

Patent Reform: Judicial Developments in Areas of Legislative Interest

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Summary

Legislative interest in the patent system has been evidenced by the introduction of reform legislation in the 111th and predecessor Congresses. These bills would have amended existing patent law in numerous respects. Although none of these bills were enacted, discussion of patent reform may continue in the 112th Congress.

Although the patent system has been the subject of congressional interest over the past few years, the courts have also been active in making changes to important patent law principles. Many changes introduced by the judiciary have concerned topics that are also the subject of congressional consideration. In particular:

- The Supreme Court issued an important decision in 2007 concerning the availability of injunctive relief against adjudicated patent infringers in *eBay v. MercExchange.*
- In 2008, the Court of Appeals for the Federal Circuit ("Federal Circuit") reached its ruling in *In re TS Tech* concerning the standards for deciding which venue is appropriate for conducting a patent trial.
- In 2009, the Federal Circuit handed down its opinion in *Lucent Technologies. v. Gateway* with respect to the assessment of damages in patent infringement cases.
- The Federal Circuit issued a decision in 2007 concerning the availability of enhanced damages for willful patent infringers in *In re Seagate Technology*.
- The 2007 Supreme Court opinion in *Microsoft v. AT&T* addressed the scope of extraterritorial protection afforded to U.S. patents.
- The 2010 Supreme Court opinion in *Bilski v. Kappos* concerned the issue of patentable subject matter.

Some observers believe that several of these opinions have addressed the very concerns that had motivated legislative reform proposals, thereby obviating or reducing the need for congressional action. However, other commentators believe that these decisions have not fully addressed perceived problems with principles of patent law.

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Introduction

Legislative interest in the patent system was evidenced by the introduction of reform legislation in earlier sessions of Congress.[1] In the 111th Congress, bills would have amended existing patent law in numerous respects, including changes to the right of a patent owner to obtain compensatory damages,[2] the standard for judicial award of enhanced damages for willful infringement,[3] the ability of patent owners to select the court in which they will bring suit,[4] and the willingness of courts to accept appeals of orders interpreting a patent.[5] Patent reform legislation introduced in earlier Congresses would have made additional changes, including modifications to the doctrine of inequitable conduct. Discussion of these issues may potentially continue in the 112th Congress.[6]

Although the patent system has been the subject of congressional scrutiny over the past few years, the courts have also been active in making changes to important patent law principles. Many changes introduced by the judiciary have concerned topics that are also the subject of congressional consideration. For example, the Supreme Court issued an important decision concerning injunctive relief in *eBay Inc. v. MercExchange, L.L.C.*[7] at the same time legislation before Congress would have addressed that issue.[8] Some experts believe that as a result of the *eBay* decision, legislative reform of the principles of injunctive relief in patent law became unnecessary.[9] Indeed, the patent reform bills placed before Congress subsequent to *eBay* have not addressed this issue.

Review of pertinent judicial developments relating to selected patent law topics is timely for several reasons. First, an awareness of recent judicial opinions may assist understanding of the context of current legislative reform proposals. Second, some observers believe that several of these opinions have addressed the very concerns that had motivated legislative reform proposals, thereby obviating or reducing the need for congressional action.[10] Third, a review of legislative and judicial developments provides an instructive historical narrative and allows for a comparison of relative institutional capabilities of these two branches of government.

This report reviews the relationship between Congress and the courts in patent reform. It begins by offering a summary of the patent system. The report then discusses a number of topics that

[1] In the 111th Congress, H.R. 1260, S. 515, and S. 610 were each titled "The Patent Reform Act of 2009."

[2] H.R. 1260 at § 5; S. 515 at § 4; S. 610 at § 4.

[3] H.R. 1260 at § 5; S. 515 at § 4; S. 610 at § 4.

[4] H.R. 1260 at § 10; S. 515 at § 8; S. 610 at § 8 (pertaining to venue).

[5] H.R. 1260 at § 5; S. 515 at § 4 (pertaining to interlocutory appeals). S. 610 does not include a comparable provision.

[6] For example, in the 110th Congress, section 12 of H.R. 1908 included provisions directed towards the doctrine of inequitable conduct. H.R. 1908 passed the House on September 9, 2007, but was not enacted.

[7] 547 U.S. 388 (2006).

[8] *See* CRS Report RL33429, *Availability of Injunctive Relief in Patent Cases: eBay, Inc. v. MercExchange, L.L.C.*, by Brian T. Yeh (May 19, 2006).

[9] *See* William C. Rooklidge & Alyson G. Barker, "Reform of a Fast-Moving Target: The Development of Patent Law Since the 2004 National Academies Report," 91 *Journal of the Patent and Trademark Office Society* (2009), 153 ("The legislative effort to reform injunctions is finished, at least for the foreseeable future.").

[10] *See* F. Scott Kieff & Kevin Rivette, "Congress—Let U.S. patent law 'marinate' before taking action," *Great Falls Tribune* (March 31, 2009).

have been the subject of both judicial and legislative consideration. The current state of the law is then contrasted with legislative reform proposals before previous Congresses. The report closes with observations concerning the subtle interaction between legislative, administrative, and judicial actors within the patent system and their impact upon the U.S. innovation environment.

Patent Fundamentals

The U.S. Constitution confers upon Congress the power "To promote the Progress of ... useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their ... Discoveries...."[11] In accordance with the Patent Act of 1952,[12] an inventor may seek the grant of a patent by preparing and submitting an application to the U.S. Patent & Trademark Office (USPTO). USPTO officials known as examiners then determine whether the invention disclosed in the application merits the award of a patent.[13]

USPTO procedures require examiners to determine whether the invention fulfills certain substantive standards set by the patent statute. To be patentable, an invention that constitutes a "process, machine, manufacture, or composition of matter" may be patented.[14] It must also be novel, or different, from subject matter disclosed by an earlier patent, publication, or other state-of-the-art knowledge.[15] In addition, an invention is not patentable if "the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."[16] This requirement of "nonobviousness" prevents the issuance of patents claiming subject matter that a skilled artisan would have been able to implement in view of the knowledge of the state of the art.[17] The invention must also be useful, a requirement that is satisfied if the invention is operable and provides a tangible benefit.[18]

In addition to these substantive requirements, the USPTO examiner will consider whether the submitted application fully discloses and distinctly claims the invention.[19] In particular, the application must enable persons skilled in the art to make and use the invention without undue experimentation.[20] In addition, the application must disclose the "best mode," or preferred way, that the applicant knows to practice the invention.[21]

If the USPTO allows the patent to issue, its owner obtains the right to exclude others from making, using, selling, offering to sell or importing into the United States the patented invention.[22] Those who engage in those acts without the permission of the patentee during the

[11] Article I, Section 8, Clause 8.

[12] Pub. L. No. 82-593, 66 Stat. 792 (codified at Title 35 of the United States Code).

[13] 35 U.S.C. § 131 (2006).

[14] 35 U.S.C. § 101 (2006).

[15] 35 U.S.C. § 102 (2006).

[16] 35 U.S.C. § 103(a) (2006).

[17] *See* KSR International Co. v. Teleflex Inc., 550 U.S. 398 (2007).

[18] *See* In re Fischer, 421 F.3d 1365, 1371 (Fed. Cir. 2005).

[19] 35 U.S.C. § 112 (2006).

[20] *See* Invitrogen Corp. v. Clontech Labs., Inc., 429 F.3d 1052, 1070-71 (Fed. Cir. 2005).

[21] *See* High Concrete Structures, Inc. v. New Enterprise Stone and Lime Co., 377 F.3d 1379, 1382 (Fed. Cir. 2004).

[22] 35 U.S.C. § 271(a) (2006).

term of the patent can be held liable for infringement. Adjudicated infringers may be enjoined from further infringing acts.[23] The patent statute also provides for an award of damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer."[24]

The maximum term of patent protection is ordinarily set at 20 years from the date the application is filed.[25] At the end of that period, others may employ that invention without regard to the expired patent.

Patent rights do not enforce themselves. Patent owners who wish to compel others to respect their rights must commence enforcement proceedings, which most commonly consist of litigation in the federal courts. Although issued patents enjoy a presumption of validity, accused infringers may assert that a patent is invalid or unenforceable on a number of grounds. The Court of Appeals for the Federal Circuit (Federal Circuit) possesses nationwide jurisdiction over most patent appeals from the district courts.[26] The Supreme Court enjoys discretionary authority to review cases decided by the Federal Circuit.[27]

Patent Reform Legislation

Since 2005, a number of bills titled "The Patent Reform Act" have been introduced before Congress. To varying degrees, each of the bills would work substantial changes to the current patent system. The bills have differed in the specific reforms that they have proposed. The many proposed reforms have included a shift to a first-inventor-to-file priority system, allowance of assignee filing, changes to the law of patent damages, introduction of post-grant opposition proceedings, and modifications to the principle of venue as it applies to patent cases.[28]None of this legislation has yet been enacted.[29]

Even as Congress has contemplated patent reform legislation, the courts also have been active in issuing patent decisions. Many of these rulings relate to the same legal topics that proposed legislation would address, and several made significant changes to existing law. As attorneys Bill Rooklidge and Alyson Barker observe, "through a variety of important decisions, the courts have embarked on their own patent reform."[30] This paper next reviews a common phenomenon in patent reform: Judicial changes to legal doctrines that are the subject of pending congressional legislation.

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[23] 35 U.S.C. § 283 (2006). *See* eBay Inc. v. MercExchange L.L.C., 547 U.S. 388 (2006).

[24] 35 U.S.C. § 284 (2006).

[25] 35 U.S.C. § 154(a)(2) (2006). Although the patent term is based upon the filing date, the patentee obtains no enforceable legal rights until the USPTO allows the application to issue as a granted patent. A number of Patent Act provisions may modify the basic 20-year term, including examination delays at the USPTO and delays in obtaining marketing approval for the patented invention from other federal agencies.

[26] 28 U.S.C. § 1295(a)(1) (2006).

[27] 28 U.S.C. § 1254(1) (2006).

[28] *See* CRS Report R40481, *Patent Reform in the 111th Congress: Innovation Issues*, by Wendy H. Schacht and John R. Thomas.

[29] One of the bills in the 110th Congress, H.R. 1908, passed the House of Representatives on September 7, 2007, but did not advance in the Senate.

[30] Rooklidge & Barker, *supra*, at 155.

Judicial Reforms to Patent Doctrine

Numerous patent substantive and procedural doctrines have fallen under legislative scrutiny in recent years. A recent, recurring trend is that the courts have contemporaneously reviewed a number of the same principles. Among them are the availability of injunctions in patent cases, selection of the appropriate venue for trying a patent case, the assessment of damages against adjudicated infringers, the standards governing determinations of willful infringement, extraterritorial patent enforcement, and the availability of patents for tax planning methods. This report reviews each of these episodes in turn.

Injunctions

Section 283 of the Patent Act allows courts to "grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."[31] In practice, for much of its history the Federal Circuit routinely granted injunctions to patent owners that prevailed in infringement litigation. Only in rare instances, when the patented invention pertained to an important public need, would an injunction be denied.[32] An injunction prevents the adjudicated infringer from practicing the patented invention until the patent expires.[33]

Some observers criticized injunction practice as encouraging speculation by entities that do not engage in research, development, or manufacturing, but rather acquire and enforce patents against companies with commercialized products.[34] These speculators were sometimes termed "patent trolls," an arguably pejorative term that referred to creatures from folklore that would emerge from under a bridge in order to waylay travelers.[35] Some manufacturers were concerned that the Federal Circuit's injunction practice provided non-manufacturing entities with too much leverage during patent licensing negotiations.

In view of industry concerns, the 109th Congress contemplated amending section 283 of the Patent Act. Under a proposal included within H.R. 2795, the Patent Reform Act of 2005, courts would have been required to "consider the fairness of the remedy in light of all the facts and the relevant interests of the parties associated with the invention." This legislation was not enacted.

As discussion of legislative proposals with respect to injunctions continued, the judiciary reached a number of rulings on this topic. One of them resulted from the well-known patent litigation concerning the BlackBerry handheld device and communication service. In that litigation, a federal district court ruled that the BlackBerry infringed patents held by New Technology Products, Inc. (NTP).[36] When the Federal Circuit affirmed this judgment,[37] many BlackBerry

[31] 35 U.S.C. § 283 (2006).

[32] MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1328 (Fed. Cir. 2005).

[33] *See* Roger E. Schechter & John R. Thomas, *Principles of Patent Law* (2d ed. 2005), 330.

[34] See Elizabeth D. Ferrill, "Patent Investment Trusts: Let's Build a Pit to Catch the Patent Trolls," 6 *North Carolina Journal of Law and Technology* (2005), 367.

[35] See Lorraine Woellert, "A Patent War Is Breaking Out on the Hill," *BusinessWeek* 45 (July 4, 2005).

[36] NTP, Inc. v. Research in Motion, Ltd., 261 F. Supp. 2d 423 (E.D. Va. 2002).

[37] NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2005).

subscribers faced the unsettling prospect of an immediate interruption of service due to a court-ordered injunction. A subsequent settlement between the litigants ensured that an injunction would never come into effect.[38] The BlackBerry patent litigation led to increasing discussion over the availability of injunctions in patent cases, perhaps in part because NTP did not commercialize the patented invention itself.

Shortly after the BlackBerry litigation concluded, the Supreme Court issued an important decision concerning injunctive relief in *eBay Inc. v. MercExchange, L.L.C.*[39] The patent at issue in the *eBay* case concerned "a system for selling goods through an 'electronic network of consignment stores.'"[40] The district court explained that the patent proprietor, MercExchange, "does not practice its inventions and exists merely to license its patented technology to others."[41] Although a jury concluded that eBay infringed the MercExchange patent, the district court refused to issue an injunction. The district court in part reasoned that MercExchange had licensed its patents to others, did not practice its invention, and had made comments to the media that it desired to obtain royalties from eBay rather than obtain an injunction.

On appeal, the Federal Circuit rejected the district court's reasoning and ruled that MercExchange was entitled to an injunction. The appellate court explained that "[b]ecause the right to exclude recognized in a patent is but the essence of the concept of property, the general rule is that a permanent injunction will issue once infringement and validity have been adjudged."[42] The Federal Circuit did recognize that in rare cases a court should decline to issue an injunction, such as "when a patentee's failure to practice the patented invention frustrates an important public need for the invention."[43] In this case, however, the Federal Circuit concluded that the district court had not offered "any persuasive reason to believe this case is sufficiently exceptional to justify the denial of a permanent injunction."[44]

The Supreme Court subsequently granted *certiorari* and issued an opinion vacating the Federal Circuit's judgment. According to Justice Thomas, the author of the unanimous opinion of the Court, neither lower court had followed the correct rules in deciding whether to issue an injunction or not. The Supreme Court explained that the district court had incorrectly reasoned that injunctive relief was unavailable where patent proprietors chose to license their patents rather than commercialize the patented invention themselves. Justice Thomas further explained that although the Patent Act requires that injunctions issue "in accordance with the principles of equity," the Federal Circuit had ignored long-established equitable standards in following a "general rule" that injunctions issue.[45]

The Supreme Court directed lower courts to consider four traditional factors for deciding whether an injunction should issue or not in patent infringement cases. Those factors are:

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[38] *See* CRS Report RL33429, *Availability of Injunctive Relief in Patent Cases: eBay, Inc. v. MercExchange, L.L.C.*, by Brian T. Yeh.

[39] 547 U.S. 388 (2006).

[40] MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1327 (Fed. Cir. 2005).

[41] MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 695, 712 (E.D. Va. 2003).

[42] 401 F.3d at 1339.

[43] Id.

[44] Id.

[45] 547 U.S. at 392-94.

> (1) whether the patent owner would face irreparable injury if the injunction did not issue; (2) whether the patent owner possesses an adequate legal remedy, such as monetary damages; (3) whether granting the injunction would be in the public interest; and (4) whether the balance of hardships tips in the patent owner's favor.[46]

Expressing no opinion about how these factors applied to the dispute between the litigants, the Supreme Court then remanded the case to the district court.[47] In the wake of *eBay*, some courts have declined to issue injunctions against adjudicated infringers of valid and enforceable patents.[48]

Opinions upon the impact of the *eBay* ruling upon legislative reform of patent injunctions have varied. Some observers believed that "the Supreme Court failed to meaningfully restructure the injunctive grant process in its *eBay* rejection of the automatic injunction rule" and opined that "the need for legislation ... is renewed rather than removed."[49] Others viewed the Supreme Court's ruling more favorably. For example, attorneys Bill Rooklidge and Alyson Barker describe *eBay* as a "solution to the perceived injunction problem" that satisfied the concerns of different constituents in the patent filed in an "elegant" manner. [50] The latter view appears to have prevailed, however, as no subsequent versions of the Patent Reform Act have incorporated proposed reforms to injunction practice. Rooklidge and Barker have therefore concluded that the "legislative effort to reform injunctions is finished, at least for the foreseeable future."[51]

Venue

Patent reform legislation also has proposed changes to the rules governing the doctrine of venue in patent litigation. Venue principles decide which court, out of those that possess personal and subject matter jurisdiction, may most conveniently hear a particular lawsuit.[52] Patent cases are governed by a specialized venue statute codified at 28 U.S.C. § 1400(b). That statute provides that in patent litigation, venue is proper either: (1) in the judicial district where the defendant resides, or (2) where the defendant has committed acts of infringement and has a regular and established place of business.

An important question under this provision is where a corporation is deemed to "reside." Prior to 1988, a corporation was viewed as residing in its state of its incorporation.[53] In 1988, Congress

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[46] Id. at 391.

[47] Chief Justice Roberts issued a concurring opinion observing that courts have granted injunctive relief to the patent proprietor in "the vast majority of patent cases" and opining that this historical practice should be maintained. Id. at 394. Justice Kennedy also issued a concurring opinion. According to Justice Kennedy, the emergence of non-practicing patent holders and the "suspect validity" of business method patents were appropriate considerations for courts to "bear in mind" when deciding whether to issue an injunction or not. Id. at 395.

[48] *See* Jaideep Venkatesan, "Compulsory Licensing of Nonpracticing Patentees After *EBay v. MercExchange*," 14 *Virginia Journal of Law and Technology* (2009), 26.

[49] Robin M. Davis, "Failed Attempts to Dwarf the Patent Trolls: Permanent Injunctions in Patent Infringement Cases Under the Proposed Patent Reform Act of 2005 and *EBay v. MercExchange*," 17 *Cornell Journal of Law and Public Policy* (2008), 431.

[50] Rooklidge & Barker, *supra*, at 160.

[51] *Id.*

[52] *See* Wachovia Bank v. Schmidt, 546 U.S. 303 (2006).

[53] *See* Fourco Glass Co. v. Transmirra Prods. Corp., 353 U.S. 222 (1957).

adopted a new definition of "reside" as it applies to venue for corporate defendants.[54] Under the new definition, a corporation is presumed to reside in any judicial district to which it could be subject to personal jurisdiction at the time the litigation commences. Congress codified this change in a separate provision found at 28 U.S.C. § 1391. Although Congress arguably did not contemplate that these reforms would hold consequences for the specialized patent venue statute, the Federal Circuit nonetheless held that this amendment should also be read into § 1400(b).[55]

The result of the 1988 amendments has been significant for corporate defendants, which constitute the majority of defendants in patent litigation. Although § 1400(b) still governs venue in patent cases, few, if any plaintiffs rely upon the restrictive second prong of that section. Instead they base venue upon the "residence" requirement of the first prong—which now is entirely conterminous with personal jurisdiction, and which for larger corporations is likely to include every federal district in the country. For corporate defendants, then, the venue statute has essentially become superfluous, for the same standards governing personal jurisdiction also dictate whether a court may provide an appropriate venue or not.

Some observers allege that the liberal venue statute promotes forum shopping, allowing patent proprietors to bring suit in courts that they believe favor patent owners over accused infringers. One such "magnet jurisdiction" is said to be the rural Eastern District of Texas, and in particular the Marshall, Texas, federal court. According to one account, many observers "wonder how a East Texas town of 25,000—even if it was named after Supreme Court Justice John Marshall—came to harbor an oversized share of intellectual property disputes."[56] In addition, reportedly "many of the local lawyers who once specialized in personal injury cases are turning their attention to intellectual property law."[57] Others believe that the existence of a single appellate court for patent cases, the Federal Circuit, minimizes forum shopping concerns, and that certain district courts attract patent cases due to their expertise and timeliness, rather than an inherent favoritism for patent holders.[58]

While the 110th Congress was considering legislative changes, the Federal Circuit also addressed the venue laws. In its December 29, 2008, decision in *In re TS Tech USA Corp.*,[59] the Federal Circuit held that the District Court for the Eastern District of Texas abused its discretion in denying a motion to transfer to another venue. Some observers believe that the *TS Tech* decision eliminated the need for legislative intervention,[60] while others suggest that one current congressional proposal would codify its holding.[61]

In *TS Tech*, Lear Corporation brought a patent infringement suit in the Eastern District of Texas against TS Tech, which operated principal places of business in Ohio, Michigan, and Canada. The

[54] Judicial Improvements and Access to Justice Act, P.L. 100-702, tit. X, § 1013(a), 102 Stat. 4642, 4669 (1988).

[55] VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990).

[56] Allen Pusey, "Marshall Law: Patent Lawyers Flood to East Texas Court for Its Expertise and 'Rocket Docket'," *Dallas Morning News* (March 26, 2006), 1D.

[57] *Id.*

[58] *See* Xuan-Thao Nguyen, "Justice Scalia's 'Renegade Jurisdiction': Lessons for Patent Law Reform," 83 *Tulane Law Review* (2008), 111.

[59] 551 F.3d 1315 (Fed. Cir. 2008).

[60] Rooklidge & Barker, *supra*, at 185.

[61] *See* Intellectual Property Owners Association, "Patent Reform (111th Congress)" (May 4, 2009) (available at http://www.ipo.org).

district court denied TS Tech's request for transfer to Ohio, in part reasoning that the Eastern District of Texas possessed a local interest in resolving patent infringement disputes involving products sold there. The district court also held that the district presumptively was convenient for one of the litigants because Lear had chosen to file suit there.[62]

In its review of the issue, the Federal Circuit granted TS Tech's petition to transfer the litigation to Ohio. Several factors were central to the Federal Circuit's holding. The appellate court reasoned that the district court had given too much weight to Lear's choice of venue.[63] It further explained that the district court had not given sufficient weight to the cost of attendance for witnesses, as well as the inconvenience associated with physical and documentary evidence located distant from Texas.[64] Finally, the Federal Circuit observed that the alleged infringing products were sold throughout the United States. As a result, the Eastern District of Texas had no greater connection to the dispute than any other venue.[65] Some observers believe that these factors are present in many patent cases brought before the Eastern District of Texas, and possibly other magnet jurisdictions. As a result, *TS Tech* may mean that motions to transfer venue will be granted with greater frequency.[66] Other observers are less impressed, believing that *TS Tech* did not work a "sea change" in transfer motion practice and observing that the patent dockets of the Eastern District of Texas remain active.[67]

Subsequent to *TS Tech*, several different versions of the Patent Reform Act have proposed changes to the venue provisions governing patent cases. In the 111th Congress, three bills titled "The Patent Reform Act of 2009" considered this issue. They were H.R. 1260, introduced on March 3, 2009, by Representative Conyers; S. 515, introduced on March 3, 2009, by Senators Hatch and Leahy; and S. 610, introduced by Senator Kyl on March 17, 2009. On April 2, 2009, the Senate Judiciary Committee voted 15-4 to bring S. 515 before the full Senate. None of this legislation was enacted.

In the 111th Congress, H.R. 1260 and S. 610 generally called for venue to exist (1) where the defendant has its principal place of business, (2) where the defendant has committed a substantial portion of its acts of infringement and has an established physical facility, (3) if the plaintiff is an institution of higher education, individual, or small business, the plaintiff's residence, or (4) the place of the plaintiff's established physical facility devoted to research, development, or manufacturing. In addition, H.R. 1260 stipulated that "a party shall not manufacture venue by assignment, incorporation, or otherwise to invoke the venue of a specific district court."

In contrast, S. 515 did not present new substantive rules for venue for patent cases. Rather, it succinctly provided that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court shall transfer any civil action arising under any Act of Congress relating to patents upon a showing that the transferee venue is clearly more convenient than the venue in which the

[62] Lear Corp. v. TS Tech, No. 2:07-CV-406 (E.D.Tex. Sept. 10, 2008).

[63] 551 F.3d at 1320.

[64] *Id.* at 1320-21.

[65] *Id.* at 1321.

[66] *See* Douglas C. Muth *et al.*, "The Local Patent Rules Bandwagon," 21 *Intellectual Property & Technology Law Journal* (Aug. 2009), no. 8 at 19.

[67] *See* Elizabeth Durham, "Will All Roads Lead to the Eastern District of Texas? Transfer Practice After *Volkswagen* and *TS Tech*," 21 *Intellectual Property & Technology Law Journal* (July 2009), no. 7 at 12.

civil action is pending." Some observers believed that S. 515 would essentially have codified the holding in the *TS Tech* case.[68]

Assessment of Damages

Commencing with the introduction of the Patent Reform Act of 2005 in the 109th Congress,[69] each version of omnibus reform legislation has proposed amendments to the damages provisions of the Patent Act. These proposals have been, in the eyes of some observers, the most contentious issue within the debate over the modern patent system.[70] This difference in views may arise from divergent conceptions over the fairness of damages awards levied against infringers.

Some commentators believe that current damages standards have resulted in the systemic overcompensation of patent owners. Such overcompensation may place unreasonable royalty burdens upon producers of high technology products, ultimately impeding the process of technological innovation and dissemination that the patent system is meant to foster.[71] Others believe that current case law appropriately assesses damages for patent infringement. These observers are concerned that this reform might overly restrict damages in patent cases, thereby discouraging voluntary licensing and promoting infringement of patent rights. Limited damage awards for patent infringement might prevent innovators from realizing the value of their inventive contributions, a principal goal of the patent system.[72]

This debate, at least in part, is fueled by the fact that marketplace circumstances often make the determination of an appropriate damages award in patent litigation very difficult. In some cases, the product or process that is found to infringe may incorporate numerous additional elements beyond the patented invention. For example, the asserted patent may relate to a single component of an audio speaker, while the accused product consists of the entire stereo system. In such circumstances, a court may apply "the entire market value rule," which "permits recovery of damages based upon the entire apparatus containing several features, where the patent-related feature is the basis for consumer demand."[73] On the other hand, if the court determines that the infringing sales were due to many factors beyond the use of the patented invention, the court may apply principles of "apportionment" to measure damages based upon the value of the patented feature alone.[74]

As discussion of damages reform has proceeded before Congress, the courts have also been active. One of the more notable cases on patent damages principles arose from the efforts of Lucent Technologies, Inc., to enforce its so-called "Day patent," which related to a method of entering information into fields on a computer screen without using a keyboard.[75] In 2002, Lucent

[68] *See* Intellectual Property Owners, *supra*.

[69] H.R. 2795, 109th Congress, § 6(a).

[70] *See* Rooklidge & Barker, *supra*.

[71] Amy L. Landers, "Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law," 46 *Santa Clara Law Review* (2006), 364-65.

[72] William C. Rooklidge, "Reform of the Patent Laws: Forging Legislation Addressing Disparate Interests," 88 *Journal of the Patent and Trademark Office Society* (2006).

[73] State Indus., Inc. v. Mor-Flo Indus., Inc., 883 F.2d 1573, 1580 (Fed. Cir. 1989).

[74] Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641 (1915).

[75] Lucent Technologies, Inc. v. Gateway, Inc., 580 F.3d 1301 (Fed. Cir. 2009).

brought an infringement suit against computer manufacturer Gateway, Inc. Lucent asserted that Gateway infringed the Day patent because certain software developed by Microsoft Corporation—Microsoft Money, Microsoft Outlook, and Windows Mobile—were pre-installed in Gateway computers. More particularly, Lucent asserted that the software infringed because it enables the user to select a series of numbers corresponding to a day, month, and year using graphical controls. Microsoft subsequently intervened in order to defend the "date-picker tool" found in its software.[76]

At trial, the jury found the Day patent not invalid and infringed. Lucent sought damages of $561.9 million based on 8% of Microsoft's infringing sales, while Microsoft asserted "that a lump-sum payment of $6.5 million would have been the correct amount for licensing the protected technology." The jury then awarded Lucent a single lump-sum amount of $357,693,056.18 for all three Microsoft products. Microsoft subsequently pursued an appeal.[77]

The litigation in *Lucent Technologies, Inc. v. Gateway, Inc.* captured the attention of many observers. In a March 3, 2009, letter addressed to Senator Patrick Leahy, Chairman of the Judiciary Committee, Senator Arlen Specter requested a delay in Senate action on the Patent Reform Act of 2009 until the Federal Circuit heard oral argument in the case.[78] Observing a "symbiotic relationship between the judicial and legislative branches with regard to changes to the patent system," Senator Specter believed that "oral argument has the potential to facilitate a compromise or clarify the applicability of damages theories in various contexts."[79]

The Federal Circuit heard oral argument in the *Lucent* appeal on June 2, 2009, and issued its opinion on September 11, 2009.[80] In its decision, the Federal Circuit upheld the lower court's determination that the Day patent was not invalid and infringed. In the most anticipated portion of the opinion, the appellate court also struck down the jury's damages award as not supported by substantial evidence.[81] A lengthy portion of the *Lucent* opinion undertook a detailed review of the numerous elements—the so-called *Georgia-Pacific* factors—that were before the lower court when it reached its damages determination. The Federal Circuit ultimately concluded that the "evidence does not sustain a finding that, at the time of infringement, Microsoft and Lucent would have agreed to a lumpsum royalty payment subsequently amounting to approximately 8% of Microsoft's revenues for the sale of Outlook (and necessarily a larger percentage of Outlook's profits)."[82]

Some observers believe that the Federal Circuit has placed renewed emphasis upon the use of reliable evidence of damages in patent trials. For example, patent attorney Johnathan Tropp reportedly viewed *Lucent* as "an important signal to district courts that they have a responsibility to ... ensure that damages verdicts are appropriate and based on substantial evidence."[83] In

[76] Id. at 1308.

[77] Id. at 1309.

[78] The letter is available at http://specter.senate.gov/public/index.cfm?FuseAction=NewsRoom.NewsReleases&ContentRecord_id=CE8F4C18-970E-54D1-84DD-1D25F0BE2FCB.

[79] *Id.*

[80] 580 F.3d at 1301.

[81] *Id.* at 1335.

[82] *Id.*

[83] Steven Seidenberg, "Into the Fray: *Lucent* Ruling Makes It Harder to Prove Patent Damages," *InsideCounsel* (Dec. 1, 2009).

addition, *Lucent* discussed the controversial issue of apportionment. Under the facts of the case, the Federal Circuit concluded that the entire market value rule did not apply:

> [T]he only reasonable conclusion supported by the evidence is that the infringing use of the datepicker tool in Outlook is but a very small component of a much larger software program. The vast majority of the features, when used, do not infringe. The date-picker tool's minor role in the overall program is further confirmed when one considers the relative importance of certain other features, e.g., email. Consistent with this description of Outlook, Lucent did not carry its evidentiary burden of proving that anyone purchased Outlook because of the patented method.[84]

The Federal Circuit went on to speak in a more general way:

> Although our law states certain mandatory conditions for applying the entire market value rule ... the base used in a running royalty calculation can always be the value of the entire commercial embodiment, as long as the magnitude of the rate is within an acceptable range.... [E]ven when the patented invention is a small component of a much larger commercial product, awarding a reasonable royalty based on either sale price or number of units sold can be economically justified.[85]

Some disagreement has reportedly resulted from this language. As legal journalist Steven Seidenberg explains:

> Some say the ruling allows damages to be calculated based on an infringing product's entire market value, provided the calculation realistically reflects the patent's importance in the infringing product. Others assert that entire market value can be used only when a plaintiff's patented feature drives consumer demand for the infringing product, and that any damage calculations must reflect the relative importance of the infringing product.[86]

Each of the three patent reform bills in the 111th Congress was introduced prior to the issuance of the *Lucent* opinion. At least one observer, patent lawyer Kevin McCabe, reportedly opined that "the *Lucent* decision is the Federal Circuit's way of showing Congress that damage reform is unnecessary."[87] In any event, in the 111th Congress, H.R. 1260, S. 515, and S. 610 each addressed monetary remedies in patent cases. In brief, both H.R. 1260 and S. 515 called for a court to select one of the following methods for determining a "reasonable royalty" as the measure of damages: (1) the economic value that is properly attributable to the patented invention's specific contribution over the prior art, (2) the entire market value rule, or (3) other factors, such as terms of the nonexclusive marketplace licensing of the invention. Both bills also stipulated that courts may receive expert testimony as an aid to the determination of the appropriate royalty.

In contrast, S. 610 did not expressly address apportionment and the entire market value rule. It instead allowed courts to "consider any factors that are relevant to the determination of a reasonable royalty." However, S. 610 stipulated that the amount of royalties paid for patents other than the patent subject to litigation may only be considered in particular circumstances, and further that the financial condition of the infringer is not relevant to the reasonable royalty determination. S. 610 also required damages experts who intend to present testimony to provide

[84] 580 F.3d at 1337.

[85] Id. at 1339.

[86] Seidenberg, *supra*.

[87] Id.

data and other information from which they draw their conclusions, and also mandated that trial judges determine whether such testimony is based upon legally sufficient evidence before allowing it to be considered by a jury.

Willful Infringement

The patent statute currently provides that the court "may increase the damages up to three times the amount found or assessed."[88] An award of enhanced damages, as well as the amount by which the damages will be increased, falls within the discretion of the trial court. Although the statute does not specify the circumstances in which enhanced damages are appropriate, the Federal Circuit has limited such awards to cases of "willful infringement." The appellate court has explained that willful infringement occurs when "the infringer acted in wanton disregard of the patentee's patent rights" based upon such circumstances as copying, closeness of the case, the infringer's concealment of its conduct, and the infringer's motivations.[89] In its 1992 opinion in *Read Corp. v. Portec, Inc.*,[90] the Federal Circuit explained that:

> Willfulness is a determination as to a state of mind. One who has actual notice of another's patent rights has an affirmative duty to respect those rights. That affirmative duty normally entails obtaining advice of legal counsel although the absence of such advice does not mandate a finding of willfulness.[91]

As framed in *Read v. Portec* and numerous other judicial opinions issued prior to 2007, the willful infringement doctrine has proved controversial. Some observers believe that this doctrine ensured that patent rights will be respected in the marketplace. Critics of willful infringement believed that the possibility of trebled damages discourages individuals from reviewing issued patents. Out of fear that their inquisitiveness will result in multiple damages, innovators might simply avoid looking at patents until they are sued for infringement. To the extent this observation was correct, the law of willful infringement discouraged the dissemination of technical knowledge, thereby thwarting one of the principal goals of the patent system. Fear of increased liability for willful infringement might have also discouraged firms from challenging patents of dubious validity.

In view of these critiques, Congress considered legislative amendments to the law of willful infringement as early as 2005.[92] However, in its 2007 decision in *In re Seagate Technology*,[93] the Federal Circuit made significant changes to the law of willful infringement itself. The appellate court overturned two decades of its precedent by opting to "abandon the affirmative duty of due care."[94] The Federal Circuit instead explained that accused infringers possessed no obligation to obtain an opinion of counsel.[95] Rather, "proof of willful infringement permitting enhanced

[88] 35 U.S.C. § 284.

[89] *See* Transclean Corp. v. Bridgewood Services, Inc., 290 F.3d 1364 (Fed. Cir. 2002).

[90] 970 F.2d 816 (Fed. Cir. 1992).

[91] *Id.* at 828.

[92] H.R. 2795, 109th Congress, at § 6(b).

[93] 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

[94] *Id.* at 1371.

[95] *Id.*

damages requires at least a showing of objective recklessness."[96] Under this view, the "state of mind of the accused infringer is not relevant to this objective inquiry."[97]

Many observers believe that *Seagate* significantly limited the circumstances under which courts will conclude that an infringer acted willfully.[98] Due to the *Seagate* opinion, some commentators believe that congressional reform of willful infringement principles is not needed at this time.[99] Others are more skeptical, believing that the "new objective recklessness standard will result in little practical change because potential infringers will likely continue to seek opinions of competent counsel to protect against a charge of willful infringement."[100]

In the 111th Congress, H.R. 1260 and S. 515 included identical language that would add several clarifications and changes to the law of willful infringement. First, a finding of willful infringement would be appropriate only where (1) the infringer received specific written notice from the patentee and continued to infringe after a reasonable opportunity to investigate; (2) the infringer intentionally copied from the patentee with knowledge of the patent; or (3) the infringer continued to infringe after an adverse court ruling. Second, willful infringement cannot be found where the infringer possessed an informed, good faith belief that its conduct was not infringing. Finally, a court may not determine willful infringement before the date on which the court determines that the patent is not invalid, enforceable, and infringed. No comparable language appeared in S. 610.

Extraterritorial Patent Protection

U.S. patents are generally effective only in the United States. They normally do not provide protection against acts that occur in other nations. However, one provision of the Patent Act, 35 U.S.C. § 271(f), provides U.S. patent owners with a limited measure of extraterritorial protection. Specifically, § 271(f) prohibits "supplying" a "component" of a patented invention abroad knowing that such components would be combined in a manner that would infringe the patent if such combination occurred within the United States. Congress enacted § 271(f) in order to prevent individuals from avoiding infringement liability under U.S. law by manufacturing parts domestically before shipping them abroad to be assembled into a patented device.[101]

Some observers had expressed concerns that § 271(f) had been interpreted overly broadly. In particular, the Federal Circuit had ruled that software designed in the United States, and then transmitted abroad for copying and sale, fell within § 271(f).[102] Some commentators believed that this holding would "impose liability for software developed in America and sold overseas," with

[96] *Id.*

[97] *Id.*

[98] *See* Siraj Husain, "The Willfulness Pendulum Swings Back: How *Seagate* Helps Level the Playing Field," 28 *Loyola of Los Angeles Entertainment Law Review* (2007-2008), 239.

[99] *See* Rooklidge & Barker, *supra*, at 167; IPO, *supra.*

[100] Christopher C. Bolten, "*In re Seagate Tech., LL.C.*, Is the Objective Recklessness Standard a Practical Change?," 49 *Jurimetrics Journal* (Fall 2008), 90.

[101] *See* Dariush Keyhani, "Patent Law in the Global Economy: A Modest for Proposal for U.S. Patent Law and Infringement Without Borders," 54 *Villanova Law Review* (2009), 291.

[102] Eolas Techs. Inc. v. Microsoft Corp., 399 F.3d 1325 (Fed. Cir. 2005).

the result that "American software developers would have faced a competitive disadvantage vis-à-vis their foreign counterparts."[103]

Proposals before Congress would have addressed this concern. In the 109th Congress, S. 3818, titled the Patent Reform Act of 2006, would have repealed 35 U.S.C. § 271(f).[104] However, the courts were the first to address the controversy regarding extraterritorial patent protection. In 2007, the Supreme Court issued its opinion in *Microsoft Corp. v. AT&T Corp.*[105] The issue before the Court was whether § 271(f) applied to a "master disk" of software that Microsoft sent from the United States to a foreign manufacturer. The foreign manufacturer then used the disk to create multiple copies of the software that was then installed on computers that were made and sold abroad. The Supreme Court held that sending the master disk abroad did not constitute "supplying" a "component" of the foreign computers within the meaning of § 271(f).[106] This "narrowing reading of § 271(f)" limited the liability of software firms accused of patent infringement based upon overseas activity.[107]

Possibly as a result of *Microsoft v. AT&T*, proposals to eliminate § 271(f) did not reappear in subsequent versions of the Patent Reform Act. As Senator Patrick Leahy explained on April 18, 2007, shortly before *Microsoft v. AT&T* was decided:

> The Patent Reform Act of 2007 is also significant for what is not included.... [W]e do not inject Congress into the ongoing litigation over the extra-territorial provision, section 271(f). S. 3818 would have repealed the provision in its entirety; the Patent Reform Act of 2007 does not, while the interpretation of the provision is currently pending before the Supreme Court. If the Court does not resolve that issue, we will revisit it in the legislative process.[108]

Although debate has continued over the soundness of the *Microsoft v. AT&T* ruling,[109] the lack of legislative interest in amending or eliminating § 271(f) may suggest that concerned actors believe the Supreme Court addressed perceived problems with that statute.

Tax Planning Methods

Controversy over the newly recognized phenomenon of patents on tax planning methods resulted in proposals to limit or prohibit them. For example, in the 110th Congress, the Patent Reform Act of 2007 stipulated that a patent may not be obtained on a tax planning method, which was defined as "a plan, strategy, technique, or scheme that is designed to reduce, minimize, or defer, or has, when implemented, the effect of reducing, minimizing, or deferring, a taxpayer's tax liability, but

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[103] Rachel Krevans & Daniel P. Muino, "Restoring the Balance: The Supreme Court Joins the Patent Reform Movement," 9 *Sedona Conference Journal* (2008), 15.

[104] S. 3818, §5(f).

[105] 550 U.S. 437 (2007). *See* CRS Report RS22670, *Exporting Software and the Extraterritorial Reach of U.S. Patent Law: Microsoft Corp. v. AT&T Corp.*, by Brian T. Yeh.

[106] *Id.* at 453.

[107] *See* James Ernstmeyer, "Does Strict Territoriality Toll the End of Software Patents?," 89 *Boston University Law Review* (2009), 1267.

[108] U.S. Senator Patrick Leahy, "Leahy, Hatch, Berman And Smith Introduce Bicameral, Bipartisan Patent Reform Legislation" (April 18, 2007) (available at http://leahy.senate.gov/press/200704/041807a.html).

[109] *See* Ernstmeyer, *supra.*

does not include the use of tax preparation software or other tools used solely to perform or model mathematical calculations or prepare tax or information returns."[110]

A number of recent court decisions have explored the topic of patentable subject matter—that is to say, what sorts of advances are eligible for patenting.[111] Most notable is the 2010 decision of the U.S. Supreme Court in *Bilski v. Kappos*.[112] There the Supreme Court reviewed a lower court ruling holding that a patent on a particular "method of hedging risk in the field of commodities trading" was not eligible for patenting because the invention was neither (1) tied to a particular machine or apparatus nor (2) transformed a particular article into a different state or thing.[113] This "machine-or-transformation" standard was widely viewed as narrowing the range of patentable subject matter.[114]

In *Bilski v. Kappos*, the Supreme Court ruled that the risk hedging method at issue was unpatentable. However, the Supreme Court also rejected the holding that the "machine-or-transformation" test was a categorical rule that governed which inventions were patentable. The lower court's "machine-or-transformation" standard was instead a factor to be considered in assessing patentability, the Supreme Court reasoned, but not the sole one. By a 5-4 margin, the Supreme Court also rejected the argument that business methods were categorically unpatentable. The Supreme Court further declined to announce a new test of patentable subject matter, instead suggesting that the analysis must proceed on a case-by-case basis founded on existing case law that rejected patents on laws of nature, natural phenomena and abstract ideas.[115]

The impact of the Supreme Court's ruling may influence legislative involvement with respect to tax planning method patents. Prior to the issuance of the Supreme Court opinion, Linda Beale, a member of the faculty of the Wayne State University Law School, explained that "[w]hen the Supreme Court hears the case, it may reverse *Bilski* and leave Congress no choice but to enact legislative exclusions to the patent laws."[116] On the other hand, Congress may believe that the holding in *Bilski v. Kappos* appropriately resolves concerns pertaining to patent eligibility. The possibility of legislative intervention regarding tax planning method patents remains to be seen.

Observations

This discussion of injunctions, venue, damages, willful infringement, extraterritorial patent protection, and tax strategy patents suggests that the courts have modified a number of patent law

[110] H.R. 1908, 110th Congress, § .

[111] *See* Judy Naamat, "The State of the Patent Street: Does Statutory 'Matter'," 91 *Journal of the Patent and Trademark Office Society* (2009), 229.

[112] 130 S.Ct. 3218 (2010).

[113] 549 F.3d 943 (Fed. Cir. 2008) (*en banc*). *See* CRS Report R40803, *Patent-Eligibility of Process Claims Under Section 101 of the Patent Act: Bilski v. Kappos*, by Brian T. Yeh, Patent-Eligibility of Process Claims Under the Patent Act: Bilski v. Kappos., by Brian T. Yeh (Sept. 9, 2009).

[114] *See* Linda M. Beale, "Is *Bilski* Likely the Final Word on Tax Strategy Patents? Coherence Matters," 9 *John Marshall Review of Intellectual Property Law* (Summer 2009), 110.

[115] *See generally* Stephen T. Schreiner & Noah M. Lerman, "Intellectual Property Update: Viability of Business Method Patents and Financial Method Patents After the Supreme Court's *Bilski* Opinion," 127 *Banking Law Journal* (2010), 986.

[116] Beale, *supra.*

doctrines that were previously subject to congressional consideration. Of course, many of these principles had been developed through judicial opinions. To that extent, congressional interest in patent reform was itself a reaction to earlier developments in the courts. This interaction between different branches of government has become a hallmark of the recent patent reform process.

Notably, the Supreme Court and Federal Circuit have not reacted to every proposal in the various Patent Reform Acts in this manner. For example, Congress has considered legislation that would permit interlocutory appeals of claim construction rulings.[117] The Federal Circuit has not altered its general practice of disfavoring such appeals, however.[118]

It also should be appreciated that judicial opinions have worked significant changes to a number of patent principles that were not expressly the target of proposed legislative reforms. For example, some observers believe that the 2007 Supreme Court opinion in *KSR v. Teleflex*[119] resulted in significant changes to the law of nonobviousness.[120] Of course, judicial changes to one component of the patent system may have an impact upon other doctrines, including those subject to congressional scrutiny.

A number of reasons may explain this pattern of judicial involvement in areas of legislative interest. First, Congress considered the initial Patent Reform Act in 2005.[121] During the years that legislation has been pending, many patent infringement cases have been tried and appealed. The courts have therefore had many opportunities to address core patent doctrines.

Second, the Federal Circuit hears all appeals from district courts across the United States in both patent acquisition and infringement cases.[122] This concentration of appellate jurisdiction provides one court with the ability to change patent doctrine relatively quickly. Further, although the rulings of other federal courts of appeal bind only a limited portion of the country, Federal Circuit patent precedent has effect throughout the United States.[123]

Some additional factors suggest judicial interest in legislative scrutiny of the patent system. The Federal Circuit's location in Washington, DC,[124] may imply an awareness of legislative activity involving patents. That several Federal Circuit judges formerly served as members of congressional staff may also suggest interest in patent reform efforts on the Hill.[125]

Whatever the reasons for the persistent interaction between Congress and the courts in the patent reform process, these circumstances raise a number of issues pertaining to institutional

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[117] In the 111th Congress, see H.R. 1260, § 10 and S. 515, § 8. S. 610 does not address interlocutory appeals of claim construction rulings.

[118] *See* Kelly C. McKinney, "The Patent Reform Act of 2007 and International Patent Law Harmonization," 31 *Houston Journal of International Law* (2008), 125.

[119] 550 U.S. 398 (2007). *See* CRS Report RS22669, *The Obviousness Standard in Patent Law: KSR International Co. v. Teleflex Inc.*, by Brian T. Yeh.

[120] *See* Rebecca S. Eisenberg, "Pharma's Nonobvious Problem," 12 *Lewis & Clark Law Review* (2008), 375.

[121] H.R. 2795, 109th Congress (introduced on June 8, 2005).

[122] 28 U.S.C. § 1295(a) (2006).

[123] *See* Chris J. Katopis, "The Federal Circuit's Forgotten Lessons?: Annealing New Forms of Intellectual Property Through Consolidated Appellate Jurisdiction," 32 *John Marshall Law Review* (1999), 581.

[124] 28 U.S.C. § 48(a) (2006).

[125] *See* U.S. Court of Appeals for the Federal Circuit, *Judicial Biographies* (available at http://www.cafc.uscourts.gov/judgbios.html).

competence. The longstanding debate over whether legislatures or courts comprise the most appropriate body to work particular legal reforms has been renewed in this setting. Law professors Dan Burk and Mark Lemley side with the courts, asserting that "Congress has spent the last four years, from 2005 to 2008, in an ultimately futile effort to reform the patent system."[126] They further contend that "[d]uring the period in which Congress tried and failed to reform the patent system, courts were actively involved in fixing many of the very same problems Congress was ultimately unable to resolve."[127] In their view the "fact that courts proved capable of solving many of the problems on which Congress ultimately foundered" indicates that the courts are the most appropriate institution for working needed reforms to the patent laws.[128]

On the other hand, legislatures are frequently seen as possessing superior resources to investigate and develop factual evidence. Compared to the courts, Congress possesses greater research capabilities and superior means for obtaining information from informed third parties. The legislative decision-making process may better reflect the views of a wide range of stakeholders and offers the advantage of superior democratic accountability.[129]

It should also be appreciated that the judiciary does not oversee a number of significant components of the patent system. For example, the courts cannot directly influence the budget or internal operations of the USPTO.[130] In contrast, Congress possesses authority to determine such matters as the scope of USPTO rule-making authority, the level of fees the USPTO may charge, and the agency's budget.[131]

Conclusion

Several previous Congresses have considered enacting a Patent Reform Act. To the extent legislative deliberations are believed to alert the courts to perceived problems with a particular doctrine, however, Congress may be seen as already having prompted a great deal of change to the patent system. Our recent experience highlighting the interaction between the different branches of government during the patent reform process suggests the importance of legislative awareness of judicial developments. It also reminds us that although courts often possess a range of options in interpreting statutory language that the legislature has chosen, authority to alter the Patent Act itself ultimately resides with Congress.

[126] Dan L. Burk & Mark A. Lemley, *The Patent Crisis and How the Courts Can Solve It* (University of Chicago Press 2009), 100.

[127] Id. at 102.

[128] Id.

[129] *See generally* Robert B. Schapiro, "Judicial Deference and Interpretive Coordinacy in State and Federal Constitutional Law," 85 *Cornell Law Review* (2000), 656.

[130] Rooklidge & Barker, *supra.*

[131] *See generally* Arti K. Rai, "Growing Pains in the Administrative State: The Patent Office's Troubled Quest for Managerial Control," 157 *University of Pennsylvania Law Review* (2009), 2051.

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