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**THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT,**  
by **Dan L. Burk & Mark A. Lemley.** The University of Chicago Press,  
2009. 220 pp. Cloth \$ 45.00.

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This long awaited book by Professors Burk and Lemley brings together their numerous and insightful articles on patent law, published over the past decade, and elaborates on their ideas in light of the current patent reform debate. Calling the book “long awaited” is perhaps an exaggeration, but I personally have been waiting for this book for a while. The delay may have, in part, to do with the unpredictable manner in which global patent reform has progressed during the past five years. Developing countries, such as India, have restructured their patent system to meet requirements under the TRIPS Agreement. Meanwhile, the United States, a main driver for the TRIPS requirements in the 1980’s and 1990’s, has been backtracking through myriad proposals to restructure its own patent law.

This rethinking of U.S. patent law has occurred on many fronts. The USPTO initiated administrative reforms in 2007 that were quickly enjoined and have been more narrowly construed by the Federal Circuit. Congress pushed radical patent law reform that would have, among other changes, transformed patent law to a first inventor to file system, an odd chimera worthy of Greek mythology. Finally, the Supreme Court has been extremely involved in addressing (and creating) questions about U.S. patent law with five critical opinions issued over the past five years, and one important one pending during the 2009-2010 term.<sup>1</sup>

With all this activity, any promised book on patent reform runs the risk of being irrelevant upon publication. Thankfully, Professors Burk and Lemley have published an important, moderate, reasonable book that cuts through all these reform efforts that have largely operated at cross purposes. They define the “patent crisis” precisely, and their solution offers light that

contrasts with the heat of legislative reform that is perhaps not as convoluted as health care reform, but is certainly driven by competing interests that cannot readily be balanced. Recent efforts at patent reform in the U.S. have been in the paranoid style of politics with rumor and fear displacing informed and rational discussion. A student recently asked me, with deep concern and worry in his eyes: “Is it true that [new USPTO commissioner] Kappos is doing away with Request for Continued Examinations?” Another example of the paranoid tendency occurred at a panel discussion, in which I participated, on the pending *Bilski v. Kappos* case.<sup>2</sup> One of the panelists asked, with dismay: “Can we trust the Supreme Court?” “I guess we have to”, I responded. But then again can we trust anyone? Professors Burk and Lemley’s book provides a rational counterpoint to some of the dismay that often surfaces in legislative debates, with patent reform no exception.

What is the crisis that has generated so many and varied responses? According to Professors Burk and Lemley, the crisis arises from a tension between a generalist patent statute, with the 1952 Patent Act as the most recent iteration, and industries that have developed in unforeseeable ways over the past fifty-seven years (pp.31-32). In 1952, biotechnology and software were the stuff of science fiction. Congress’ revision of patent law after World War Two aimed at clarifying the law, codifying some provisions such as nonobviousness, and creating a broad set of rules that would promote innovation and invention across a wide range of industries and technologies. The problem is that different types of patent rules may be conducive to progress in different industries. Patent law needs to be tailored to the customs, practices, and industry structure of various technologies. For example, narrower patent scope may be more conducive to innovation in software than in pharmaceuticals and biotechnology. Doctrines like utility, nonobviousness, and enablement affect the breadth of patent claims and the reach of the exclusionary right. They also affect incentives to seek patents, resulting in patent thickets, patents of questionable quality, and patents too narrowly construed as to result in anti-commons, that is, too much subdivided and dispersed ownership in an invention. This tension between a generalist patent statute and the need for narrowly tailored doctrines creates a perfect storm for patent reform as various parties attempt to shift patent law towards the interests of a particular group or industry. No invisible hand, however, can readily reconcile these disparate interests into harmony. Hence, we end up with the cacophony and hodgepodge of reform efforts.

What Professors Burk and Lemley offer as a solution is the courts. At a broad level, they are absolutely right. I am sympathetic that in a few deft cases the Supreme Court has corrected certain problems in the patent system. Its 2006 *eBay* decision, although criticized at the time, did address some of the concerns with the anticompetitive uses of patent litigation.<sup>3</sup> Similarly, its 2008 *Quanta* decision, if narrowly construed to pass through license terms, provided an important balance between patent and contract rights.<sup>4</sup> On the other hand, of course, the Supreme Court has handed down some opinions that arguably complicate the institutional landscape of patent law. The 2007 *Medimmune* decision complicated the lives of licensing practitioners in not particularly socially productive ways.<sup>5</sup> A few months after that decision, the Court handed down the infamous *KSR* opinion, which was a missed opportunity for adding structure to the nonobviousness inquiry.<sup>6</sup> At one level, the appeal to the courts, at least the Supreme Court, seems misguided.

Of course, Professors Burk and Lemley are appealing to the courts in the abstract, as the institution that can provide some guidance in a comparative sense. At that level of institutional analysis, they are correct. The tension between a general statute, like the Patent Act, and the varied, complicated industries that the statute purports to govern leads invariably to either a fragmentation of the statutory scheme to address diverse special cases or to a more flexible, organic, and evolutionary common law. Tax law is often given as an example of the former, but in the domain of statutory intellectual property, copyright provides the best example of statutory fragmentation to address special cases. In part, this fragmentation arises from the role of special interests in shaping and drafting copyright legislation. But equally true is the vast array of technological media through which copying and performance can occur. The Copyright Act responds to rapid technological change in the way works can be copied, distributed, performed, displayed, and shared through statutory amendment within a scheme that, like the Patent Act, contains broad, general language.

The Patent Act, however, lacks the specialized provisions that define the Copyright Act. In part, this is because the administrative structure of the USPTO subsumes such complexity with its field specific review of patent applications. Furthermore, the Patent Act grants the patent owner a broad right to prevent all uses of a patented invention. Consequently, there has been less controversy over what constitutes infringement in patent law when compared with copyright law, where each technological change leads to questions of what does in fact constitute a copy or an adaptation. Under the terms of the Patent Act, if an invention falls within the claims of the

patent, then its unauthorized *use*, whatever form that takes, constitutes infringement. The statutory complexity of the Copyright Act has its analogue in the complexity of patent claim drafting and construction rather than in patent legislation.

If, for the reasons stated, statutory fragmentation is not how patent law develops, then, as Professors Burk and Lemley point out, common law development through judicial tailoring to particular circumstances best describes the structure of patent law (pp.104-107). Their book provides choice examples from the fashioning of remedies by courts to the judicious use of written description, nonobviousness, and utility doctrines to address particular industry-specific dilemmas. As a descriptive matter, Professors Burk and Lemley are accurate, and their book does an excellent job of delineating and explaining, what I call here, the common law of patent. To be clear, this common law is informed largely by the Patent Act's language and structure, although in many instances doctrines seem to be created by judicial imagination. The written description requirement and the teach-suggest-motivate test are two examples of the judicial imagination at work in the area of patent law. For reasons of space, I will address the larger point raised by Professors Burk and Lemley, which is the normative point that this common law, or judge-inspired common law, is a preferred means for reforming patent law. As a matter of political expediency and effectiveness, the argument in favor of patent reform led by the judiciary is strong. Furthermore, if one is concerned with the play of special interest in legislation (a concern that Professors Burk and Lemley seem to have), then perhaps the judiciary may be less subject to influence for the usual well-rehearsed reasons (repeat players, openness, narrow focus on discrete issues, case by case determination).

But there are two reasons why one needs to be cautious in appealing to the judiciary as a vehicle for patent reform, especially within the United States environment. The first is the issue of which court should serve as the engine of reform, the Supreme Court or the Federal Circuit. The second is the structure of the patent statute itself, with its grant of broad rights to the patent owner. I address each in turn with the goal of refining Professors Burk and Lemley's prescriptive arguments, with which I am largely sympathetic.

United States patent law has a structure distinctive from other federal regulatory schemes. Patents are governed both by a specialized agency, the USPTO, and a specialized appellate court, the United States Court of Appeals for the Federal Circuit. The U.S. Supreme Court provides

overarching review of both the agency and the specialized court, but from a generalist perspective. The Supreme Court's patent jurisprudence ensures that the application of patent law is consistent with the Constitutional provisions governing congressional power (Article I, Section 1, Clause 8), Constitutional provisions on individual rights (enumerated rights, due process), and federal statutory provisions, namely the Patent Act and the Administrative Procedure Act. An appeal to the judiciary as the solution to the patent crisis raises the question, which court? Since Professors Burk and Lemley argue that the judiciary should provide the necessary tailoring of patent law to address industry specific innovation policy, the Federal Circuit, because of its specialized mandate, would seem to be the logical candidate as judicial reformer. Most of the examples that Professors Burk and Lemley provide are from Federal Circuit opinions. Of course, they also discuss recent Supreme Court cases. The question is what role does the Supreme Court, as a generalist court, play in tailoring patent law desirably.

A first impression is that the Supreme Court plays little role in such tailoring. Consequently, one may conclude that the Supreme Court should largely stay out of the review of patent law, deferring to the Federal Circuit except in rare instances. The recent spate of Supreme Court patent decisions would be, under this view, a mistake. I think this conclusion would be wrong. The Supreme Court can provide guidance in how the Federal Circuit can tailor patent law by establishing baselines for defining the contours of the patent grant. Rules on the scope of patent injunctions, restrictions on licensing practice, and standing to challenge patent validity are all areas in which the Supreme Court has recently intervened. They are also areas where the Court usefully provides guidance on how patent law can be shaped for the purposes of tailoring by the Federal Circuit. For example, the Court's pronouncement on patent injunctions established a broad standard-like approach that can be shaped to the context of a particular industry. The correctness of the Supreme Court's patent jurisprudence can be gauged by how well they guide the tailoring role of the Federal Circuit. Such a framework can be useful in cutting through the institutional tension between the Supreme Court and the Federal Circuit that is so transparent. The path to the current case of *Bilski v Kappos* offers a clear example of this tension. The Federal Circuit's majority opinion in *Bilski* was obsequious in demonstrating that its ostensibly radical decision was well in line with Supreme Court precedent on patentable subject matter. The tone of the majority decision could be interpreted as saying either that Supreme Court precedent forced the Federal Circuit's decision or that the Supreme Court should grant the resulting petition for certiorari. The Supreme Court, of course, accepted the challenge. I am hoping that the

Court's final opinion is one that allows for flexibility by the Federal Circuit in shaping rules of patentable subject matter that can be tailored to the needs of various industries. Most likely, what this tailoring would involve is allowing fairly broad subject matter with well defined limitations on patenting abstract ideas or other subject matter that might interfere with industry specific innovation.

What is missing however in Burk and Lemley's appeal to the judiciary is not only an analysis of how to allocate Supreme Court and Federal Circuit functions, but also the role of a specialized agency in effectively tailoring patent law. The 2007 foray by the USPTO into patent reform has arguably proven to be a disaster.<sup>7</sup> The patent bar successfully moved through the Federal Circuit to dull these reform efforts. But the lesson from this venture is not that the USPTO should not be a vehicle for reform. The lesson is that the agency needs to choose its reform policies carefully. Furthermore, the judiciary can play an important role in shaping how the agency operates. On this point, the Supreme Court's failed efforts in *KSR v. Teleflex*<sup>8</sup> were a missed opportunity for shaping administrative reform. There is a good case to be made that the Federal Circuit's approach to nonobviousness under the teach-suggest-motivate approach was too rigid and placed too high a burden on those who wanted to challenge an invention as being obvious. The Supreme Court's response, however, was to replace a rigid approach with an unstructured one. A more appropriate approach would be to substitute a rebuttable presumption for the rigid rule, much as the Court has done in the past in the area of prosecution history estoppel. Creating a rebuttal presumption of obviousness would allocate the burden of proof equitably, provide guidance for the agency and practitioners, and allow the agency to tailor nonobviousness doctrine to the needs of particular industries. Instead, the *KSR* decision provides a cautionary example against too much reliance on the judiciary as the vehicle for reform.

A second gloss on the role of the judiciary in shaping reform stems from the language of the Patent Act. In most jurisdictions, the patent owner is given wide latitude in enjoining all unauthorized uses of the patented invention. Unlike copyright law, which enumerates specific uses, patent law gives a broad grant of exclusivity. At the heart of Professors Burk and Lemley's argument is the need to tailor this broad grant to the realities of particular industries and technologies (pp.62-65). But with respect to protecting the patent owner's right to enjoin all uses, the Federal Circuit has been more of a problem than a solution, particularly in the area of licensing. The problem I am thinking of is the conditional sale doctrine, which allows a patent owner to place conditions of use on a patent license.<sup>9</sup> What is troubling

about this doctrine is the ability of the patent owner to enforce violations of such conditions as patent infringement (with attendant treble damages and other remedies) as opposed to contract breach. The conditional sale doctrine rests on the assumption that the patent owner's broad power to license use includes a more narrow power to license use subject to conditions. While this may seem to be a logical corollary from contract, the problem is that the conditional sale doctrine can turn uses ancillary to the use of the invention into patent infringement. For example, the conditional sale doctrine has been extended to limit the right to reuse a patented invention or to even repair it, in the ordinary sense of the word repair. The conditional sale doctrine turns ordinary contractual transactions into issues of federal patent law. Consequently, the Federal Circuit has created its own contract law jurisprudence in enforcing the conditional sale doctrine, a move that takes the court beyond its expertise as a patent court. Through the conditional sale doctrine, the Federal Circuit has expanded the reach of patent law and arguably the scope of its own authority. Fortunately, the Supreme Court has partially reined in the influence of the conditional sale doctrine, in the case of reach-through license terms, through its patent and antitrust informed decision in *Quanta v. LG Electronics*.<sup>10</sup> Nonetheless, the conditional sale doctrine provides another example of how the judiciary may be as much a problem as a solution.

Professors Burk and Lemley's book is a must-read because of its provocative ideas. More importantly, their ideas provide a beacon of reason and intelligence in what has been a complex mess of patent reform. Published in a year that has shown how convoluted legislative reform often is, this engaging book shows how it is possible to have politics and reform that is potentially free of the byzantine web of influence and diatribe that can best be described as political paranoia. I hope it finds an audience and becomes a model for how to think about legislative reform more broadly.

## ENDNOTES

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<sup>1</sup> For a discussion of these cases, see Shubha Ghosh, *Carte Blanche, Quanta, and Competition Policy*, 34 J Corp. L. 1209, 1216-1221 (2009).

<sup>2</sup> See *In re Bilski*, 54 F. 3d 943 (Fed. Cir. 2008).

<sup>3</sup> *eBay v. MercExchange, LLC.*, 547 U.S. 338 (2006).

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<sup>4</sup> *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008).

<sup>5</sup> *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

<sup>6</sup> *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

<sup>7</sup> See *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009) (describing the background on reform efforts by the USPTO).

<sup>8</sup> See footnote 6, *supra*.

<sup>9</sup> See, e.g., *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992).

<sup>10</sup> See footnote 4, *supra*.

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