

STATUTORY SUBJECT MATTER IN CONTEXT:
LESSONS IN PATENT GOVERNANCE FROM *BILSKI V. KAPPOS*

by
*John R. Thomas**

Bilski v. Kappos offers more important lessons concerning legal institutions and the law reform process than it does about patentable subject matter. In recent years the judiciary has frequently addressed patent law doctrines about which Congress has expressed concern. Many commentators have supported this atypical relationship, asserting that the judiciary is the superior actor for remedying longstanding concerns about the patent system. But persistent judicial intervention in matters of direct legislative interest has tended to delay congressional consideration of patent reform issues and remove bargaining chips from the political negotiation process. Bilski v. Kappos teaches us that legislative intervention may yet be needed to provide robust solutions to private sector concerns over the patent system.

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I. INTRODUCTION

The length of congressional patent reform deliberations has not sat well with many intellectual property academics. Many have been quick to elevate the courts as the superior body for remedying the perceived problems of the patent system. Dan Burk and Mark Lemley explain 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.”¹ In their view, “[t]he fact that courts proved capable of solving many of the problems on which Congress ultimately foundered” indicates that the judiciary is the

* Professor of Law, Georgetown University.

¹ DAN L. BURK & MARK A. LEMLEY, THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT 102 (2009).

most appropriate institution for working needed reforms to the patent laws.² Craig Nard too would confine Congress to “procedural reform and corrective legislative action” within the patent system.³ Clarisa Long and Rob Merges have voiced similar sentiments at legal conferences.⁴ As well, scholar-practitioner Bill Rooklidge would limit Congress to a narrow range of activities indeed:

At the very least, Congress should stay its hand regarding injunctive relief, damages, willfulness, obviousness, business-method patents, extraterritoriality, venue, interlocutory appeal, USPTO rulemaking power and common-law experimental use exemption. For now, at least, Congress should instead focus its efforts on areas clearly outside the purview of the courts, such as improving the operations of the USPTO.⁵

This widely shared account fails to recognize that many of the doctrinal shifts discussed on the Hill have already been enacted—just not by Congress. Patent reform seems to be following an unusual procedure these days: The airing of concerns during a congressional hearing, followed by a judicial opinion that endeavors to address the identical issues. In so doing, the courts have garnered considerable praise for their ability to quickly alter the principles they previously established.⁶ But persistent judicial intervention in matters of direct legislative interest has tended to delay congressional consideration of patent reform issues and remove bargaining chips from the political negotiation process. As a result, judicial flip-flopping seems to cause interested private parties to become entrenched in their positions, making legislative compromise more difficult. No wonder, then, that the United States still does not allow assignee filing,⁷ has yet to enact an effective administrative revocation proceeding,⁸ and persists in retaining its first-to-invent priority system,⁹ even though corrective proposals have been part of congressional patent reform packages since 2005.¹⁰

² *Id.*

³ Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 108 (2010).

⁴ See generally Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029 (2006); Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293 (1996) (advocating for congressional restraint in the licensing arena).

⁵ William C. Rooklidge & Alyson G. Barker, *Reform of a Fast-Moving Target: The Development of Patent Law Since the 2004 National Academies Report*, 91 J. PAT. & TRADEMARK OFF. SOC'Y 153, 199 (2009).

⁶ See, e.g., 155 CONG. REC. S2715 (daily ed. Mar. 3, 2009) (statement of S. Hatch).

⁷ Cf. 35 U.S.C. § 118 (2006) (allowing assignee filing only in restricted circumstances).

⁸ Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J. L. & TECH. 1, 15–16, 117 (1997).

⁹ 35 U.S.C. § 115 (2006).

¹⁰ See, e.g., H.R. 1260, 111th Cong. (2009) (containing proposals to permit assignee filing, implement administrative revocation proceedings, and expand the

Whether jurists serve ably as patent reformers does not seem to be an incontestable proposition. The uncertainty engendered by *Bilski v. Kappos*¹¹ suggests that the legislature may yet be needed to provide robust solutions to private sector concerns over the patent system. As Senator Leahy recently explained in a rather understated manner, *Bilski v. Kappos* “needlessly left the door open for business method patents to issue in the future . . . and may not have advanced the law and created the stability and certainty that it could have”¹²

This Essay considers *Bilski v. Kappos* in the context of ongoing patent reform efforts in the United States. *Bilski v. Kappos* is the latest in a line of judicial opinions that have focused upon patent topics under direct congressional consideration—a trend that has included injunctions, willful infringement, extraterritorial protection, venue, damages, and most recently, statutory subject matter.¹³ This Essay reviews these topics in an effort to explore the dynamic between legislative initiative and judicial intervention within the U.S. patent system.

II. 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.”¹⁴ 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.¹⁵ An injunction prevents the adjudicated infringer from practicing the patented invention until the patent expires.¹⁶

Some observers criticized injunction practice as encouraging speculation by entities that do not engage in research, development, or

first-to-invent priority system); S. 515, 111th Cong. (2009) (same); S. 3600, 110th Cong. (2008); H.R. 1908, 110th Cong. (2007) (same); S. 3818, 109th Cong. § 5(f) (2006) (same); H.R. 2795, 109th Cong. (2005) (same).

¹¹ 130 S. Ct. 3218 (2010).

¹² Press Release, Patrick Leahy, Comment on the Supreme Court’s Decision in *Bilski v. Kappos* (June 28, 2010), available at <http://leahy.senate.gov/> (search for “Bilski, June 28, 2010”).

¹³ See, e.g., *Bilski*, 130 S. Ct. at 3223 (statutory subject matter); *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957) (venue); *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641 (1915) (damages); *In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (willful infringement); *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005) (extraterritorial protection); *MercExchange, L.L.C. v. eBay, Inc.* 401 F.3d 1323 (Fed. Cir. 2005) (injunctions); *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990) (venue).

¹⁴ 35 U.S.C. § 283.

¹⁵ *eBay*, 401 F.3d at 1338.

¹⁶ See ROGER E. SCHECHTER & JOHN R. THOMAS, PRINCIPLES OF PATENT LAW 330–31 (2004).

manufacturing, but rather acquire and enforce patents against companies with commercialized products.¹⁷ These speculators were sometimes termed “patent trolls,” an unarguably pejorative term that referred to creatures from folklore that would emerge from under a bridge in order to waylay travelers.¹⁸ Some manufacturers were concerned that the Federal Circuit’s injunction practice provided non-manufacturing entities with too much leverage during patent licensing negotiations.¹⁹

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.”²⁰ This legislation was not enacted.²¹

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.²² In that litigation, a federal district court ruled that the BlackBerry infringed patents held by New Technology Products, Inc. (NTP).²³ When the Federal Circuit affirmed this judgment,²⁴ many BlackBerry 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.²⁵ The BlackBerry patent litigation led to increasing discussion over the availability of injunctions in patent cases, perhaps because NTP did not commercialize the patented invention itself.²⁶

Shortly after the BlackBerry litigation concluded, the Supreme Court issued an important decision concerning injunctive relief in *eBay Inc. v.*

¹⁷ See Elizabeth D. Ferrill, Comment, *Patent Investment Trusts: Let’s Build a PIT to Catch the Patent Trolls*, 6 N.C.J. L. & TECH. 367 (2005).

¹⁸ See Lorraine Woellert, *A Patent War Is Breaking Out on the Hill*, BUSINESSWEEK, July 4, 2005, at 45.

¹⁹ See, e.g., *Patent Quality Improvement: Hearing Before the Subcomm. on the Judiciary, H.R.*, 108th Cong. 19–20 (2003) (statement of David M. Simon, Chief Patent Counsel, Intel Corp.).

²⁰ H.R. 2795, 109th Cong. § 7 (2005).

²¹ Library of Congress (Thomas), Bill Summary and Status for H.R. 2795, 109th Cong. (2005), available at <http://thomas.loc.gov/> (follow “Advanced Search,” select the 109th Congress, and search for “H.R. 2795” as the bill number).

²² NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2005).

²³ NTP, Inc. v. Research in Motion, Ltd., 261 F. Supp. 2d 423, 439 (E.D. Va. 2002).

²⁴ NTP, Inc., 418 F.3d at 1287.

²⁵ Ian Austen, *BlackBerry Service to Continue*, N.Y. TIMES, Mar. 4, 2006, at C1.

²⁶ E.g., Katherine Strandburg et al., *Panel I: Cross-Licensing and Injunctions—The Interplay Between Big Business, Small Business, and Non-Practicing Inventors*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 925, 940 (2009).

*MercExchange, L.L.C.*²⁷ The patent at issue in the *eBay* case concerned “a system for selling goods through an ‘electronic network of consignment stores.’”²⁸ The district court explained that the patent proprietor, MercExchange, “does not practice its inventions and exists merely to license its patented technology to others.”²⁹ Although a jury concluded that eBay infringed the MercExchange patent, the district court refused to issue an injunction.³⁰ 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.³¹

On appeal, the Federal Circuit rejected the district court’s reasoning and ruled that MercExchange was entitled to an injunction.³² 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.”³³ 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.’”³⁴ 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.”³⁵

The Supreme Court subsequently granted certiorari and issued an opinion vacating the Federal Circuit’s judgment.³⁶ 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.³⁷ 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.³⁸ Justice Thomas further explained that although the Patent Act requires that injunctions “issue ‘in accordance with the principles of equity,’”³⁹ the Federal Circuit had ignored long-

²⁷ 547 U.S. 388 (2006).

²⁸ *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1327 (Fed. Cir. 2005).

²⁹ *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

³⁰ *Id.* at 715.

³¹ *Id.* at 712.

³² *eBay*, 401 F.3d at 1326, 1339.

³³ *Id.* at 1338 (quoting *Richardson v. Suzuki Motor Co.*, 886 F.2d 1226, 1247 (Fed. Cir. 1989)).

³⁴ *Id.* (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

³⁵ *Id.* at 1339.

³⁶ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006).

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.* at 392 (quoting 35 U.S.C. § 283 (2006)).

established equitable standards in following a “general rule” that injunctions issue.⁴⁰

The Supreme Court directed lower courts to consider four traditional factors for deciding whether an injunction should issue in patent infringement cases.⁴¹ Those factors are: (1) whether the patent owner would face irreparable injury if the injunction does not issue; (2) whether the patent owner possesses an adequate legal remedy, such as monetary damages; (3) whether the balance of hardships tips in the patent owner’s favor; and (4) whether granting the injunction would be in the public interest.⁴² 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.⁴³ In the wake of *eBay*, some courts have declined to issue injunctions against adjudicated infringers of valid and enforceable patents.⁴⁴

Opinions have varied regarding the impact of the *eBay* ruling upon legislative reform of patent injunctions. Some observers believed that “the Supreme Court failed to meaningfully restructure the injunctive grant process in its *eBay* rejection of the Federal Circuit’s automatic injunction rule” and opined that “the need for legislation . . . is renewed rather than removed.”⁴⁵ 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 field in an “elegant” manner.⁴⁶ The latter view appears to have prevailed, however, as no subsequent versions of the Patent Reform Act have incorporated proposed reforms to injunction practice.⁴⁷ Rooklidge and Barker have therefore concluded that “[t]he legislative effort to reform injunctions against patent infringement is finished, at least for the foreseeable future.”⁴⁸

⁴⁰ *Id.* at 393–94.

⁴¹ *Id.*

⁴² *Id.* at 391.

⁴³ 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 395. 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. *Id.* at 396–97.

⁴⁴ See Jaideep Venkatesan, *Compulsory Licensing of Nonpracticing Patentees After eBay v. MercExchange*, 14 VA. J. L. & TECH. 26, 27 (2009).

⁴⁵ 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 J. L. & PUB. POL’Y 431, 452 (2008).

⁴⁶ Rooklidge & Barker, *supra* note 5, at 160.

⁴⁷ See S. 515, 111th Cong. § 4 (2009); S. 3600, 110th Cong. § 4 (2008); H.R. 1908, 110th Cong. § 5 (2007); S. 3818, 109th Cong. § 5 (2006).

⁴⁸ Rooklidge & Barker, *supra* note 5, at 160.

III. WILLFUL INFRINGEMENT

The U.S. patent statute currently provides that the court “may increase the damages up to three times the amount found or assessed.”⁴⁹ 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.⁵⁰ Although the statute does not specify the circumstances in which enhanced damages are appropriate,⁵¹ the Federal Circuit has limited such awards to cases of “willful infringement.”⁵² 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.⁵³ In its 1992 opinion in *Read Corp. v. Portec, Inc.*,⁵⁴ 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.⁵⁵

As framed in *Read v. Portec* and numerous other judicial opinions issued prior to 2007, the willful infringement doctrine has proved controversial. Some observers believed that this doctrine ensured that patent rights would be respected in the marketplace.⁵⁶ But others were concerned that the possibility of trebled damages would discourage individuals from reviewing issued patents.⁵⁷ 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.

⁴⁹ 35 U.S.C. § 284 (2006).

⁵⁰ *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999).

⁵¹ *See* 35 U.S.C. § 284.

⁵² *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1377–78 (Fed. Cir. 2002).

⁵³ *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992), *abrogated on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff’d*, 517 U.S. 370 (1996).

⁵⁴ 970 F.2d 816.

⁵⁵ *Id.* at 828 (citations omitted).

⁵⁶ *See, e.g., In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1384–85 (Fed. Cir. 2007) (Newman, J., concurring).

⁵⁷ SCHECHTER & THOMAS, *supra* note 16, at 345.

In view of these critiques, Congress considered legislative amendments to the law of willful infringement as early as 2005.⁵⁸ However, in its 2007 decision in *In re Seagate Technology, L.L.C.*,⁵⁹ the Federal Circuit made significant changes to the law of willful infringement itself. The appellate court overturned two decades of its own precedent by opting to “abandon the affirmative duty of due care.”⁶⁰ The Federal Circuit instead explained that accused infringers possess no obligation to obtain an opinion of counsel.⁶¹ Rather, “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”⁶² Under this view, “[t]he state of mind of the accused infringer is not relevant to this objective inquiry.”⁶³

As with *eBay*, the issuance of the *Seagate* opinion dampened enthusiasm for the enactment of patent reform legislation.⁶⁴ Some believe that *Seagate* significantly limited the circumstances under which courts will conclude that an infringer acted willfully.⁶⁵ However, others are of the view 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.”⁶⁶ At a minimum, reviewing significant judicial opinions such as *Seagate* and understanding their practical impact can consume considerable periods of time. Thus, the process ultimately may derail legislative initiatives.

IV. EXTRATERRITORIAL PATENT INFRINGEMENT

U.S. patents are generally effective only in the United States.⁶⁷ They normally do not provide protection against acts that occur in other nations.⁶⁸ 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, section 271(f) prohibits “supplying” a “component” of a patented invention abroad “knowing that such [a] component . . . will be combined . . . in a manner that would infringe the patent if such combination occurred within the United States.”⁶⁹

⁵⁸ See, e.g., H.R. 2795, 109th Cong. § 6(b) (2005).

⁵⁹ 497 F.3d 1360 (Fed. Cir. 2007).

⁶⁰ *Id.* at 1371.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ See Rooklidge & Barker, *supra* note 5, at 178.

⁶⁵ See, e.g., Siraj Husain, *The Willfulness Pendulum Swings Back: How Seagate Helps Level the Playing Field*, 28 LOY. L.A. ENT. L. REV. 239, 239 (2008).

⁶⁶ Christopher C. Bolten, *In re Seagate Tech., L.L.C.: Is the Objective Recklessness Standard a Practical Change?*, 49 JURIMETRICS J. 73, 90 (2008).

⁶⁷ *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454–55 (2007).

⁶⁸ *Id.*

⁶⁹ 35 U.S.C. § 271(f) (2006).

Congress enacted section 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 an infringing device.⁷⁰

Some observers had expressed concerns that section 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 section 271(f).⁷¹ Some commentators believed that this holding would “impose liability for software developed in America and sold overseas,” with the result that “American software developers would have faced a competitive disadvantage vis-à-vis their foreign counterparts.”⁷²

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).⁷³ 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.*⁷⁴ The issue before the Court was whether section 271(f) applied to a “master disk” of software that Microsoft sent from the United States to a foreign manufacturer.⁷⁵ The foreign manufacturer then used the disk to create multiple copies of the software that were then installed on computers that were made and sold abroad.⁷⁶ The Supreme Court held that sending the master disk abroad did not constitute “supplying” a “component” of the foreign computers within the meaning of section 271(f).⁷⁷ This “narrow reading of section 271(f)” limited the liability of software firms accused of patent infringement based upon overseas activity.⁷⁸

Possibly as a result of *Microsoft v. AT&T*, proposals to eliminate section 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

⁷⁰ Dariush Keyhani, *Patent Law in the Global Economy: A Modest Proposal for U.S. Patent Law and Infringement Without Borders*, 54 VILL. L. REV. 291, 293–94 (2009).

⁷¹ *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338–41 (Fed. Cir. 2005).

⁷² Rachel Krevans & Daniel P. Muino, *Restoring the Balance: The Supreme Court Joins the Patent Reform Movement*, SEDONA CONF. J., Fall 2008, at 15, 29.

⁷³ S. 3818, 109th Cong. § 5(f) (2006).

⁷⁴ 550 U.S. 437 (2007).

⁷⁵ *Id.* at 441.

⁷⁶ *Id.*

⁷⁷ *Id.* at 453.

⁷⁸ James Ernstmeier, *Does Strict Territoriality Toll the End of Software Patents?*, 89 B.U. L. REV. 1267, 1287 & n.123, 1288 (2009).

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.⁷⁹

Although debate has continued over the soundness of the *Microsoft v. AT&T* ruling,⁸⁰ the lack of legislative interest in amending or eliminating section 271(f) may suggest that concerned actors believe the Supreme Court addressed perceived problems with that statute.

V. 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.⁸¹ 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.⁸²

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.⁸³ In 1988, Congress adopted a new definition of “reside” as it applies to venue for corporate defendants.⁸⁴ 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.⁸⁵ Congress codified this change in a separate provision found at 28 U.S.C. § 1391.⁸⁶ 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 section 1400(b).⁸⁷

The result of the 1988 amendments has been significant for corporate defendants, which constitute the majority of defendants in patent litigation.⁸⁸ Although section 1400(b) still governs venue in patent cases, few, if any, plaintiffs rely upon the restrictive second prong of that

⁷⁹ *Sens. Leahy, Hatch, Reps. Berman, Smith Introduce Bicameral, Bipartisan Patent Reform Legislation*, U.S. FEDERAL NEWS, Apr. 18, 2007, available at 2007 WLNR 7367750.

⁸⁰ See Ernstmeier, *supra* note 78, at 1295.

⁸¹ See *Wachovia Bank, Nat'l Ass'n v. Schmidt*, 546 U.S. 303, 316 (2006).

⁸² 28 U.S.C. § 1400(b) (2006).

⁸³ See *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957).

⁸⁴ Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, § 1013(a), 102 Stat. 4642, 4669 (1988).

⁸⁵ 28 U.S.C. § 1391(c).

⁸⁶ *Id.*

⁸⁷ *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990).

⁸⁸ See Kimberly A. Moore, *Populism and Patents*, 82 N.Y.U. L. REV. 69, 106 (2007).

section.⁸⁹ Instead they base venue upon the “residence” requirement of the first prong—which now is entirely coterminous with personal jurisdiction, and which for larger corporations is likely to include every federal district in the country.⁹⁰ 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.

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.⁹¹ 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 an 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.”⁹² Reportedly, “many of the local lawyers who once specialized in personal injury cases are turning their attention to intellectual property law.”⁹³ 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.⁹⁴

While the 110th Congress was considering legislative changes,⁹⁵ the Federal Circuit also addressed the venue laws. In its December 29, 2008 decision in *In re TS Tech USA Corp.*, 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.⁹⁶ Some observers believe that the *TS Tech* decision eliminated the need for legislative intervention,⁹⁷ while others suggest that one current congressional proposal would codify its holding.⁹⁸

⁸⁹ Paul M. Janicke, *Venue Transfers from the Eastern District of Texas: Case by Case or an Endemic Problem?*, 2 LANDSLIDE 16, 17 (2010).

⁹⁰ *Id.*

⁹¹ E.g., Megan Woodhouse, *Shop ‘til You Drop: Implementing Federal Rules of Patent Litigation Procedure To Wear Out Forum Shopping Plaintiffs*, GEO. L.J. 227 (2010).

⁹² Allen Pusey, *Marshall Law: Patent Lawyers Flock to East Texas Court for Its Expertise and ‘Rocket Docket’*, DALLAS MORNING NEWS, March 26, 2006, at 1D.

⁹³ *Id.*

⁹⁴ See, e.g., Xuan-Thao Nguyen, *Justice Scalia’s “Renegade Jurisdiction”: Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 156 (2008) (suggesting that the Eastern District of Texas attracts patent litigants due to expertise and timeliness).

⁹⁵ See, e.g., S. 3600, 110th Cong. (2008); H.R. 1908, 110th Cong. § 11 (2007).

⁹⁶ *In re TS Tech USA Corp.*, 551 F.3d 1315, 1318 (Fed. Cir. 2008).

⁹⁷ See, e.g., Rooklidge & Barker, *supra* note 5, at 183–85.

⁹⁸ See, e.g., Intell. Prop. Owners Ass’n, Patent Reform (111th Congress): A Comparison of H.R. 1260 (as introduced in the House), and S. 515 (as reported out by the Senate Judiciary Committee), highlighting the primary differences, (May 4, 2009), <http://www.ipo.org/AM/Template.cfm?Section=Home&Template=/CM/ContentDisplay.cfm&ContentID=22211>.

In *Lear Corp. v. TS Tech USA Corp.*, Lear Corporation brought a patent infringement suit in the Eastern District of Texas against TS Tech, which operated principal places of business in Ohio and Canada.⁹⁹ The 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.¹⁰⁰ The district court also held that the district presumptively was convenient for one of the litigants because Lear had chosen to file suit there.¹⁰¹

In its review of the issue, the Federal Circuit granted TS Tech's petition to transfer the litigation to Ohio.¹⁰² 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.¹⁰³ 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.¹⁰⁴ Finally, the Federal Circuit observed that the alleged infringing products were sold throughout the United States.¹⁰⁵ As a result, the Eastern District of Texas had no greater connection to the dispute than any other venue.¹⁰⁶ Some observers believe that these factors are present in many patent cases brought before the Eastern District of Texas, and possibly other magnet jurisdictions.¹⁰⁷ As a result, *TS Tech* may mean that motions to transfer venue will be granted with greater frequency.¹⁰⁸ 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.¹⁰⁹

Subsequent versions of the Patent Reform Act retained various proposed reforms to the patent venue statute.¹¹⁰ As with previous incidents of judicial intervention, however, the abrupt working of venue reform by the courts may undermine lawmaking efforts on Capitol Hill. As the next episode demonstrates, sometimes legislators deliberately

⁹⁹ *Lear Corp. v. TS Tech USA Corp.*, No. 2:07-CV-406, 2008 WL 6515201, at *1 (E.D. Tex. Sept. 10, 2008).

¹⁰⁰ *Id.* at *3.

¹⁰¹ *Id.* at *2.

¹⁰² *In re TS Tech USA Corp.*, 551 F.3d 1315, 1323 (Fed. Cir. 2008).

¹⁰³ *Id.* at 1320.

¹⁰⁴ *Id.* at 1320–21.

¹⁰⁵ *Id.* at 1321.

¹⁰⁶ *Id.*

¹⁰⁷ See, e.g., Woodhouse, *supra* note 91, at 241–43.

¹⁰⁸ See Douglas C. Muth, Steven J. Corr & Kevin G. McBride, *The Local Patent Rules Bandwagon*, INTELL. PROP. & TECH. L.J., Aug. 2009, at 19, 22.

¹⁰⁹ See, e.g., Elizabeth Durham, *Will All Roads Still Lead to the Eastern District of Texas? Transfer Practice After Volkswagen and TS Tech*, INTELL. PROP. & TECH. L.J., July 2009, at 12, 15.

¹¹⁰ See, e.g., H.R. 1260, 111th Cong. § 10 (2009); S. 515, 111th Cong. § 8 (2009); S. 610, 111th Cong. § 8 (2009).

delay in order to await previously unexpected judicial review of controversial issues.

VI. ASSESSMENT OF DAMAGES

Commencing with the introduction of the Patent Reform Act of 2005 in the 109th Congress, each version of omnibus reform legislation has proposed amendments to the damages provisions of the Patent Act.¹¹¹ These proposals have been, in the eyes of some observers, the most contentious issue within the debate over the modern patent system.¹¹² This difference in views may arise from divergent conceptions over the fairness of damages awards levied against infringers.

In the view of some observers, current damages standards overcompensate patent owners.¹¹³ These generous damages awards place unreasonable royalty burdens upon producers of high-technology products.¹¹⁴ Others believe that the current law of damages is appropriate.¹¹⁵ These observers are concerned that proposed reforms might overly restrict damages in patent cases, thereby discouraging voluntary licensing, promoting infringement of patent rights, and preventing innovators from realizing the value of their inventive contributions.¹¹⁶ 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 on . . . the entire apparatus containing several features, where the patent related feature is the basis for customer demand.”¹¹⁷ 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

¹¹¹ See, e.g., H.R. 1260, 111th Cong. § 5 (2009); S. 515, 111th Cong. § 4 (2009); S. 3600, 110th Cong. § 4 (2008); H.R. 1908, 110th Cong. § 5 (2007); S. 3818, 109th Cong. § 5 (2006); H.R. 2795, 109th Cong. § 6 (2005).

¹¹² See, e.g., Rooklidge & Barker, *supra* note 5, at 169–70.

¹¹³ WENDY H. SCHACHT & JOHN R. THOMAS, CONG. RESEARCH SERV., R40481, PATENT REFORM IN THE 111TH CONGRESS: INNOVATION ISSUES 21 (2009).

¹¹⁴ See Amy L. Landers, *Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law*, 46 SANTA CLARA L. REV. 307, 364 (2006).

¹¹⁵ SCHACHT & THOMAS, *supra* note 113, at 21.

¹¹⁶ See, e.g., Andrew M. Newton, *Encouraging Willful Infringement? Knorr-Bremse Leaves Due Care in Patent Litigation in a State of Flux*, 15 TEX. INTELL. PROP. L.J. 91, 113–15 (2006).

¹¹⁷ *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989).

“apportionment” to measure damages based upon the value of the patented feature alone.¹¹⁸

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.¹¹⁹ In 2002, Lucent brought an infringement suit against computer manufacturer Gateway, Inc.¹²⁰ 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.¹²¹ More particularly, Lucent asserted that the software infringed because it enabled the user to select a series of numbers corresponding to a day, month, and year using graphical controls.¹²² Microsoft subsequently intervened in order to defend the “date-picker tool” found in its software.¹²³

At trial, the jury found the Day patent not invalid and infringed.¹²⁴ 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.”¹²⁵ The jury then awarded Lucent a single lump-sum amount of \$357,693,056.18 for all three Microsoft products.¹²⁶ Microsoft subsequently pursued an appeal.¹²⁷

The litigation in *Lucent Technologies, Inc. v. Gateway, Inc.* captured the attention of many observers. In a March 3, 2009 letter addressed to Senator Leahy, 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.¹²⁸ 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.”¹²⁹

¹¹⁸ *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 646 (1915).

¹¹⁹ *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1308 (Fed. Cir. 2009).

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *Id.* at 1317.

¹²³ *Id.* at 1308, 1317.

¹²⁴ *Id.* at 1308.

¹²⁵ *Id.* at 1323.

¹²⁶ *Id.* at 1308.

¹²⁷ *Id.*

¹²⁸ Letter from Arlen Specter, Senate Judiciary Comm., to Patrick Leahy, Chairman, Senate Judiciary Comm. (March 3, 2009), *available at* <http://specter.senate.gov/> (search for “Specter Urges Resolution of Key Issues Before Sending Patent Reform Bill to Senate Floor”).

¹²⁹ *Id.*

The Federal Circuit heard oral argument in the *Lucent* appeal on June 2, 2009, and issued its opinion unusually promptly, on September 11, 2009.¹³⁰ In its decision, the Federal Circuit upheld the lower court's determination that the Day patent was not invalid and infringed.¹³¹ 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.¹³² 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.¹³³ 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 lump-sum 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).”¹³⁴

The *Lucent* case does not appear to have achieved consensus in the patent community about the propriety of current damages holdings. The high-technology industry has continued to voice concerns over damages awards in the patent arena.¹³⁵ That the House and Senate bills in the current Congress feature distinct damages reform proposals¹³⁶ further suggests a difference of viewpoints. What is certain is that the wait for *Lucent* imposed months of delay upon congressional efforts, and analysis of its impact seems to have caused further deferral of patent reform legislation.

VII. STATUTORY SUBJECT MATTER

Once confined to innovations in the realms of biology, chemistry, physics, and other natural sciences, the U.S. patent system has in recent years demonstrated an increasing ambition. Business methods, sports moves, procedures from the social sciences, and matters of personal skill are among those that the U.S. Patent and Trademark Office (USPTO) considered to qualify as patentable processes.¹³⁷ Perhaps the most reviled

¹³⁰ *Lucent Techs., Inc.*, 580 F.3d at 1301; Case Details, *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009) (No. 2008-1485) (showing oral argument date).

¹³¹ *Lucent Techs., Inc.*, 580 F.3d at 1308.

¹³² *Id.* at 1335.

¹³³ *Id.* at 1325–35.

¹³⁴ *Id.* at 1335.

¹³⁵ E.g., *Patent Reform Act of 2009: Hearing on H.R. 1260 Before the H. Comm. on the Judiciary*, 111th Cong., 93, 95, 123, 135–36 (2009) (statement of Mark Chandler, Senior Vice President, Cisco).

¹³⁶ See H.R. 1260, 111th Cong. § 284 (2009); S. 515, 111th Cong. § 284 (2009).

¹³⁷ Rochelle Cooper Dreyfuss, *Does IP Need IP? Accommodating Intellectual Production Outside the Intellectual Property Paradigm*, 31 CARDOZO L. REV. 1437, 1441 (2010); David S. Olson, *Taking the Utilitarian Basis for Patent Law Seriously: The Case for Restricting*

of this new category of patented methods are tax strategies—proprietary procedures designed to limit the tax burdens of individuals and enterprises.¹³⁸ In the face of growing opposition to this abrupt intrusion of the patent system upon an expanding range of disciplines, Congress considered legislation that would restrain the scope of patentable subject matter.¹³⁹

But the pattern of judicial intervention continued. The result is a set of Supreme Court opinions that, unfortunately, are not particularly informative as to patent eligibility standards. The Court said no more than that *Bilski*'s claimed invention was not patentable because it was abstract.¹⁴⁰ The Court failed to tell us which claimed inventions should be considered abstract,¹⁴¹ however, leaving observers to wonder how to evaluate existing patent claims and to draft new ones. Arguably, *Bilski*'s claims were not abstract at all: They involve particular actors performing specific transactions that cannot be performed merely in one's head. To assert that *Bilski*'s claim is abstract is, as Lord Hoffmann reportedly explained, "the most extraordinarily linguistic sleight of hand."¹⁴² Further, although the Court disavowed the "broad patentability" of business method patents,¹⁴³ it provided no meaningful guidance as to the sorts of business methods that could appropriately be patented.

In hindsight, it was fairly easy to see *Bilski v. Kappos* coming. The Supreme Court has not been shy about setting lower court precedent aside in favor of its own rulings. In that respect *Bilski v. Kappos* resembles *KSR International Co. v. Teleflex Inc.*,¹⁴⁴ which cast aside a quarter century of Federal Circuit precedent in favor of earlier Supreme Court holdings.¹⁴⁵ The Court has also eschewed bright-line rules within the

Patentable Subject Matter, 82 TEMP. L. REV. 181, 187–88 (2009); John R. Thomas, *The Patenting of the Liberal Professions*, 40 B.C. L. REV. 1139, 1185 (1999); Bradley C. Wright, *Business Method Patents: Are There Any Limits?*, 2 J. MARSHALL REV. INTELL. PROP. L. 30, 50 (2002).

¹³⁸ See Dan L. Burk & Brett H. McDonnell, *Patents, Tax Shelters, and the Firm*, 26 VA. TAX REV. 981, 982 (2007); William A. Drennan, *The Patented Loophole: How Should Congress Respond to this Judicial Invention*, 59 FLA. L. REV. 229, 229 (2007).

¹³⁹ One of these bills from the 110th Congress, H.R. 1908, passed the House of Representatives on September 7, 2007. Library of Congress (Thomas), Bill Summary and Status for H.R. 1908, 110th Cong. (2007), available at <http://thomas.loc.gov/> (follow "Advanced Search," select the 110th Congress, and search for "H.R. 1908" as the bill number). One of its provisions would prevent a patent from issuing on a "tax planning method." H.R. 1908, 110th Cong. § 10 (2007).

¹⁴⁰ *Bilski v. Kappos*, 130 S. Ct. 3218, 3230 (2010).

¹⁴¹ *Id.* at 3231.

¹⁴² Donald M. Cameron, *Bilski v. Kappos: U.S. Supreme Court Clarifies Test for Patentable Processes Including Business Methods*, CAMERON MACKENDRICK BULLETIN (Cameron MacKendrick LLP), July 2010, at 2, available at <http://www.cameronmackendrick.com/publications/bilski-july-2010.pdf>.

¹⁴³ *Bilski*, 130 S. Ct. at 3229.

¹⁴⁴ 550 U.S. 398, 407 (2007).

¹⁴⁵ Rebecca S. Eisenberg, *Pharma's Nonobvious Problem*, 12 LEWIS & CLARK L. REV. 375, 391 (2008).

patent system. The Court rejected the motivation-to-combine principle of obviousness in *KSR*,¹⁴⁶ eliminated a rule that presumed prevailing patentees should be awarded permanent injunctions in *eBay, Inc. v. MercExchange, L.L.C.*,¹⁴⁷ and in *Quanta Computer, Inc. v. LG Electronics, Inc.* adopted a standard that exhaustion occurs through a sale that “substantially embod[ies]” the patented invention.¹⁴⁸ The machine-or-transformation test met the same fate as these earlier rules.¹⁴⁹

In its closing paragraph, the Court stated, “we by no means foreclose the Federal Circuit’s development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text.”¹⁵⁰ Yet the lower court has little reason to proceed with confidence in view of the Court’s past treatment of many of its rulings. The sparse text of the Patent Act provides little guidance; indeed, it lends no support whatsoever to the limitations on patentable subject matter that the Supreme Court did acknowledge—those pertaining to “laws of nature, physical phenomena, and abstract ideas.”¹⁵¹

Lower tribunals have been left to accomplish what the Federal Circuit attempted unsuccessfully in *Bilski*—analyzing judicial precedent to determine the extent of patentable subject matter. The USPTO has promptly issued interim examiner guidelines that appear quite sanguine. The USPTO Guidelines suggest that after *Bilski v. Kappos*, patent eligibility decisions “are not likely to change in most cases.”¹⁵² In the view of the USPTO Guidelines, even after *Bilski v. Kappos*, the machine-or-transformation standard remains determinative except “in some rare cases.”¹⁵³ The Guidelines stipulate that the category of unpatentable abstract ideas is populated with such inventions as basic economic practices or theories; basic legal theories; mathematical concepts; mental activity; interpersonal interactions or relationships; teaching concepts; human behavior; and instructing “how business should be conducted.”¹⁵⁴ Whether the words of the *Bilski v. Kappos* opinion can bear this weight seems debatable, suggesting the inevitability of future litigation concerning inventions on the margin of traditional notions of patentable subject matter.

¹⁴⁶ *KSR Int’l Co.*, 550 U.S. at 418–19.

¹⁴⁷ 547 U.S. 388, 393 (2006).

¹⁴⁸ 128 S. Ct. 2109, 2113 (2008).

¹⁴⁹ *Bilski v. Kappos*, 130 S. Ct. 3218, 3226 (2010).

¹⁵⁰ *Id.* at 3231.

¹⁵¹ *Id.* at 3225 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)).

¹⁵² Memorandum from Robert W. Bahr to Patent Examining Corps (July 27, 2010), available at http://www.uspto.gov/patents/law/exam/bilski_guidance_27jul2010.pdf.

¹⁵³ *Id.*

¹⁵⁴ Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 FED. REG. 43,922, 43,925–26 (July 27, 2010).

VIII. *BILSKI* AND THE PATENT REFORM MOVEMENT

Correlation does not imply causation. Whether or not the courts have endeavored to respond to concerns expressed by some members of Congress about the functioning of the modern patent system cannot be said with certainty. Nonetheless, the interaction between legislatures and courts, at times made explicit, has been a hallmark of the recent patent reform drive.

It should, of course, be noted that the frequent willingness of the courts to seize upon topics of legislative interest does not account for every recent patent law development in the United States. For example, Congress has considered legislation that would permit interlocutory appeals of claim construction rulings.¹⁵⁵ The Federal Circuit has not altered its general practice of disfavoring such appeals, however.¹⁵⁶ Similarly, some recent judicial opinions have worked significant changes to a number of patent principles that were not expressly the target of proposed legislative reforms. The 2007 Supreme Court opinion in *KSR International Co. v. Teleflex Inc.*, which resulted in significant changes to the law of nonobviousness, provides one such instance.¹⁵⁷

A number of reasons may explain the pattern of judicial involvement in areas of legislative interest. First, Congress considered the initial Patent Reform Act in 2005.¹⁵⁸ 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.¹⁵⁹ 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.¹⁶⁰

Some additional factors suggest judicial interest in legislative scrutiny of the patent system. The Federal Circuit's location in Washington, D.C.¹⁶¹ may imply an awareness of legislative activity involving patents.

¹⁵⁵ See H.R. 1260, 111th Cong. § 10 (2009); S. 515, 111th Cong. § 8 (2009). Senate Bill 610 of the 111th Congress (2009) does not address interlocutory appeals of claim construction rulings.

¹⁵⁶ Kelly C. McKinney, *The Patent Reform Act of 2007 and International Patent Law Harmonization*, 31 HOUS. J. INT'L L. 125, 164 (2008).

¹⁵⁷ 550 U.S. 398, 419 (2007); see also Eisenberg, *supra* note 145, at 376, 390–95.

¹⁵⁸ H.R. 2795, 109th Cong. (2005) (introduced on June 8, 2005).

¹⁵⁹ 28 U.S.C. § 1295(a) (2006).

¹⁶⁰ Chris J. Katopis, *The Federal Circuit's Forgotten Lessons?: Annealing New Forms of Intellectual Property Through Consolidated Appellate Jurisdiction*, 32 J. MARSHALL L. REV. 581, 582 (1999).

¹⁶¹ 28 U.S.C. § 48(a).

That several Federal Circuit judges formerly served as members of congressional staff may also suggest interest in patent reform efforts on the Hill.¹⁶²

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 governance. The longstanding debate over whether legislatures or courts comprise the most appropriate body to work particular legal reforms has been renewed in this setting. Supporters of a patrician style of patent governance through the judiciary also tend to discount the superior legislative capabilities to 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 enhanced democratic accountability.¹⁶³ 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 finances or internal operations of the USPTO.¹⁶⁴ 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.¹⁶⁵ Congress is also better able to address patent law reform holistically, rather than in a piecemeal fashion by raising questions in rehearing orders. For these reasons, congressional ability to address recognized concerns with the U.S. patent system cannot wisely be discounted or dismissed.

In *Bilski v. Kappos*, the Supreme Court went out of its way to say as little as possible about the patent law doctrine of statutory subject matter. The Court's opinions offer more significant lessons concerning patent law institutions and the process of law reform. *Bilski v. Kappos* refutes claims that the preferred course is for Congress to defer to the judiciary to address longstanding concerns about the operation of the U.S. patent system. Although proposed reforms to the U.S. law of statutory subject matter have not yet taken center stage in congressional deliberations to date, they may in days soon to come—and ultimately may prove the driver of a long-deferred overhaul of the U.S. Patent Act of 1952.

¹⁶² See U.S. Court of Appeals for the Federal Circuit, Biographical Directory of Federal Judges, <http://www.ca9c.uscourts.gov/> (follow "Judges" hyperlink; then follow "Randall R. Rader," "Alan D. Lourie," and "Sharon Prost" hyperlinks).

¹⁶³ See generally Robert A. Schapiro, *Judicial Deference and Interpretive Coordinacy in State and Federal Constitutional Law*, 85 CORNELL L. REV. 656 (2000).

¹⁶⁴ See Rooklidge & Barker, *supra* note 5, at 197–99.

¹⁶⁵ See generally Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office's Troubled Quest for Managerial Control*, 157 U. PA. L. REV. 2051 (2009).