT FOR VESTING IN JAMES RUMSEY, ESQUIRE, THE EXCLUSIVE RIGHT AND PRIVILEGE OF MAKING, USING, AND VENDING, DIVERS ENGINES, MACHINES AND DEVICES, BY HIM INVENTED, OR IMPROVED, FOR A TERM OF YEARS THEREIN MENTIONED (Philadelphia 1789) (Evans 22051).

494 JOHN FITCH, PETITION AND REMONSTRANCE 1 (1789) (Evans 45475).

495 See supra notes 152–83 and accompanying text.

496 FITCH, supra note 494, at 1.

497 See id. (deeming it clear that “the grant by law to your petitioner of certain absolute, exclusive rights is... a contract of the strongest nature,—a contract between the state on the one part, and the citizen on the other”).

498 See MINUTES OF THE THIRTEENTH GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, IN THEIR THIRD SESSION, supra note 493, at 273-76 (recording the vote in favor of striking this language). The statute as enacted appears in 13 THE STATUTES AT LARGE OF PENNSYLVANIA, supra note 161, at 361-65.

499 See Gibbons v. Ogden, 22 U.S. (9 Wheat.) 1, 166-70 (1824) (argument of counsel); WALTERSCHEID, supra note 362, at 437-38 (reading section 7 of the Patent Act of 1793 to suggest that members of Congress believed in the exclusivity of the federal patent power); Hovenkamp, supra note 433, at 277 (“The predominant early interpretation was that the Patent Clause gave Congress the right to reward ‘inventors’ with exclusive rights, while permitting the individual states to create such rights for other reasons, including grants to noninventor developers.”); supra note 470 (noting that after the ratification of the Constitution, the Delaware legislature referred James Rumsey’s request for exclusive rights to Congress); see also Grover & Baker Sewing Mach. Co. v. Butler, 53 Ind. 454, 457 (1876) (“The power thus vested in Congress is not expressly an exclusive power, but practically it has been so regarded and acted upon, since the adoption of the constitution.”), overruled in part on other grounds by Brechbill v. Randall, 1 N.E. 362 (Ind. 1885); cf. 3 JOSEPH STORY, COMMENTARIES ON THE CONSTITUTION OF THE UNITED STATES § 1149 (Boston, Hilliard, Gray & Co. 1833) (expressing uncertainty about whether states could grant exclusive rights to inventors). But see Livingston v. Van Ingen, 9 Johns. 507, 581 (N.Y. 1812) (opinion of Kent, C.J.) (concluding that the states have concurrent power even with respect to inventors); Camilla A. Hrdy, State Patents as a Solution to Underinvestment in Innovation, 62 U. KAN. L. REV. 487, 495-96 (2013) (supporting Kent’s position).
before ratification remained in force, because (in the words of one lawyer) “[t]he constitution could not take away a right vested before its adoption.”

Members of Congress apparently did not like the idea that the recipients of federal patents might have exclusive rights under state law as well, so the Patent Act of 1793 specified that the owners of such state-granted rights had to relinquish them in order to receive a federal patent. Significantly, however, Congress did not purport simply to cancel the pre-existing state grants; instead, Congress cast their surrender as a choice that the patentees made in order to receive something better. Again, modern scholars have attributed this formulation to the fact that “[t]he private rights in a patent franchise were considered vested property rights,” which Congress could not unilaterally abrogate.

4. The Patent Office’s Role in Resolving Interferences Between New Applications and Existing Patents

The idea that patents give rise to vested rights, and that only judicial power can authoritatively determine that an issued patent is invalid, is consistent with Congress’s statutes and the Supreme Court’s decisions throughout the nineteenth century. Still, doctrines about “interferences” require separate discussion.

Under the Patent Act of 1793, the executive branch routinely granted most applications for patents that seemed proper on their face, but the Act established a special procedure to deal with “interfering applications.” If two pending applications both sought exclusive rights for the same invention, a panel of arbitrators would be convened to decide which application the executive branch should grant. This type of nonjudicial adjudication was consistent with the doctrines described in Part I because vested rights were

500 Livingston, 9 Johns. at 540 (argument of counsel).
501 See Patent Act of 1793, ch. 11, § 7, 1 Stat. 318, 322 (“[W]here any state, before its adoption of the [Constitution], ... shall have granted an exclusive right to any invention, the party, claiming that right, shall not be capable of obtaining an exclusive right under this act, but on relinquishing his right under such particular state, and of such relinquishment his obtaining an exclusive right under this act shall be sufficient evidence.”).
502 W. Howard Mann, The Marshall Court: Nationalization of Private Rights and Personal Liberty from the Authority of the Commerce Clause, 38 IND. L.J. 117, 161 n.123 (1963); see also Hrdy, supra note 448, at 73 (agreeing that “Congress did not feel empowered to simply void the inventors’ vested state rights without voluntary action by state patentees”).
503 See Greg Reilly, The Constitutionality of Administrative Patent Cancellation, 23 B.U. J. SCI. & TECH. L. 377, 386-89 (2017) (observing that even before Congress allowed the Patent Office to conduct adjudications aimed at cancelling existing patents, “the Patent Office could significantly affect the validity of issued patents through its interferences decisions,” and treating that fact as a precursor of administrative cancellation).
505 Id.
not yet at stake (assuming that patent rights vested only when a patent was granted rather than at the time of invention).

The Patent Act of 1836 expanded the scope of interference inquiries. When someone applied for a patent but the Commissioner of Patents believed that the application ‘interfered either with another pending application or with an “unexpired patent” that had already been granted, the Commissioner would notify the other applicant or the patentee and hold a hearing on “the question of priority of right or invention.”\textsuperscript{506} In cases of interference between a new application and an existing patent, though, the Commissioner had no power to cancel the existing patent.\textsuperscript{507} Instead, the point of the hearing was to decide what to do with the new application. If the Commissioner determined that the new applicant was the first inventor, and if the other statutory requirements were satisfied, the Commissioner would issue a new patent, with the result that two interfering patents would both exist. At that point, the Act allowed “any person interested in any such patent” to bring a suit in equity to declare one of the patents “void” in whole or in part.\textsuperscript{508} Likewise, whenever the owner of a patent sued someone for infringement, the defendant could try to avoid liability on the ground “that the patentee was not the original and first inventor or discoverer of the thing patented.”\textsuperscript{509} But one way or another, which patentee was the true inventor would be determined by the courts, not simply by the Commissioner.

Early on, moreover, there seems to have been little idea that the courts would defer to the findings that the Commissioner made in an interference proceeding. According to Chief Judge William Cranch of the Circuit Court for the District of Columbia, if the Commissioner determined that an existing patentee was not the true inventor, “the decision of the commissioner is not only not conclusive as to [the patentee], but does not in any manner affect his legal or equitable rights.”\textsuperscript{510} In Chief Judge Cranch’s words, “as to the patentee, a decision against him would be a brutum fulmen” — a meaningless noise, not a judgment with any sort of legal effect.\textsuperscript{511}

Chief Judge Cranch used that fact to explain his interpretation of one aspect of the then-existing statutes. If the Commissioner denied a patent application, the Patent Act of 1836 allowed the disappointed applicant to


\textsuperscript{507} See, e.g., Allen v. United States ex rel. Lowry, 26 App. D.C. 8, 14 (1905) (“Of course the patent could not be recalled or revoked should the interference result in an award of priority to the applicant.”), aff’d, 203 U.S. 476 (1906).


\textsuperscript{509} Id. § 15, 5 Stat. at 123.

\textsuperscript{510} Pomeroy v. Connison, 19 F. Cas. 957, 959 (C.C.D.C. 1842) (No. 11,259).

\textsuperscript{511} Id. at 958; see also Brutum Fulmen, MERRIAM WEBSTER, merriam-webster.com/dictionary/brutum%20fulmen [https://perma.cc/86D6-NATY] (defining “brutum fulmen” as a “meaningless thunderbolt: an empty threat: an ineffectual legal judgment”).
appeal. Initially, the appeal went to a board of examiners within the executive branch; \[512\] after 1839, it instead went to Chief Judge Cranch himself. \[513\] whom Congress instructed “to revise such decisions in a summary way, on the evidence produced before the Commissioner.” \[514\] If the applicant lost at that stage too, he could file a freestanding suit in equity. \[515\] Conversely, if the applicant won in front of the Commissioner or on appeal, and if the Commissioner therefore granted his application for a new patent despite its interference with an existing patent, the existing patentee could file his own suit in equity to challenge the new patent’s validity. \[516\] But the existing patentee did not have the option of appealing the Commissioner’s decision to Chief Judge Cranch. \[517\] As Chief Judge Cranch interpreted the relevant statutes, Congress had made such appeals available only to disappointed applicants, not existing patentees, because the one needed an appeal mechanism more than the other: an administrative decision against an applicant “would be conclusive, unless an appeal were given by the statute,” but an administrative decision against an existing patentee “has no effect upon a patent already granted.” \[518\]

For unrelated reasons, Congress modified the statute in 1852 to authorize an appeal to any member of the circuit court for the District of Columbia, not just the chief judge. \[519\] At first, members of the court followed Chief Judge Cranch’s view that existing patentees could not invoke the appeal mechanism in interference proceedings. \[520\] Eventually, though, Judge William Matthews

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513 See Act of Mar. 3, 1839, ch. 88, § 11, 5 Stat. 353–354 (authorizing appeals “to the chief justice of the district court of the United States for the District of Columbia”); Act of April 21, 1802, ch. 31, § 24, 2 Stat. 156, 166 (providing for this district court to be held by the chief judge of the circuit court that Congress had established for the District of Columbia).
514 Act of Mar. 3, 1839, § 11, 5 Stat. at 354–55 (providing, however, that “no . . . decision of the judge in any such case, shall preclude any person interested in favor or against the validity of any patent which has been . . . granted, from the right to contest the same in any judicial court, in any action in which its validity may come in question”).
515 See Patent Act of 1836 § 16, 5 Stat. at 123–24 (authorizing suit in equity “whenever a patent on application shall have been refused on an adverse decision of a board of examiners, on the ground that the patent applied for would interfere with an unexpired patent previously granted”); Act of Mar. 3, 1839, § 10, 5 Stat. at 354 (extending this provision “to all cases where patents are refused for any reason whatever, either by the Commissioner of Patents or by the chief justice of the District of Columbia, upon appeals from the decision of said Commissioner”).
516 See Patent Act of 1836 § 16, 5 Stat. at 123–24 (“[W]henever there shall be two interfering patents, . . . any person interested in any such patent . . . may have remedy by bill in equity . . .”).
517 See Pomeroy v. Connison, 19 F. Cas. 957, 957–59 (C.C.D.C. 1842) (No. 11,259) (concluding that “I have no jurisdiction” over a purported appeal by an existing patentee in this situation).
518 Id. at 958.
519 See Act of Aug. 30, 1852, ch. 107, § 1, 10 Stat. 75, 75; see also Federico, supra note 415, at 849–50 (explaining the genesis of this provision).
520 See, e.g., Hopkins v. Barnum, 12 F. Cas. 491, 492 (C.C.D.C. 1854) (No. 6685) (treating Chief Judge Cranch’s interpretation of the statute as “settled”).
Merrick reconsidered this question of statutory interpretation and decided that Congress had made appeals available to existing patentees as well as applicants. Still, he did not suggest that the Commissioner’s findings against an existing patentee would have legal effect in later judicial proceedings. Instead, he simply noted that the Commissioner’s issuance of a second patent would cause practical problems for the existing patentee, and the statutory appeal mechanism could address those problems faster than a suit in equity.

By the latter part of the nineteenth century if not before, courts were giving some effect to the Patent Office’s decisions in interference proceedings, even when those decisions went against an existing patentee. Ordinarily, courts applied a presumption in favor of the validity of an existing patent. When one patentee was suing the owner of an interfering patent, though, courts could not logically presume that both patents were valid. If the Patent Office had not conducted an interference proceeding, courts presumed (absent other evidence) that the first applicant was the earlier inventor. But courts took a different approach if the Patent Office had issued the second patent on the basis of an interference proceeding. The Patent Office’s decision that the second patentee was the true inventor still did not have preclusive effect against the first patentee’s claim of vested rights; even in litigation between the same two parties, courts would consider

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521 See Babcock v. Degener, 2 F. Cas. 293, 294-97 (C.C.D.C. 1859) (disagreeing with Chief Judge Cranch’s position in Pomeroy and concluding that under section 8 of the Patent Act of 1836, 5 Stat. at 120-21, “a patentee has equal right of appeal from a decision of the commissioner in favor of an applicant . . . as an applicant for a patent has under the same section from an adverse decision in favor of a prior patentee”); accord Spear v. Belson, 22 F. Cas. 903, 903 (C.C.D.C. 1859) (No. 13,223) (Dunlop, C.J.).

522 See Babcock, 2 F. Cas. at 295 (observing that “the emanation of a second patent must throw a cloud upon the title of the prior patentee and seriously impair the market value of his patent”).

523 Even in the absence of any interference, questions about a patent’s validity could come up in ordinary suits for infringement. See Rev. Stat. § 4920, 18 Stat. 960 (1874) (listing defenses in infringement actions). For cases articulating a presumption of validity in that context, see, e.g., Lehnbeuter v. Holthaus, 105 U.S. 94, 96 (1882) (“The patent is prima facie evidence of both novelty and utility, and neither of these presumptions has been rebutted by the evidence.”); Parks v. Booth, 102 U.S. 96, 99 (1880) (“[T]he patent, if introduced in evidence by the complaining party, affords him prima facie evidence that the patentee was the original and first inventor. That presumption, in the absence of any satisfactory proof to the contrary, is sufficient to entitle him to recover if he proves the alleged infringement.”); Coffin v. Ogden, 85 U.S. (18 Wall.) 120, 124 (1874) (indicating that when the defendant in an infringement action tried to avoid liability on the ground that the plaintiff was not the first inventor of the patented item, “[t]he burden of proof rests upon [the defendant], and every reasonable doubt should be resolved against him”); see also John F. Duffy, Reasoned Decisionmaking vs. Rational Ignorance at the Patent Office, 104 IOWA L. REV. 2351, 2370-72 (2019) (noting that in the early nineteenth century, the presumption in favor of the validity of an issued patent was weak if it existed at all, but it was stronger by the late nineteenth century).

524 See Brooks v. Sacks, 81 F. 403, 405 (1st Cir. 1897); cf. WILLIAM P. KOOROGY, PATENT LAW IN BRIEF 53 (New York, Baker, Voorhis & Co. 1884) (“If there have been no interference proceedings at the patent office, the presumption of invention is in favor of the first patentee . . . .”).
the question of priority for themselves. But the party who had lost the interference proceeding would have the burden of proof. In the words of one judge, “the new patent granted after a hearing . . . makes out a prima facie case for the [new patentee], shifting the presumption that would otherwise exist” in favor of the earlier patent.

In 1894, the Supreme Court’s opinion in Morgan v. Daniels arguably ratcheted up the legal effect of interference proceedings. In Morgan itself, the Patent Office had held an interference proceeding to choose between two pending applications (rather than to decide whether to grant an application that would interfere with an existing patent). When the losing applicant sued in equity to challenge the denial of his application, the Supreme Court held that he had a stiff burden of proof. The Court noted that even when the Patent Office had not held an interference proceeding, the patents that it granted enjoyed a presumption of validity. With respect to interference proceedings, moreover, the Court characterized the Patent Office as a “special tribunal” that Congress had authorized to make determinations about the priority of inventions. According to the Court, a suit “to set aside the conclusions reached by the administrative department, and to give to the plaintiff the rights there awarded to the defendant,” was “in the nature of a suit to set aside a judgment,” and the plaintiff should not win such relief on the basis of “a mere preponderance of evidence.” Ultimately, the Court laid down the following rule:

[W]here the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the

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525 See, e.g., Westinghouse v. Duncan, 2 App. D.C. 131, 135 (1894) (“It is not within the power of the Commissioner of Patents, nor of this court on appeal from the Commissioner, to avoid or vacate the patent, or any claim covered by it. The decision, whatever it might be, would be only of prima facie effect . . . .”).

526 Union Paper-Bag Mach. Co. v. Crane, 24 F. Cas. 657, 658 (C.C.D. Mass. 1874) (No. 14,388); see also, e.g., Wire Book Sewing Mach. Co. v. Stevenson, 11 F. 155, 155 (C.C.E.D. Pa. 1882) (“While [the Patent Office’s] decision is not conclusive here, it is nevertheless entitled to sufficient weight to cast the burden of proof on the plaintiff.” (citation omitted)); 2 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS 249-50 (Boston, Little, Brown & Co. 1890) (noting that despite the Patent Office’s decision in an interference proceeding, “the adverse parties still stand upon equal ground” in court, but the Patent Office’s decision “is . . . noticed by the courts as an indication that priority is justly claimed by the prevailing party till the contrary appears”).

527 153 U.S. 120 (1894).

528 See id. at 122-25, 129.

529 See id. at 123 (discussing the standard of proof that the Court had applied in Coffin v. Ogden, 85 U.S. (18 Wall.) 120, 124 (1874), and Cantrell v. Wallack, 117 U.S. 689, 695-96 (1886), and asserting that “[t]he plaintiff in this case . . . should . . . be held to as strict proof”); supra note 523.

530 Morgan, 153 U.S. at 124.

531 Id.
same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.\textsuperscript{532}

As formulated, this rule potentially told courts to defer to the results of all interference proceedings—not just those between two pending applications, but also those between a new application and an existing patent. By the early twentieth century, at least some lower courts were doing exactly that.\textsuperscript{533} Suppose that after issuing a patent to one person, the Patent Office received an interfering application and held a hearing to determine whether the new applicant was the prior inventor.\textsuperscript{534} From 1893 on, whichever party lost in the Patent Office’s tribunals could appeal to the Court of Appeals of the District of Columbia.\textsuperscript{535} But if the existing patentee lost on appeal, the Patent Office would issue a patent to the new applicant (assuming that the Patent Office regarded the invention as patentable). Either of the two patentees could then sue the other in equity, seeking a judicial determination that the interfering

\textsuperscript{532} Id. at 135; cf. infra note 540.

\textsuperscript{533} See, e.g., Automatic Weighing Mach. Co. v. Pneumatic Scale Corp., 166 F. 288, 289-91, 304 (1st Cir. 1909) (invoking Morgan with respect to an interference proceeding that had been resolved against an existing patentee); Reilly, supra note 503, at 388.

\textsuperscript{534} See Rev. Stat. § 4904, 18 Stat. 957 (1874) (describing this procedure); supra note 506 and accompanying text (referring to the precursor of this provision in the Patent Act of 1836).


After 1927, if the Patent Office resolved an interference proceeding against an applicant (as opposed to an existing patentee), the disappointed applicant had to choose between appealing or instead bringing a suit in equity to challenge the denial of his application; disappointed applicants no longer could do both in succession. See Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1335, 1336-37 (amending Rev. Stat. § 4915 to permit suits in equity by disappointed applicants only if no appeal “is pending or has only been decided”). Indeed, even if the disappointed applicant chose to appeal, an adverse party to the interference proceeding could obtain the dismissal of the appeal by “elect[ing] to have all further proceedings conducted as provided in section 4915 of the Revised Statutes”—that is, by insisting that the applicant bring a new suit in equity rather than pursuing an appeal. Id. § 8, 44 Stat. at 1336 (amending Rev. Stat. § 4911, regarding appeals). But section 4915 was just about suits by disappointed applicants, and so the 1927 amendment did not operate against existing patentees. If the Patent Office resolved an interference proceeding against an existing patentee, the patentee had a right to appeal under Rev. Stat. § 4911, and his adversary could not force him to bring suit in equity instead. See, e.g., Preston v. White, 92 F.2d 813, 815-16 (C.C.P.A. 1937) (explaining this interpretation and concluding that “the patentees have a right to proceed under section 4911”); cf. infra note 563 and accompanying text (noting changes made in 1952).
patent was void in whole or in part. The trial of that suit would be “de novo” in the sense that the parties would build a new record; they were not limited to the evidence that had been presented to the Patent Office. Under Morgan, though, the party who had lost the interference proceeding would face a challenging standard of proof: unless he could establish his priority with evidence carrying “thorough conviction,” the court would follow the result of the interference proceeding. Thus, the determination of priority made in the interference proceeding could end up getting great weight in a subsequent lawsuit, even when the court was relying on it to rule against an existing patentee’s claim of vested rights.

As applied against existing patents, this aspect of early twentieth-century practice may not be consistent with the general framework described in Part I. But that is not entirely clear. From the year before Morgan was decided on, if the Patent Office ruled against an existing patentee in an interference proceeding, the patentee had a right to appeal to the Court of Appeals of the District of Columbia. The ultimate result of the interference proceeding—that is, the result to which later tribunals deferred—was the result reached by this court, which met the structural requirements of Article III and was capable of exercising “judicial” power. (To be sure, the Supreme Court thought that Congress could

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536 See Rev. Stat. § 4918, 18 Stat. 959 (1874) (authorizing such suits “[w]henever there are interfering patents”); see also supra notes 508, 516 and accompanying text (referring to the precursor of this provision in the Patent Act of 1836).

537 See Victor Talking Mach. Co. v. Brunswick-Balke-Collender Co., 290 F. 565, 570 (D. Del. 1923) (observing that in suits under Rev. Stat. § 4918, as in suits under § 4915, “all questions in issue are tried de novo upon all competent evidence, new or old”), aff’d, 8 F.2d 41 (3d Cir. 1925), aff’d, 273 U.S. 670 (1927).

538 Id. at 571-72; see also Minn. Mining & Mfg. Co. v. Carborundum Co., 155 F.2d 746, 749 (3d Cir. 1946) (noting that “a mere preponderance of the evidence” is not enough to satisfy Morgan).

539 See supra note 535.

540 With respect to the interference proceeding in Morgan itself, the Supreme Court had spoken of deference to “the decision of the Patent Office.” Morgan v. Daniels, 153 U.S. 120, 125 (1894). But the Patent Office had rendered that decision in 1889, before Congress created the Court of Appeals of the District of Columbia and authorized it to entertain appeals in interference proceedings. See id. at 121 (statement of the case). Going forward, courts understood Morgan to require deference on questions of fact to the ultimate result of the interference proceeding—which, in cases where the party who had lost in the Patent Office had pursued an appeal, meant the result reached by the Court of Appeals. See, e.g., Miehle Printing Press & Mfg. Co. v. Miller Saw Trimmer Co., 2 F.2d 744, 745-47 (W.D. Pa. 1923), aff’d, 6 F.2d 417, 417-18 (3d Cir. 1925) (discussing an interference proceeding in which the Court of Appeals of the District of Columbia had reversed the Patent Office, and invoking Morgan to require deference to the conclusion reached by the Court of Appeals rather than the conclusion reached by the Patent Office); infra note 554 and accompanying text.

541 See Act of Feb. 9, 1893, ch. 74, § 1, 27 Stat. 434, 434-35 (providing that the court’s judges “shall be appointed by the President, by and with the advice and consent of the Senate, and shall hold office during good behavior”); O’Donoghue v. United States, 289 U.S. 516, 544-45 (1933) (holding that both the Court of Appeals and the Supreme Court of the District of Columbia, as then constituted, “are courts of the United States, vested generally with the same jurisdiction as that possessed by the inferior federal courts located elsewhere in respect of the cases enumerated in § 2 of Art. III”); cf. Fed. Radio Comm’n v. Gen. Elec. Co., 281 U.S. 464, 468 (1930) (not denying that the then-existing courts for the
give the Court of Appeals of the District of Columbia not only judicial jurisdiction but also "jurisdiction . . . over quasi judicial or administrative matters," and decisions in patent-interference appeals arguably fell into that category. In the 1890s, though, the Supreme Court had characterized the role that the Court of Appeals played in those cases as "judicial."

Admittedly, even if the Court of Appeals of the District of Columbia was acting as a true court in patent-interference appeals, it did not preside over the introduction of evidence; it was supposed to "revise the decision appealed from in a summary way, on the evidence produced before the Commissioner." Still, the court could and did reach its own conclusions about what the evidence showed. In case after case, the court reviewed the record and formed its own opinion about whether the Commissioner had ruled for the correct party.

That approach reflects an aspect of the relevant statutes that modern readers may miss. In the eighteenth and nineteenth centuries, the word

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542 See O'Donoghue, 281 U.S. at 543 (invoking Congress's special authority over the District of Columbia, and citing two patent cases and a trademark case as having upheld Congress's ability to give D.C. courts powers and duties of "an exceptional and advisory character"); see also Postum Cereal Co. v. Calif. Fig Nut Co., 272 U.S. 693, 698-99 (1927) (concluding that the decision of the Court of Appeals of the District of Columbia in a trademark-interference appeal "is not a judicial judgment" but "is merely an instruction to the Commissioner of Patents by a court which is made part of the machinery of the Patent Office for administrative purposes"); Rousso v. First Nat'l Bank, 37 F.2d 281, 283 (6th Cir. 1930) ("In passing upon an issue raised upon appeal in interference proceedings, the Court of Appeals for the District of Columbia acts as a branch or arm of the Patent Office, and not in a judicial capacity.").

543 United States ex rel. Bernardin v. Duell, 172 U.S. 576, 589 (1899) (asserting that back when Congress had authorized individual judges of the Circuit Court for the District of Columbia to hear appeals from the Commissioner, those judges were "called on to act as a special judicial tribunal," and concluding that Congress could instead give this role to "existing courts of competent jurisdiction," because "the nature of the thing to be done [is] judicial"); cf. Ex parte Drawbaugh, 2 App. D.C. 404, 405 (1894) (denying a motion to seal the records of an appeal, and explaining that even if the Patent Office's rules allowed proceedings in the Patent Office to be kept secret, "the Patent Office is a branch of one of the executive departments of the government, and . . . this is a public court of record, governed by very different principles and considerations, in respect to its records and proceedings, from those that apply to an executive department").


545 See, e.g., Fagan v. Whitmore, 18 F.2d 182, 183 (D.C. Cir. 1927) ("[E]xcept for a review of the evidence we are of the opinion that Whitmore failed to show due diligence in developing his machine . . . . We therefore agree with the decisions of the Examiner of Interference and the Examiners in Chief, and reverse the decision of the Commissioner of Patents."); Tyler v. Kelch, 19 App. D.C. 180, 184-91 (1902) (noting that the Commissioner had awarded priority to Kelch, and examining the record to answer the following question: "Was [the Commissioner] right in that conclusion?"); Beals v. Finkenbiner, 12 App. D.C. 23, 25 (1897) ("As is quite common in this class of cases, there is a mass of conflicting evidence in the record, which requires careful consideration and comparison in order to arrive at the merits of the controversy . . . ."); id. at 25-32 (reviewing that evidence in detail and ultimately reversing the acting Commissioner's decision).
“appeal” frequently had a technical meaning. At that time, the “two principal methods known to English jurisprudence, and to the jurisprudence of the Federal courts, by which cases may be removed from an inferior to an appellate court for review” were “the writ of error and the appeal.”546 When Congress authorized review by writ of error, the reviewing court could consider questions of law but could not second-guess the lower court’s conclusions on any “controverted question of fact.”547 (Much the same was true of the common-law writ of certiorari, which might be used “to bring up after judgment the proceedings of an inferior court or tribunal, whose procedure is not according to the course of the common law”; when used for this purpose, certiorari was said to be “in the nature of a writ of error.”)548 By contrast, when Congress authorized an “appeal” without imposing any special restrictions, the case was brought up “for re-examination on all the merits, whether of law or fact, and for consideration on these, as though no decree had ever been rendered.”549

Ever since 1839, when Congress first authorized an “appeal” from decisions of the Commissioner of Patents to Article III judges, Congress did impose some special restrictions, including the proviso that the judges were “to revise such decisions . . . on the evidence produced before the Commissioner.”550 Between 1870 and 1893, moreover, Congress excluded interference cases from the appeal mechanism.551 But in the 1880s, the Supreme Court described the then-existing procedure as “a technical appeal” (that is, an appeal in the

547 Id.
548 Harris v. Barber, 129 U.S. 366, 368-69 (1889); see also FRANCIS HILLIARD, THE LAW OF NEW TRIALS, AND OTHER REHEARINGS; INCLUDING WRITS OF ERROR, APPEALS, ETC. 691 (Philadelphia, Kay & Brother, 2d ed. 1872) (“The office of a certiorari is to review questions of law, not of fact; and, in examining into evidence, the appellate court does not determine the preponderance of probabilities, but simply whether the evidence will justify the finding as a legitimate inference from the facts proved . . . .”); HORACE G. WOOD, A TREATISE ON THE LEGAL REMEDIES OF MANDAMUS AND PROHIBITION, HABEAS CORPUS, CERTIORARI AND QUO WARRANTO 209 (Albany, W.C. Little & Co. 1880) (“Where the error is as to the facts the writ does not lie.”).
549 Murdock, 87 U.S. (20 Wall.) at 621; see also, e.g., Smith v. Chase, 22 F. Cas. 478, 479-80 (C.C.D.C. 1828) (No. 13,022) (“By the civil law an appeal brings up the whole cause, fact as well as law, to the appellate court; . . . the cause commences de novo in the appellate court, where the plaintiff . . . is allowed to make new allegations, and produce new evidence . . . .”); Wiscart v. D’Auchy, 3 U.S. (3 Dall.) 321, 327 (1796) (opinion of Ellsworth, C.J.) (“An appeal is a process of civil law origin, and . . . subject[s] the fact as well as the law, to a review and re-trial . . . .”).
551 See supra note 535.
technical sense), and that presumably remained true in 1893 when Congress re-authorized the “appeal” in interference cases.

Thus, in the early twentieth century, when courts held that Morgan v. Daniels required them to defer to the results of interference proceedings that had gone against existing patentees, the courts were not simply deferring to the Patent Office’s conclusions. Unless the patentee had waived the right to appeal, the results of such interference proceedings were determined by the Court of Appeals of the District of Columbia (a true federal court that was capable of exercising “judicial” power) on the basis of its own evaluation of the evidence that had been submitted to the agency. Indeed, one of the leading examples of a judicial opinion that used the results of an interference proceeding against an existing patentee is a case in which the Commissioner of Patents had ruled in favor of the patentee, only to be reversed by the Court of Appeals of the District of Columbia. When later courts deferred to the results of this proceeding, the conclusion to which they were deferring was that of the court, not the Commissioner of Patents or any other executive tribunal.

Although the Court of Appeals of the District of Columbia normally applied the rule that “we must form our own conclusion independently of [the Patent Office’s tribunals],” the court did give substantial deference to those tribunals in one situation. By statute, multiple layers of review were available within the Patent Office itself, and each layer could entail independent judgment. From the 1890s to the early 1920s, if “the expert

552 Butterworth v. United States ex rel. Hoe, 112 U.S. 50, 61 (1884); cf. Phillips v. Preston, 46 U.S. (5 How.) 278, 280 (1847) (contrasting “a writ of error to bring the law and not the facts here for reexamination” with “a technical appeal, where the facts are to be reviewed and reconsidered”).

553 See Act of Feb. 9, 1893, ch. 74, § 9, 27 Stat. 434, 436 (addressing the existing provisions for appeals and adding that “in addition, any party aggrieved by a decision of the Commissioner of Patents in any interference case may appeal therefrom to [the Court of Appeals of the District of Columbia]”); see also Dower v. Richards, 151 U.S. 658, 663 (1894) (“In the legislation of Congress, from the foundation of the government, a writ of error, which brings up matter of law only, has always been distinguished from an appeal, which, unless expressly restricted, brings up both law and fact.”); The Francis Wright, 105 U.S. 381, 386 (1882) (“Undoubtedly, if Congress should give an appeal in admiralty causes, and say no more, the facts, as well as the law, would be subjected to review and retrial . . . .”).

554 See Victor Talking Mach. Co. v. Brunswick-Balke-Collender Co., 290 F. 565, 572 (D. Del. 1923) (summarizing the course of the interference proceeding), aff’d, 8 F.2d 41 (3d Cir. 1925), aff’d, 273 U.S. 670 (1927); see also Reilly, supra note 303, at 388 & n.59 (citing Victor Talking Machine as evidence that courts deferred to the results of interference proceedings even “when the interference involved an issued patent”); cf. Gregory Dolin, Yes, the PTAB Is Unconstitutional, 17 CHI.-KENT J. INTELL. PROP. 457, 469 (2018) (“Nothing in Victor Talking serves to undermine the conclusion that in the 19th century the courts viewed issued patents as indistinguishable from other forms of property and required that any doubts about their validity be resolved in properly constituted Article III tribunals.”).


556 See, e.g., Ragsdale v. Gathmann, 299 F. 702, 702 (D.C. Cir. 1924) (“The tribunals of the Patent Office, after independent examination of the evidence, each reached the conclusion that Gathmann was the first to conceive and reduce to practice the particular invention here involved . . . .”). Before 1927, there were three relevant tribunals within the Patent Office: after an
tribunals of the Patent Office” had considered a question of fact carefully and had all reached the same conclusion, the Court of Appeals typically accepted that conclusion in the absence of “a clear . . . showing of error.” Still, this deference usually did not operate against existing patentees, because the Patent Office itself usually applied a strong presumption in favor of the validity of existing patents; to prevail against an existing patentee in an interference proceeding, a later applicant had to establish the priority of his invention beyond a reasonable doubt. Insofar as it was unusual for the Patent Office to resolve interference proceedings against an existing patentee, the deference doctrines applied by the Court of Appeals of the District of Columbia normally would not have raised concerns about the need for fully judicial adjudication of vested rights.

In 1929, Congress transferred jurisdiction over Patent Office appeals from the Court of Appeals of the District of Columbia to the newly renamed Court of Customs and Patent Appeals (CCPA), but the system otherwise remained stable. By contrast, the Patent Act of 1952 made important changes. Under
the 1952 statute, when the Commissioner declared an interference between two applications or between an application and an unexpired patent, “[t]he question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences),” which would announce a decision on behalf of the Patent Office. If that decision was “adverse to a patentee,” it would automatically “constitute cancellation of the claims involved from the patent” once any opportunity for appeal or other review had passed. Thus, the Patent Act of 1952 was the first statute to give the Patent Office direct authority to cancel an existing patent.

Before any such cancellation took effect, though, the patentee would have the opportunity for judicial proceedings. More generally, any party to an interference proceeding who was dissatisfied with the board’s determination of priority could choose either to appeal to the CCPA (under 35 U.S.C. § 141) or to seek relief in a freestanding civil action (under 35 U.S.C. § 146). In practice, the statute gave freestanding civil actions precedence over appeals to the CCPA; if a party filed an appeal, any adverse party could get the appeal dismissed by making an election “to have all further proceedings conducted as provided in section 146,” and the would-be appellant would then have thirty days to file a freestanding civil action under section 146. As applied against existing patentees, whether this system was compatible with the traditional doctrine of vested rights therefore depended on the nature of the proceeding that section 146 authorized.

Section 146 specified that the court could consider the administrative record (if introduced on motion of either party), but “without prejudice to the right of the parties to take further testimony.” As a result, proceedings under section 146 were at least partially “de novo” in the sense that the parties could introduce new evidence. Still, the statute did not specify which party

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561 Id. at 802.
562 See id. at 802-03 (enacting 35 U.S.C. §§ 141, 146).
563 See id. at 802 (enacting 35 U.S.C. § 141). In contrast to the version of the statute that had been in effect from 1927 until 1952, that was true even if the would-be appellant was an existing patentee rather than simply a disappointed applicant. Cf. supra note 535.
565 See, e.g., AbbVie Deutschland GmbH & Co. v. Janssen Biotech, Inc., 759 F.3d 1285, 1296-97 (Fed. Cir. 2014). At least for a time, there was a circuit split about the nature of the new evidence that could be introduced. See Case v. CPC Int’l, Inc., 730 F.3d 745, 752 (Fed. Cir. 1984). Some courts
had the burden of proof or what level of proof was necessary. For years, many courts filled this gap by invoking Morgan v. Daniels: they held that whichever party had lost in the Patent Office (later renamed the Patent and Trademark Office (PTO)) bore the burden of proving its priority with evidence carrying “thorough conviction.” If applied against an existing patentee, that approach might give an executive-branch adjudication greater effect than the traditional doctrine of vested rights would have permitted. More recently, however, the Federal Circuit concluded that “a § 146 action is a new civil proceeding subject to de novo determination” (at least when new evidence is introduced), and the burden of proof rested on the junior applicant rather than on the party who lost in the PTO. On that understanding, the PTO’s role in interference proceedings remained compatible with the constitutional framework described in Part I.

C. Oil States Energy Services, LLC v. Greene’s Energy Group, LLC

In a sense, interference proceedings under the Patent Act of 1952 laid the groundwork for the patent-cancellation provisions in the Leahy-Smith America Invents Act (AIA)—the 2011 statute that the Supreme Court considered in Oil States Energy Services, LLC v. Greene’s Energy Group, LLC. The Oil States case has already triggered voluminous commentary, and I will

noted that interference proceedings in the Patent Office normally did not include live testimony, and they suggested that this limitation might explain the “further testimony” contemplated by section 146; these courts suggested that although parties in civil actions under section 146 could call witnesses whose depositions had been submitted to the Patent Office, the parties should not be allowed to introduce other new evidence unless they had an adequate reason for not having presented it to the Patent Office. See, e.g., Velocool Chem. Corp. v. Monsanto Co., 579 F.2d 1038, 1043-46 (7th Cir. 1978). More recently, however, the Supreme Court has rejected an analogous limitation in civil actions brought under section 146, see Kappos v. Hyatt, 566 U.S. 431, 437-46 (2012), and the Federal Circuit has held that “the Supreme Court’s decision . . . applies with equal force to both § 145 and § 146 actions.” Troy v. Samson Mfg. Corp., 758 F.3d 1322, 1327-28 (Fed. Cir. 2014).


Streck, Inc. v. Resh. & Diagnostic Sys., Inc., 659 F.3d 1186, 1191 (Fed. Cir. 2011). The Federal Circuit did not necessarily call for de novo review “when no new evidence has been introduced” in the district court. See Troy, 758 F.3d at 1328 (suggesting that if the parties simply submitted a case to the district court on the administrative record, Morgan’s deferential standard would apply). Still, live testimony counted as new evidence for this purpose (and therefore triggered a need for “de novo factual findings”) even if its substance mirrored testimony that had been presented to the PTO via affidavits or deposition transcripts. See Winner Int’l Royalty Corp. v. Wang, 202 F.3d 1340, 1347 (Fed. Cir. 2000).

not rehash more than necessary. As background, though, we must start with the two statutes that are commonly seen as precursors of the AIA.


In 1980, Congress established a procedure by which the PTO could “reexamin[e]” the patentability of one or more claims in patents that it had already issued. Specifically, “[a]ny person at any time” could alert the PTO to “prior art consisting of patents or printed publications” that the person “believes to have a bearing on the patentability of any claim of a particular patent,” and the person could ask the PTO to reexamine the claim on the basis of the cited prior art. If the Commissioner determined that the request raised “a substantial new question of patentability affecting any claim of the patent,” the Commissioner would invite a response from the patent owner, and the PTO would conduct a reexamination according to the same procedures used for initial examinations. If the examiner ultimately ruled against the patent owner, the patent owner could appeal to the PTO’s Board of Appeals—and if the patent owner lost there, 35 U.S.C. § 306 specified that “[t]he patent owner . . . may seek court review under the provisions of sections 141 to 145 of this title.” But after this opportunity for judicial review, the Commissioner would “issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable” (and “confirming any claim of the patent determined to be patentable”).

As with interference proceedings, whether this procedure comported with the traditional doctrine of vested rights depended on the legal effect of the PTO’s determinations, which in turn depended on the nature of the judicial review permitted under sections 141 to 145. Those provisions operated when the PTO had denied an application for a patent, and they gave the disappointed applicant a choice: appeal to the U.S. Court of Appeals for the Federal Circuit (an Article III court that had replaced the CCPA)

571 Id. at 3015 (enacting 35 U.S.C. §§ 301–02).
572 Id. (enacting 35 U.S.C. § 303). The Commissioner could also make such a determination “[o]n his own initiative,” without a request for reexamination. Id. at 3015–16.
573 Id. at 3016 (enacting 35 U.S.C. §§ 304–05).
574 Id.
575 Id. at 3016-17 (enacting 35 U.S.C. § 307).
procedures described in sections 141 to 144, or file a civil action against the Commissioner in federal district court under section 145. By piggybacking upon these provisions, the 1980 statute gave the same choice to patent owners who lost a reexamination proceeding.

As interpreted by the modern Supreme Court, sections 141 to 144 do not authorize an “appeal” in the old-fashioned sense.676 Instead of making its own factual findings, the Federal Circuit must accept the PTO’s findings unless they are “unsupported by substantial evidence” (or, perhaps, “arbitrary, capricious, [or] an abuse of discretion”)—standards that are familiar from judicial review of agency action under the Administrative Procedure Act (APA),677 but that traditionally might have been regarded as inadequate when an agency had ruled against a claim of vested rights.678

From the standpoint of the traditional framework, though, the other option offered by the 1980 statute was better. Rather than appealing under sections 141 to 144, patent owners who lost a reexamination proceeding could bring a freestanding civil action in a federal district court under section 145. At least as the Supreme Court now interprets section 145, such actions can be largely de novo.679 The parties can introduce all relevant evidence whether or not they presented it to the PTO—and if a party does introduce new evidence on a disputed question of fact, “the district court must make de novo factual findings that take account of both the new evidence and the administrative record before

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676 Cf. supra notes 549–53 and accompanying text.
678 See Evan D. Bernick, Is Judicial Deference to Agency Fact-Finding Unlawful?, 16 GEO. J.L. & PUB. POL’Y 27, 30 (2018) (arguing broadly that “judicial deference to agency fact-finding is unconstitutional in cases involving deprivations of . . . core private rights to life, liberty, and property,” and referring to “an independent model of judicial review of governmental action that was applied from the Founding Era until the late nineteenth century” (some emphasis omitted)); cf. Nelson, supra note 2, at 618 (noting that even today, “allowing federal administrative agencies to adjudicate ordinary criminal cases on the same basis that agencies currently handle disputes about broadcast licenses or pilots’ certificates would violate longstanding understandings of our constitutional arrangements”).
679 See Kappos v. Hyatt, 566 U.S. 431, 433–34 (2012). Before the Supreme Court issued this opinion, some courts had imposed special restrictions on the evidence that could be introduced in § 145 actions and had also deferred to the PTO’s findings of fact. See, e.g., DeSeversky v. Brenner, 424 F.2d 857, 858 (D.C. Cir. 1970) (saying that although the plaintiff “may introduce evidence not previously presented to the Patent Office,” the plaintiff “is precluded from presenting new issues, at least in the absence of some reason of justice put forward for failing to present the issue to the Patent Office”); Petroleo Brasileiro S.A.—Petrobras v. Comm’r of Pats. & Trademarks, Civ. A. No. 85-3743, 1987 WL 14141, at *3 (D.D.C. Mar. 31, 1987) (“Under 35 U.S.C. § 145, this Court may set aside factual findings of the Board only if they are clearly erroneous, based on the record before the Board and any new evidence presented in trial.”).
the PTO. While a party’s failure to present certain evidence to the PTO might affect the weight that the district court itself chooses to give that evidence, the Supreme Court has specifically rejected the idea “that [the] district court should defer to the PTO’s factual findings”; in the Supreme Court’s words, “the district court must make its own findings de novo and does not act as the ‘reviewing court’ envisioned by the APA.” Because 35 U.S.C. § 306 allowed patent owners to bring this same sort of civil action before the PTO’s adverse decision in a reexamination proceeding would take effect, the 1980 statute did not necessarily violate the traditional doctrine of vested rights.

In 1999, Congress gave the name “ex parte reexamination” to the administrative procedure that the 1980 statute had created. Congress also created a new administrative procedure called “inter partes reexamination” that entailed a more adversarial presentation to the PTO and that again could result in the cancellation of one or more claims in an existing patent. Before the cancellation took effect, the owner of the patent could “appeal under the provisions of sections 141 through 144,” but Congress did not allow the owner to bring an original civil action under section 145. At the same time, Congress arguably eliminated that option in “ex parte” reexaminations as well. Still, Congress did not apply these changes to any patents that had already been granted; the provisions in the relevant subtitle of the 1999 statute operated only with respect to patents for which an original application was filed on or after the statute’s date of enactment.

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580 Hyatt, 566 U.S. at 444, 446.
581 See id. at 445 (”[T]he district court may, in its discretion, ‘consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant’s newly-admitted evidence.’” (quoting Hyatt v. Kappos, 625 F.3d 1320, 1335 (Fed. Cir. 2010))).
582 Id. at 438; see also Michael S. Greve, Exceptional, After All and After Oil States: Judicial Review and the Patent System, 26 B.U. J. SCI. & TECH. L. 1, 26-35 (2020) (discussing the relationship among the Administrative Procedure Act, appeals under sections 141 to 144, and original civil actions under section 145).
584 Id. § 4604, 113 Stat. at 1501A-567 to 1501A-570.
586 Although Congress did not modify 35 U.S.C. § 306, Congress amended 35 U.S.C. § 141 to say that “[a] patent owner in any reexamination proceeding” who was dissatisfied with the PTO’s final decision “may appeal the decision only to the United States Court of Appeals for the Federal Circuit.” Id. § 4605(c), 113 Stat. at 1501A-571 (emphasis added); see also In re Teles AG Informationstechnologien, 747 F.3d 1357, 1361-66 (Fed. Cir. 2014) (discussing Congress’s sloppiness in failing to amend § 306, but concluding that “the 1999 amendments eliminated the right of patent owners to secure review under § 145”). In 2011, the AIA finally amended § 306 to drop the reference to § 145. See Leahy-Smith America Invents Act (AIA), Pub. L. 112-29, § 6(b)(2)(A), 125 Stat. 284, 312.
587 IPCORA § 4608(a), 113 Stat. at 1501A-572.
2. The America Invents Act of 2011

In 2011, the AIA made major changes to the patent system. Most significantly, the AIA changed the basis on which patents would be granted going forward.588 But apart from altering the test for granting patents in the future, the AIA also established two new procedures for asking the PTO to cancel patents after issuing them.

One of those procedures, called “post-grant review,” expanded considerably upon the reasons that would have supported administrative reexamination of a patent under prior law. Within the first nine months after a patent is issued, “a person who is not the owner” can now petition the PTO to cancel some or all of the patent’s claims on the basis of any arguments about invalidity that could be raised as defenses in an infringement suit.589 In response to such a petition, the PTO’s Patent Trial and Appeal Board (PTAB) might conduct an adversarial proceeding that can result in cancellation of one or more of the patent’s claims.590 (Before the PTO issues

588 Previous federal patent laws had used “a first-to-invent rule”: generally speaking, “the United States . . . award[ed] patent rights to the first inventor to create an invention even if he or she filed a patent application later than another inventor.” Roger Allan Ford, Patent Invalidity Versus Noninfringement, 99 CORNELL L. REV. 71, 79 n.24 (2013). The AIA shifted to what it labeled a “first inventor to file” rule: as between two people who have independently invented the same thing, the first to apply for a patent normally wins. See AIA § 3, 125 Stat. at 285-93; Ford, supra, at 79 n.24. In keeping with this shift, Congress also reformulated the traditional “interference” proceedings; it is no longer necessary to determine the priority of invention, but the PTO can conduct what are now called “derivation” proceedings to test the independence of someone’s alleged invention. See AIA § 3(i)-(j), 125 Stat. at 289-91 (amending 35 U.S.C. § 135 and substituting “derivation” for “interference” in § 146). Of course, these particular changes did not apply to any existing patents. Roughly speaking, the new system applied only with respect to applications filed at least eighteen months after the AIA was enacted. See id. § 3(n)(l), 125 Stat. at 293.


590 See id. at 306-10 (enacting 35 U.S.C. §§ 324, 326, 328). The PTAB is the successor to the PTO’s Board of Patent Appeals and Interferences. See id. § 7(a)(1), 125 Stat. at 313 (amending 35 U.S.C. § 6). It consists of the Director and Deputy Director of the PTO, the Commissioner for Patents, the Commissioner for Trademarks, and many “administrative patent judges” who are “appointed by the Secretary [of Commerce] in consultation with the Director [of the PTO].” Id. For purposes of both post-grant review and inter partes review (the other new cancellation procedure created by the AIA), the PTAB sits in panels of at least three members, who are designated by the Director. Id.

Recently, in a case involving inter partes review, the Supreme Court held that if the structure contemplated by the AIA were given full effect, and if a panel of administrative patent judges could render final decisions that were not subject to review by any superior officers in the executive branch, then the administrative patent judges would not be “inferior” officers whose appointment can be vested in the Secretary of Commerce; instead, they would have to be appointed by the President by and with the advice and consent of the Senate. See U.S. CONST. art. II, § 2; United States v. Arthrex, Inc., 141 S. Ct. 1970, 1979-83, 1985-86 (2021). To solve this perceived problem, a plurality concluded that “[d]ecisions by [administrative patent judges] must be subject to review by the Director,” id. at 1986 (plurality opinion of Roberts, C.J.), and the plurality further concluded that current law permits that result. See id. at 1987 (holding that 35 U.S.C. § 6(c), as enacted by the AIA, "cannot constitutionally be enforced to the extent that its requirements prevent the Director from reviewing
a certificate canceling a claim, a dissatisfied party may appeal to the Federal Circuit, but the court will defer to the PTAB’s factual determinations if they are supported by substantial evidence.\(^{591}\) By and large, though, the AIA’s provisions authorizing post-grant review operate only with respect to patents issued after the AIA was enacted.\(^{592}\)

The other new review procedure established by the AIA, “inter partes review,” was not limited in this way; once it took effect (one year after enactment of the AIA), it applied to “any patent issued before, on, or after that effective date.”\(^{593}\) But “inter partes review” simply replaced the mechanism for “inter partes reexamination” that had existed since 1999, and the main differences between the two mechanisms were procedural rather than substantive.\(^{594}\) While Congress wanted the PTAB’s procedures for “inter partes review” to be more court-like than the prior procedures for inter partes reexamination, Congress did not expand the grounds upon which the PTO could cancel patents through the use of these procedures. By the terms of the AIA, petitioners seeking inter partes review can ask the PTO to cancel a claim in an existing patent only on the ground that the claim is obvious or lacked novelty, and “only on the basis of prior art consisting of patents or printed publications”—the same things that would have allowed the PTO to cancel a claim under the earlier procedure of inter partes reexamination.\(^{596}\)

Still, the 1999 statute had made inter partes reexamination available only for patents issuing from applications filed on or after November 29, 1999 (the date

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592 See AIA § 6(f)(2)(A), 125 Stat. at 311. But cf. id. § 18, 125 Stat. at 329-31 (instructing the Director of the PTO to issue regulations “establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents,” which claim “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.”).

593 Id. § 6(c)(2), 125 Stat. at 304.


595 AIA § 6(a), 125 Stat at 299 (amending 35 U.S.C. § 311(b)).

the statute was enacted). The application for the patent involved in the Oil States case had been filed a few months earlier, so that patent would not have been subject to inter partes reexamination. From 2012 on, however, the AIA nonetheless purported to expose the patent to inter partes review. After the patent’s owner (Oil States Energy Services, LLC) sued Greene’s Energy Group, LLC, for infringement, the defendant in that suit did indeed ask the PTO to initiate an inter partes review of two of the patent’s claims, and the PTAB concluded that the two claims were unpatentable. Oil States appealed to the Federal Circuit, arguing both that the claims were patentable and that the AIA’s provisions about inter partes review were unconstitutional. The Federal Circuit affirmed the PTAB’s decision, but the Supreme Court granted certiorari.

For some reason, “Oil States [did] not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued.” Instead, Oil States suggested that no matter what conditions the law might try to impose at the time the federal government granted a patent, subsequent adjudication of the patent’s validity required an exercise of “judicial” power, at least when the adjudication involved adversarial proceedings between private parties. But a majority of the Supreme Court rejected this position. Justice Thomas’s majority opinion observed that “the decision to grant a patent is a matter involving public rights—specifically, the grant of a public franchise.” Under federal law, moreover, patents “are granted subject to the qualification that the PTO has ‘the authority to reexamine—and perhaps cancel—a patent claim’ in an inter partes review.” According to Justice Thomas, “This Court has recognized that franchises can be qualified in this manner.” And because Oil States had not made any arguments about the fact that the AIA had not been in place when the patent in question was granted, the Supreme Court refused to consider that fact. Without deciding what Congress could do in the absence of a patent subject to an inter partes review, the Court concluded that the retroactive application of inter partes review was constitutional.

597 See supra note 587 and accompanying text.
598 See U.S. Paten No. 6,179,053 B1, patentimages.storage.googleapis.com/pdfs/US6179053.pdf [https://perma.cc/B839-8YMF] (indicating that the application was filed on August 12, 1999).
600 See id. (summarizing the procedural posture).
601 Id. at 1379.
602 See Brief for Petitioner at 22–23, Oil States, 138 S. Ct. 1365 (No. 16-712); cf. id. at 50 (conceding that the 1980 statute authorizing the PTO to cancel patents after ex parte reexamination did not violate Article III, but suggesting that Congress could not validly authorize the agency to conduct “an adversarial proceeding with all the trappings of litigation”).
603 Oil States, 138 S. Ct. at 1373.
604 Id. at 1374 (quoting Cuozzo Speed Techs., LLC v. Lee, 136 S. Ct. 2131, 2137 (2016)).
605 Id. at 1375 (citing Bridge Co. v. United States, 105 U.S. 470 (1882), and other cases). But cf. 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.”).
606 See id. at 1379.
of a relevant reservation, the majority held that “Congress has permissibly reserved the PTO’s authority to conduct [inter partes review].”

3. Some Possible Limits on the Reservation Theory

The dissenters in Oil States suggested that the majority was wrong to equate patents with “ordinary public franchises.” According to the dissenters, early American courts had distinguished patents (which courts interpreted in the same manner as “other instruments creating private property rights, like land deeds”) from grants of “anticompetitive monopolies” like “the . . . exclusive right to operate a toll bridge” (which courts “view[ed] . . . with disfavor” and construed narrowly). As a historical matter, moreover, “most everyone considered an issued patent a personal right—no less than a home or farm—that the federal government could revoke only with the concurrence of independent judges.”

As we have seen, that is true. But perhaps it is true only because the federal government traditionally granted patents without purporting to reserve any authority for nonjudicial cancellation. In this respect, American patents differed from English patents. From the seventeenth century on, virtually all English patents included a clause allowing the Crown to void the grant upon findings made by the Crown or its Privy Council. By contrast, patents issued in the United States did not contain such clauses, and Congress did not purport to reserve any administrative cancellation authority until the second half of the twentieth century. The key issue in Oil States was what to make of this fact: did the federal government’s longstanding practice of granting patents without such reservations simply reflect a policy choice that Congress could change for future patents, or did the Constitution itself prevent Congress from building nonjudicial cancellation procedures into federal patent law (and causing all subsequently issued patents to be granted subject to those procedures)?

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607 Id. at 1373.
608 Id. at 1385 (Gorsuch, J., dissenting).
609 Id.; see also Mossoff, Jefferson, supra note 369, at 999-1000 (providing additional citations in support of this contrast).
610 Oil States, 138 S. Ct. at 1386 (Gorsuch, J., dissenting).
611 See supra notes 333–35 and accompanying text; Davies, supra note 325, at 102-04 (summarizing the rise and continued use of the clause); Gómez-Arostegui & Bottomley, supra note 335, at 3-5 (chronicling the clause from the eighteenth century to 1908); see also Oil States, 138 S. Ct. at 1377 (emphasizing this aspect of English history).
612 See, e.g., Beauchamp, supra note 349, at 685.
613 See supra text accompanying notes 560–67 (discussing the qualified authority conferred by the Patent Act of 1952 in interference cases); supra subsection III.C.1 (discussing later provisions about patent “reexamination”).
That sort of question is not limited to patents, or even to franchises more generally. Reservations are potentially an issue whenever the government enters into any contract or grants any type of property. Thus, even if the dissenters in Oil States were correct to analogize invention patents to land grants, they still needed to think about reservations.

As Professors Gary Lawson and John Harrison have both observed, if the federal government owns a tract of land, Congress probably can authorize the government to convey title to a private person while retaining a reversionary interest that allows the government to reclaim title at any time and for any reason. Even under the traditional framework, moreover, Congress could put the executive branch in charge of whether to exercise this option. Of course, if the grantee claimed to own a fee simple absolute and denied that the government had retained a reversionary interest, the grantee probably would be able to raise this argument in court (unless the grantee waived that opportunity); Congress could not give the executive branch conclusive authority to reject a private person’s claim of vested rights. But if the government had indeed retained the option of reclaiming title at will, the government’s decision to exercise this option would not require judicial involvement. In Professor Harrison’s words, “exercising the government’s own proprietary rights” was a “characteristic executive function,” and the correlative private interests on the other side would have been considered privileges rather than vested private rights.

One might say that an interest is not “vested” (for purposes of the traditional framework) if the government can revoke it at will. Matters were less clear when the government had retained a more qualified reversionary interest that came into play only in certain circumstances. The typical land grant made by the government in the nineteenth century was like that; it could be unwound upon proof of certain facts, such as fraud on the part of the grantee or certain kinds of mistakes on the part of the government. As noted above, the Supreme Court repeatedly indicated that grantees whose titles were challenged on these grounds were entitled to judicial adjudication of the relevant facts. In the various opinions that established this point, though, the Court did not address whether the government could reserve power to determine the facts administratively if the government included this

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614 See Harrison, supra note 12, at 194–95, 203; Lawson, supra note 569, at 43.
615 See Harrison, supra note 12, at 148–49.
616 See supra note 428 (citing United States v. Stone, 69 U.S. (2 Wall.) 525, 535 (1865)).
617 See, e.g., Moore v. Robbins, 96 U.S. 530, 532–33 (1878) (indicating that once executive officials have issued a land patent and the grantee has accepted it, “all right to control the title or to decide on the right to the title . . . has passed from the Executive Department,” and “[i]f fraud, mistake, error, or wrong has been done, the courts of justice present the only remedy”); see also supra notes 428–32 and accompanying text.
condition in the initial grant. So far as I know, the Court has not answered that question to this day.\footnote{In a 1963 case about a lease for drilling rights on public land, the Supreme Court did hold that the statutes giving the Secretary of the Interior "general managerial powers over the public lands" authorized the Secretary "to cancel this lease administratively for invalidity at its inception"—a conclusion that the Court probably would not have reached if the Court had seen constitutional problems. See Boesche v. Udall, 373 U.S. 472, 476-78 (1963). Still, the Court based this conclusion on the proprietary rights that the United States had retained with respect to both the land and the minerals that were the subject of the lease. See id. at 477-78 ("Unlike a land patent, which divests the Government of title, Congress under the Mineral Leasing Act has not only reserved to the United States the fee interest in the leased land, but has also subjected the lease to exacting restrictions and continuing supervision by the Secretary."); id. at 478 ("A mineral lease does not give the lessee anything approaching the full ownership of a fee patentee, nor does it convey an unencumbered estate in the minerals."); see also id. at 478 n.7 (contrasting the limited leasehold in question with the full-fledged property rights enjoyed by "a mining claimant whose location is perfected"); cf. Noble v. Union River Logging R.R. Co., 147 U.S. 165, 176 (1893) (treating a right of way over public lands as property and concluding that the Secretary of the Interior could not unilaterally revoke it). Although the Supreme Court cited Boesche in Oil States, 138 S. Ct. 1365, 1376 n.3 (2018), Boesche may not really apply to patents for inventions. Indeed, patents for inventions might not implicate the government's proprietary rights at all. Although unpatented things are said to be in the public domain, that phrase simply means that each member of the public is at liberty to make and use those things. In contrast to other forms of public ownership, this general liberty might not give the government proprietary rights of the sort that we expect the executive branch to manage. See United States v. Am. Bell Tel. Co., 167 U.S. 224, 238 (1897) (observing that although patents for inventions resemble patents for land in some respects, "the patent for an invention is not a conveyance of something which the Government owns"); accord Marsh v. Nichols, Shephard & Co., 128 U.S. 605, 611 (1888); Att'y Gen. ex rel. Hecker v. Rumford Chem. Works, 32 F. 608, 622 (C.C.D.R.I. 1876). Even if patent rights did originate with the public in the same proprietary sense as rights in public lands, moreover, the Constitution speaks of "securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries." U.S. CONST. art. I, § 8 (emphasis added). That language might prevent the government from retaining any ownership interest when it does grant a patent, and hence might rule out the sort of co-ownership that was at issue in Boesche. See Harrison, supra note 12, at 195 (flagging this issue and noting that it arose obliquely at oral argument in Oil States).} In the nineteenth century, questions of this sort did come up with respect to franchises. In 1876, for instance, the Minnesota legislature passed a statute granting a ferry franchise but specifying that "[i]f the [franchisee] . . . fail[s] to fulfil any of the conditions of this act, then the legislature may at any time alter, amend or repeal the same."\footnote{Act of Mar. 6, 1876, ch. 132, § 7, 1876 Minn. Spec. Laws 215, 216.} Five years later, the legislature repealed the grant.\footnote{Act of Feb. 24, 1881, ch. 364, § 1, 1881 Minn. Spec. Laws 918, 918.} The Supreme Court of Minnesota upheld the constitutionality of the repeal, but only after the judiciary found that the franchisee had indeed failed to fulfill the conditions. The court explained that "[w]here the right reserved to recall the grant depends on the happening of a contingent event, the existence of the fact at the time of the recall must, of course, be a matter for judicial investigation."\footnote{Myrick v. La Moure, 23 N.W. 549, 549 (Minn. 1885).} In the court’s words, a final determination of the
legislature’s “right[] . . . to enforce the forfeiture” was “necessarily and inherently a judicial question, which only the judiciary can decide.”\textsuperscript{622}

At roughly the same time, though, the U.S. Supreme Court arguably pointed in the opposite direction. In 1869, Congress had passed a joint resolution consenting to the erection of a bridge over the Ohio River by the Newport and Cincinnati Bridge Company.\textsuperscript{623} The resolution had specified some minimum requirements for the bridge, but it had added:

Congress reserves the right to withdraw the assent hereby given in case the free navigation of said river shall at any time be substantially and materially obstructed by any bridge to be erected under the authority of this resolution, or to direct the necessary modifications and alterations of said bridge.\textsuperscript{624}

Two years later, Congress enacted a statute imposing more stringent requirements to protect navigation.\textsuperscript{625} Aware that the company had already begun construction according to the old plan, Congress authorized the company to sue the United States to determine whether the government was liable to the company because of the required changes.\textsuperscript{626} Ultimately, the Supreme Court held that the United States was not liable. In the course of its opinion, the Court indicated that although the reservation clause in the joint resolution had allowed Congress to withdraw consent only in case of a substantial obstruction to navigation, the existence of such an obstruction did not have to be “judicially ascertained.”\textsuperscript{627} To be sure, “Congress can exercise legislative power only,” and so “all its reservations of power, connected with grants that are made, must necessarily be legislative in character.”\textsuperscript{628} But the Court thought that identifying the due requirements for protecting navigation along an artery of interstate commerce was indeed legislative—and as the Court interpreted the reservation clause, “[t]he withdrawal of assent . . . has been left to depend on the judgment of Congress in the exercise of its legislative discretion.”\textsuperscript{629} The Court concluded that the reservation clause “expressly” made the bridge company’s franchise “defeasible at will,” and the bridge company could not complain about Congress’s “legitimate exercise of the power that was reserved.”\textsuperscript{630}

\textsuperscript{622}Id. at 550.
\textsuperscript{623}J. Res. 21, 40th Cong., Sess. 3, 15 Stat. 347 (1869).
\textsuperscript{624}Id. at 348.
\textsuperscript{625}Act of Mar. 3, 1871, ch. 121, § 5, 16 Stat. 571, 572-73.
\textsuperscript{626}Id. at 573.
\textsuperscript{627}Bridge Co. v. United States, 105 U.S. 470, 480 (1882).
\textsuperscript{628}Id.
\textsuperscript{629}Id. at 480-82.
\textsuperscript{630}Id. at 481-82. \textit{But see} id. at 504 (Field, J., dissenting) ("[W]hether or not the contingency had occurred, was not a fact to be arbitrarily determined by the legislature. It was to be ascertained judicially upon proofs and after hearing the parties, like any other disputed fact upon the
Some corporate charters raised similar questions. If a legislature granted a charter but reserved the power to repeal it at will, the legislature could exercise this power without judicial involvement. Sometimes, though, the legislature reserved the power to repeal a charter only for certain reasons or in certain circumstances. Faced with statutes purporting to exercise this power, courts divided over whether they were bound to accept the legislature’s apparent conclusion that the required reasons had existed. In one case from 1846, the Supreme Court of the Territory of Iowa interpreted the reservation clause in a bank’s charter to make the legislature the final arbiter of whether the conditions for repeal were satisfied, and the court treated the legislature’s decision as conclusive. But courts in some other states later portrayed this case as an outlier. According to the Supreme Court of Pennsylvania, courts could make their own determination of “whether the casus foederis, upon which the authority to repeal is based, has occurred,” and the legislature’s decision on this question was at most “primâ facie valid.”

establishment of which rights of property depend.”). In a later case, the Supreme Court explicitly distinguished between the reserved power to repeal a franchise “at the pleasure of the legislature” and “the power to cancel for violation of the terms of the grant.” Pub. Serv. Comm’n of P.R. v. Havemeyer, 296 U.S. 506, 517 (1936). The Court explained:

In the absence of constitutional, legislative, or contractual restriction, the exertion of the first mentioned power requires nothing more than an appropriate declaration of the repeal. But, without consent of the holder, valid cancellation for condition broken cannot be accomplished without giving to the holder an opportunity to have the asserted default judicially determined.

Id. (citation omitted). Even when a franchise was being canceled for breach of a condition, though, the Court observed that the “initial step” did not have to occur in the judiciary. See id. at 515 (“Essential requirements are satisfied if the withdrawal of the privilege, declared by legislative or executive authority, may be followed by appeal to a court of competent jurisdiction in which the rights of the holders may be determined.”); cf. id. at 516-18, 520 (appearing to accept a procedure that empowered the Public Service Commission of Puerto Rico to determine that a condition had been violated and to cancel a franchise on that basis, with review in the insular courts being limited to the record compiled in the Public Service Commission).

631 See WM. L. CLARK & WM. L. MARSHALL, MARSHALL ON PRIVATE CORPORATIONS § 139 (1902) (identifying a three-way split); Horace Stern, The Limitations of the Power of a State Under a Reserved Right to Amend or Repeal Charters of Incorporation (pt. 1), 53 AM. L. REG. 1, 17 n.23 (1905) (same).

632 See Miners’ Bank of Dubuque v. United States ex rel. Grant, Morris 482, 485-86 (Iowa Terr. 1846), writ of error dismissed for want of jurisdiction, 46 U.S. (5 How.) 213 (1847). According to the court, the power that had been reserved “amounted to an absolute power of repeal, coupled with a legislative pledge that such power should never be exerted [except] in the cases therein provided”—and the latter pledge did not have to be judicially enforceable. Id. at 485.


634 Pittsburg & Connellsville, 58 Pa. (8 P.F. Smith) at 47-48; see also Iron City Bank v. City of Pittsburgh, 37 Pa. 240, 248 (1861) (observing that where a state reserved the power to alter or revoke bank charters subject to the proviso that no injustice shall be done to the corporators, “I incline to think that
For some judges, this debate might simply have been about the proper interpretation of the charter: should the legislature be understood not only to have reserved the power to revoke the charter in the specified circumstances, but also to have reserved unreviewable power to decide whether those circumstances obtained? In a case decided on circuit in 1865, Justice Robert Grier resisted reading a charter to reserve the latter power, but he appeared to believe that such reservations were possible. On the other hand, the distinguished judge Thomas Cooley of Michigan suggested that constitutional principles might prevent the legislature from reserving this adjudicative authority for itself. Treatises too were in conflict on this point.

The fact that a charter took effect only if accepted by the grantee, and that the grantee thereby consented to its terms, did not mean that legislatures had it is for the courts and not for the legislature to decide whether the repeal or modification of a bank charter works injustice to the corporators’); Erie & N.E. R.R. v. Casey, 26 Pa. 287, 316 (1856) (“I incline to the opinion that when the constitutional power of the legislature to pass a law depends on matter of fact, the party to be affected by it ought to have an opportunity afterwards of showing how the fact is.”).

635 See City of Baltimore v. Pittsburgh & Connellsville R.R. Co., 2 F. Cas. 570, 570 (C.C.W.D. Pa. 1865) (“[If] this contract is that the legislature may repeal the act whenever, in its opinion, the corporation has misused or abused its privileges, then the contract constitutes the legislature the arbiter and judge of the existence of that fact.”).

636 See Flint & Fentonville, 25 Mich. at 112 (indicating that “the determination whether a corporation has violated its charter is judicial in its nature,” even when the legislature has reserved the power to repeal the charter on those grounds). In Flint & Fentonville, the Michigan legislature had incorporated a company in 1848. The legislature had reserved the power to repeal this act, but the act had specified that the legislature would not exercise this power within the next thirty years “unless it shall be made to appear to the legislature that there has been a violation by the company of some of the provisions of this act.” Act of Apr. 2, 1848, No. 1848 Mich. Acts 570, 570. Despite the phrase “to the legislature,” Justice Cooley held that “[t]he violation of the charter cannot be legally made to appear, except on trial in a tribunal whose course of proceeding is devised for the determination whether a corporation has violated its charter if the corporation abuses or misuses its privileges or if the charter proves injurious to the Commonwealth, “still there ought to be a competent tribunal to try the facts of abuse or misuse of the privileges, or the causes which may have rendered them injurious,” and adding that “[i]t is . . . important to the public interests, that the Legislature should not be involved in judicial investigations”).

637 Compare Joseph K. Angell & Samuel Ames, Treatise on the Law of Private Corporations Aggregate 803-04 (Boston, Little & Brown, 4th ed. 1852) (citing the Iowa court’s position and appearing to accept it), with Henry O. Taylor, A Treatise on the Law of Private Corporations Having Capital Stock § 458 (Philadelphia, Kay & Brother 1884) (“[I]n accordance with the fundamental principles of our system of government, . . . it would seem proper that a judicial tribunal should determine whether or not that condition of fact exists which the legislature has declared shall forfeit the franchises of a corporation.”).
completely unfettered discretion to include whatever terms they liked.\footnote{Cf. Miller v. N.Y. & Erie R.R. Co., 21 Barb. 513, 519 (N.Y. Sup. Ct. 1856) ("It would be preposterous to say that the legislature has the power to make any and every requisition upon the defendants as a condition of their retaining their corporate existence."), disapproved of by Albany N. R.R. Co. v. Brownell, 24 N.Y. 345, 351 (1862).} For instance, in the second half of the nineteenth century, there was widespread agreement that although legislatures could reserve the power to revoke or alter a corporation’s charter, they could not reserve the power to take a private corporation’s property or to destroy other vested rights without compensation.\footnote{See Siegel, \textit{supra} note 184, at 34-35.} Thus, the Supreme Court observed that by virtue of a reservation clause, Congress could “make such alterations and amendments of the charter [of the Union Pacific Railroad Company] as come within the just scope of legislative power”—but “[a]ll agree that [this power] cannot be used to take away property already acquired under the operation of the charter, or to deprive the corporation of the fruits actually reduced to possession of contracts lawfully made.”\footnote{Sinking-Fund Cases, 99 U.S. 700, 720 (1879); see also, e.g., Miller v. State, 82 U.S. (15 Wall.) 478, 498 (1873) ("Power to legislate, founded upon such a reservation in a charter to a private corporation, . . . cannot be exercised to take away or destroy rights acquired by virtue of such a charter, and which by a legitimate use of the powers granted have become vested in the corporation . . . ."); Commonwealth v. Essex Co., 79 Mass. (13 Gray) 239, 253 (1859) ("Perhaps . . . the rule . . . is this; that where, under power in a charter, rights have been acquired and become vested, no amendment or alteration of the charter can take away the property or rights which have become vested under a legitimate exercise of the powers granted.").} In a circuit-court opinion a few years later, Justice Stephen Field likewise noted that when a state created corporations,

[i]t cannot impose the condition that they shall not resort to the courts of law for the redress of injuries or the protection of [their] property; that they shall make no complaint if their goods are plundered and their premises invaded; that they shall ask no indemnity if their lands be seized for public use, or be taken without due process of law, or that they shall submit without objection to unequal and oppressive burdens arbitrarily imposed upon them; that, in other words, over them and their property the state may exercise unlimited and irresponsible power.\footnote{R.R. Tax Cases, 13 F. 722, 754 (C.C.D. Cal. 1882), \textit{writ of error dismissed}, 116 U.S. 138 (1885); cf. Stern, \textit{supra} note 63, at 25-28 (praising Justice Field’s analysis, but suggesting that “the majority of cases reported in the books . . . are not to be reconciled satisfactorily with the principles there enunciated”).} While the state could reserve the power to revoke corporate charters at the state legislature’s discretion, so that charter rights did not vest in the first place, the state could not necessarily reserve unusual power over rights that \textit{did} vest.
Ever since the 1870s, judges have discussed issues of this sort under the rubric of "unconstitutional conditions." But the fact that this label has been around for a long time does not mean that people agree about which conditions are unconstitutional under which circumstances. The Supreme Court's statements on this topic are "wonderfully inconsistent," and scholars have suggested a host of different approaches.

Under current doctrine, there is no doubt that Congress can authorize decisionmakers who are not Article III judges to resolve certain disputes with the consent of the parties to those disputes, even when authoritative resolution would otherwise require judicial power. For instance, in Commodity Futures Trading Commission v. Schor, the Supreme Court held that as part of its power to execute a federal regulatory statute, the Commodity Futures Trading Commission (CFTC) can be given authority to adjudicate certain disputes about private rights with the consent of the parties to those disputes, subject only to modern appellate-style judicial review—so that if both sides choose to proceed in the CFTC, the party who loses cannot insist upon de novo relitigation in an Article III court. Likewise, in Wellness International Network, Ltd. v. Sharif, the Supreme Court held that Congress can give the parties to bankruptcy cases the option of submitting claims for resolution by bankruptcy judges who lack the protections of Article III, even with respect to claims that Congress could not constitutionally authorize non-Article III adjudicators to resolve without the parties' consent.

Yet while the parties' freely given consent to alternative forms of dispute resolution can obviate the need for "judicial" power, federal law restricts

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643 Brooks R. Fudenberg, Unconstitutional Conditions and Greater Powers: A Separability Approach, 43 UCLA L. REV. 371, 374 (1995). That has been true for a long time. See, e.g., Maurice H. Merrill, Unconstitutional Conditions, 77 U. PA. L. REV. 879, 886 (1929) ("Although . . . diaeta in three cases . . . seem to foreshadow it, the decision in [Frost & Frost Trucking Co. v. Railroad Commission, 271 U.S. 583 (1926).] . . . conflicts with such a well-established current of adjudication that it is difficult to see how both can survive in . . . our constitutional law" (footnote omitted)).
647 Cf. Nelson, ibid note 21, at 2511 ("[P]erhaps the power that is uniquely 'judicial'—the power that only true courts can exercise—is the power to adjudicate and authoritatively resolve
what the government can do to extract such consent. Consider how Congress has regulated federal agencies’ use of arbitration agreements to resolve disputes with private parties arising out of federal programs. To the extent that agency officials have authority to settle such disputes, Congress is happy to let them agree to binding arbitration.\footnote{See 5 U.S.C. \textsection 575. William Barr—then the head of the Office of Legal Counsel (OLC)—testified at a congressional hearing that one version of the bill that became this statute raised constitutional concerns under the Appointments Clause and the theory of the unitary executive. See Administrative Dispute Resolution Act of 1989: Hearing Before the Subcomm. on Oversight of Gov’t Mgmt. of the Comm. on Governmental A’s. 101st Cong. 93–99 (1989). Since then, however, OLC has issued a formal opinion rejecting those concerns. See Constitutional Limitations on Federal Government Participation in Binding Arbitration, 19 Op. O.L.C. 208 (1995). But cf. Exec. Order No. 12,778 \textsection 1(c)(3), 3 C.F.R. 359, 361 (1992) (instructing lawyers who conduct litigation for the federal government not to agree to “binding arbitration”—that is, arbitration capable of producing awards that the agency lacks discretion to reject).} But while freestanding arbitration agreements that serve the interests of both parties are fine, Congress has specified that “[a]n agency may not require any person to consent to arbitration as a condition of entering into a contract or obtaining a benefit.”\footnote{U.S.C. \textsection 49 (c)(3) (mandating arbitration of certain disputes regarding an employer’s liability for withdrawing from a multiemployer plan covered by the Employee Retirement Income Security Act); 49 U.S.C. \textsection 14708 (requiring motor carriers that transport household goods, as a condition of obtaining necessary licenses from the federal government, to offer shippers the option of binding arbitration to settle disputed claims of up to $10,000 for damage or loss).}

Of course, this prohibition extends well beyond disputes involving claims of vested rights—suggesting that Congress imposed it more for policy reasons than because of constitutional scruples. Whatever the rationale behind this particular prohibition, moreover, scattered federal statutes do condition government licenses or other benefits on the beneficiary’s promise to arbitrate certain disputes about the beneficiary’s contractual rights, property rights, or monetary liability\footnote{See 29 U.S.C. \textsection 1401 (mandating arbitration of certain disputes regarding an employer’s liability for withdrawing from a multiemployer plan covered by the Employee Retirement Income Security Act); 49 U.S.C. \textsection 14708 (requiring motor carriers that transport household goods, as a condition of obtaining necessary licenses from the federal government, to offer shippers the option of binding arbitration to settle disputed claims of up to $10,000 for damage or loss).}—disputes that, in the absence of consent, the traditional framework would have prevented Congress from authorizing nonjudicial decisionmakers to resolve with binding effect. In \textit{Thomas v. Union Carbide Corp.}, the Supreme Court rejected a constitutional challenge to one statute that arguably fit this mold (though the litigants did not emphasize the unconstitutional-conditions doctrine and the Court left many questions open).\footnote{See 473 U.S. 568 (1985). Federal law prohibits the sale of pesticides that have not been registered with the Environmental Protection Agency (EPA), and companies seeking registration normally must submit scientific data to the EPA. In 1978, Congress expanded the opportunities for would-be registrants to use data previously submitted by another company, but only if they offered to compensate the earlier registrant. The statute provided that if the parties did not agree on the...} Other cases similarly suggest that Congress or state legislatures can

\begin{itemize}
\item disputes about certain kinds of private rights even \textit{without} the consent of the purported right-holder.
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\footnote{For a critique of the relevance of consent, see F. Andrew Hessick, \textit{Consenting to Adjudication Outside the Article III Courts}, 71 VAND. L. REV. 715 (2018). One version of the bill that became this statute raised constitutional concerns under the Appointments Clause and the theory of the unitary executive. See Administrative Dispute Resolution Act of 1989: Hearing Before the Subcomm. on Oversight of Gov’t Mgmt. of the Comm. on Governmental Affairs, 101st Cong. 93–99 (1989). Since then, however, OLC has issued a formal opinion rejecting those concerns. See Constitutional Limitations on Federal Government Participation in Binding Arbitration, 19 Op. O.L.C. 208 (1995). But cf. Exec. Order No. 12,778 § 1(c)(3), 3 C.F.R. 359, 361 (1992) (instructing lawyers who conduct litigation for the federal government not to agree to “binding arbitration”—that is, arbitration capable of producing awards that the agency lacks discretion to reject).}

\footnote{5 U.S.C. \textsection 575(a)(3); see also S. REP. NO. 101-543, at 13 (1990) (“This prohibition is intended to help ensure that the use of arbitration is truly voluntary on all sides.”).}

\footnote{See, e.g., 29 U.S.C. \textsection 1401 (mandating arbitration of certain disputes regarding an employer’s liability for withdrawing from a multiemployer plan covered by the Employee Retirement Income Security Act); 49 U.S.C. \textsection 14708 (requiring motor carriers that transport household goods, as a condition of obtaining necessary licenses from the federal government, to offer shippers the option of binding arbitration to settle disputed claims of up to $10,000 for damage or loss).}

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offer favorable treatment to regulated entities as part of a package, conditioned on the entities’ consent to administrative adjudication of claims against them. 652 Yet references to cases cannot really resolve the question, because the Supreme Court’s precedents about the unconstitutional-conditions doctrine are in conflict. Even with respect to privileges that the state could withhold altogether and that the state also has the power to subject to conditions, some cases broadly say that the state “may not impose conditions which require the relinquishment of constitutional rights.” 653 In cases about the privilege of government employment, moreover, the modern Supreme Court has specifically held that the Constitution insulates the procedural requirements of the Due Process Clause against state modification. More precisely, if state law gives government employees an interest in continued employment of the sort that counts as “property” for purposes of modern procedural-due-process doctrines, and if those employees are therefore entitled to a hearing before being fired for cause, the state cannot avoid that conclusion simply by building less generous procedures into the laws that define the terms of government.

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652 Consider the early “elective” workers’ compensation statutes, which governed only those employers who opted into the system. In Wisconsin, the Workmen’s Compensation Act empowered the state’s Industrial Commission to adjudicate workers’ compensation claims against participating employers, and the Act made the Industrial Commission’s findings conclusive if there was any evidence to support them. When an employer protested that this limitation on judicial review subjected the employer to the deprivation of property without due process of law, the Supreme Court responded that “the elective or voluntary character of the Wisconsin Compensation Act” supplied a “complete answer.” Booth Fisheries Co. v. Indus. Comm’n, 271 U.S. 208, 210 (1926). After all, employers who wanted fully judicial adjudication of claims by injured employees could simply forgo the benefits of the Workmen’s Compensation Act and not participate in the system. “In view of such an opportunity for choice,” the Court concluded, “the employer who elects to accept the law may not complain that, in the plan for assessing the employer’s compensation for injury sustained, there is no particular form of judicial review.” Id. at 210-11.

653 Frost & Frost Trucking Co. v. R.R. Comm’n, 271 U.S. 583, 593-94 (1926). Although there is contrary authority too, modern cases continue to cite Frost. See, e.g., Koontz v. St. Johns River Water Mgmt. Dist., 570 U.S. 595, 608 (2013) (“[W]e have repeatedly rejected the argument that if the government need not confer a benefit at all, it can withhold the benefit because someone refuses to give up his constitutional rights.”).
employment. States presumably cannot get around this principle simply by requiring prospective employees to consent to less robust procedures as a condition of government employment. And if the government cannot always grant privileges on condition that the grantees waive the procedural safeguards that the Constitution is understood to give that type of legal interest, then perhaps the government also cannot grant franchises or other vested rights on condition that the grantees accept nonjudicial adjudication of matters for which the Constitution ordinarily requires judicial power.

Modern scholarship does suggest some reasons to be concerned about conditions on grants of franchises. By definition, franchises are available only from the government. Because people who are dissatisfied with the government’s proposed terms cannot turn to an alternative supplier, the need to obtain their consent does not constrain the government’s demands as much as it otherwise would. In circumstances of this sort, even scholars who ordinarily put great emphasis on consent see more room for a doctrine of unconstitutional conditions.

Of course, the whole concept of a franchise historically revolved around a bargain between the government and a private person, who received special grants in exchange for doing something of value for the public. Because the government could not simply command private people to provide ferry service or to build and maintain turnpikes, history makes clear that the

654 See Cleveland Bd. of Educ. v. Loudermill, 470 U.S. 532, 540-41 (1985) (rejecting the idea that when state law bundles substantive job protections together with special procedures for termination, employees “must take the bitter with the sweet” (quoting Arnett v. Kennedy, 416 U.S. 134, 154 (1974) (plurality opinion))); cf. United States v. Chi., Milwaukee, St. Paul & Pac. R.R. Co., 282 U.S. 311, 328 (1931) (“It long has been settled in this court that the rejection of an unconstitutional condition imposed by a state upon the grant of a privilege, even though the state possess the unqualified power to withhold the grant altogether, does not annul the grant. The grantee may ignore or enjoin the enforcement of the condition without thereby losing the grant.”).

655 With respect to privileges, those safeguards do not necessarily include access to a true court. Under the traditional framework, legislatures often could authorize executive-branch actors to adjudicate facts relevant to the enjoyment of mere privileges. That largely remains true today; while doctrines of procedural due process guard against arbitrary deprivations of certain interests that nineteenth-century lawyers would have classified as privileges, those doctrines can still be satisfied by adjudication in administrative agencies rather than courts. See Nelson, supra note 2, at 611-12.

656 See Epstein, supra note 644, at 22 (arguing on economic grounds that “when [the state] provides resources of which it is the sole supplier,” it “should be limited both in the concessions that it may exact from private owners and in the conditions it may impose on them”); see also id. at 73 (“Unconstitutional conditions doctrine should be invoked only when there are structural concerns relating to monopoly power, collective action problems, and externalities suggesting that individual consent will generally be an insufficient check against systematic government misbehavior.”); cf. Stephen F. Williams, Liberty and Property: The Problem of Government Benefits, 12 J. LEGAL STUD. 3, 22 (1983) (suggesting that due-process review of the government’s procedures for withholding or cancelling benefits is most appropriate when the government has either “foreclose[d] substantially the private market substitutes on which the claimant might otherwise have relied” or “force[d] the claimant, if he is to use a private market substitute, in effect to pay twice for the same good”).
government can grant franchises subject to some conditions that the Constitution would not let the government impose without consent. More generally, governments can obtain by contract some goods and services that they could not simply conscript.

Still, history does not provide equally clear support for the idea that the federal government can structure grants in such a way as to create property interests that are identical in all substantive respects to traditional forms of property, but that are exempt from the procedural safeguards normally protecting such property. For instance, Congress generally has not tried to convey federal lands with procedural restrictions of this sort, and until the twentieth century Congress did not impose any such conditions on patents for inventions either.

History does indicate that when the government grants a franchise, the government can reserve the power to revoke it at will, and the executive branch can be put in charge of whether to exercise this option. But exercising a power of revocation is different than authoritatively resolving disputes about whether the government has such a power, or about whether a private person’s alleged rights ever vested in the first place. While Congress can put executive-branch agencies in charge of managing the government’s own proprietary rights, Congress cannot necessarily encumber franchises with procedural conditions purporting to let executive-branch agencies adjudicate disputes of the latter sort. At any rate, neither history nor case law definitively establishes that Congress can use the federal government’s grant-making powers to eliminate the need for “judicial” adjudication of private rights that derive from government grants. Some such reservations, at least, might either exceed Congress’s enumerated powers or violate affirmative limitations on those powers.

CONCLUSION

Whether the majority opinion in Oil States was right or wrong, it was limited. The Supreme Court held that when the federal government issues a patent, the government can reserve the power to cancel the patent for certain causes through an administrative process, subject only to appellate-style judicial review. But the majority explicitly refrained from deciding

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657 Often, Congress’s power to impose conditions on government grants would come from the Necessary and Proper Clause. See U.S. CONST. art. I, § 8. On one view, though, efforts to opt out of otherwise applicable separation-of-powers principles might not always be “proper” means of carrying the federal government’s powers into execution. Cf. Gary Lawson & Patricia B. Granger, The “Proper” Scope of Federal Power: A Jurisdictional Interpretation of the Sweeping Clause, 43 DUKE L.J. 267, 297 (1993) (arguing that to be “proper” under the Necessary and Proper Clause, “executory laws must be consistent with principles of separation of powers, principles of federalism, and individual rights”).

658 Cf. supra notes 654–55 and accompanying text (mentioning doctrines about procedural due process).

whether Congress can unilaterally modify existing patents by imposing this reservation retroactively.660

Notwithstanding the incautious reference to “franchises” in my earlier article,661 history answers that question in the negative. At least when the government granted a franchise for consideration and without valid reservations, the franchisee could claim a vested private right that sounded in property or contract. Even if the government subsequently identified some basis for contesting that claim, nineteenth-century lawyers would not have thought that the executive branch could unilaterally resolve such disputes itself. Throughout the nineteenth century, once a franchise had been granted to a private person, authoritative adjudication of disputes about its validity or its forfeiture normally required “judicial” power.

660 See id. Nor did the Court address the legal effect of a cancellation upon causes of action that may already have accrued. Suppose that while a patent is apparently in force, a third party infringes it, giving the patentee a claim for damages. Even if the government subsequently exercises its reserved power to cancel the patent administratively, the patentee might be able to argue that the cancellation cannot eliminate the patentee’s accrued claim for damages. See Sinking-Fund Cases, 99 U.S. 700, 721 (1879) (observing that when Congress exercises its reserved power to repeal or alter a corporate charter, “it cannot undo what has already been done”); supra notes 639–41 and accompanying text (discussing protections for vested rights even under the reservation theory); cf. Monaghan, supra note 7, at 41 (noting that in Oil States, the majority indicated that “the patent revocation [pursuant to inter partes review] ‘does not make any binding determination’ regarding a then-pending patent infringement suit between the patent holder and an alleged infringer” (quoting Oil States, 138 S. Ct. at 1378)). Under the traditional framework, if the patentee’s cause of action for damages qualifies as a vested right, then a court hearing the patentee’s infringement suit might ultimately have to decide for itself whether the patent was valid at the time that the third party infringed it.

661 See Nelson, supra note 2, at §67-68 (grouping franchises together with privileges rather than core private rights).