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## Congress as a Catalyst of Patent Reform at the Federal Circuit

Jonas Anderson

*American University Washington College of Law*

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# Congress as a Catalyst of Patent Reform at the Federal Circuit

**Keywords**

Patent & Trademark Office, United States. Congress -- Powers & duties, Federal courts, Patent laws & legislation -- United States, Patent reform, Appellate courts -- United States, Law reform -- United States

## ARTICLES

### CONGRESS AS A CATALYST OF PATENT REFORM AT THE FEDERAL CIRCUIT

JONAS ANDERSON\*

*The U.S. Court of Appeals for the Federal Circuit is the dominant institution in patent law. The court's control over patent law and policy has led to a host of academic proposals to shift power away from the court and towards other institutions, including the U.S. Supreme Court, the U.S. Patent and Trademark Office, and federal district courts. Surprisingly, however, academics have largely dismissed Congress as a potential institutional check on the Federal Circuit. Congress, it is felt, is too slow, too divided, and too beholden to special interests to effectively monitor changes in innovation and respond with appropriate reforms.*

*This Article takes the opposite position. It proposes a prominent congressional role in patent policy, a role that extends beyond passing reform legislation. Congress's relationship with the Federal Circuit is a dialogic one in which Congress often plays an initial role of catalyst and a final role of arbiter. Understanding Congress's dialogic role in patent reform is not merely a theoretical exercise; this Article traces recent dialogic interactions between Congress and the Federal Circuit during the passage of the America Invents Act. The institutional framework proposed by this Article provides a promising alternative to continued Federal Circuit expansion over patent policy. Furthermore, dialogue between Congress and the Federal Circuit can improve decision making at the Federal Circuit while leveraging the relative advantages of both institutions in reforming the patent system.*

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\* Assistant Professor, *American University Washington College of Law*. Michael Burstein, Rochelle Dreyfuss, Paul Gugliuzza, Tim Holbrook, Benjamin Liu, Greg Reilly, Jay Thomas, Melissa Wasserman, and participants at the Third Annual Patent Conference at Chicago-Kent College of Law provided helpful comments for this Article.

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## INTRODUCTION

A well-functioning patent system is vital to important segments of the American economy.<sup>1</sup> Notwithstanding the patent system's significance, over the past thirty years supervision of patent policy has largely fallen to a single federal appellate court: the U.S. Court of Appeals for the Federal Circuit.<sup>2</sup> Recently, however, other

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1. Technology companies expend vast amounts of money securing patent portfolios in order to deter patent infringement suits. See L. Gordon Crovitz, *Google, Motorola and the Patent Wars*, WALL ST. J. (Aug. 22, 2011), <http://online.wsj.com/news/articles/SB10001424053111903639404576518493092643006> ("The value of patents in software and hardware such as smartphones has everything to do with litigation risk. It has almost nothing to do with technology."); see also *Google To Acquire Motorola Mobility* GOOGLE (Aug. 15, 2011), <http://investor.google.com/releases/2011/0815.html> (explaining that Google's acquisition of Motorola will enable it to exploit the Android platform in mobile computing). When those portfolios fail to deter lawsuits, companies often engage in high-stakes litigation that can roil markets. For example, in August 2012, the day after a district court awarded Apple \$1.05 billion in its smartphone patent dispute with Samsung, Samsung stock dropped 7.5%—a loss of over \$12 billion in market capitalization. Miyoung Kim, *Samsung Shares Drop \$12 Billion After Apple's Court Victory*, REUTERS (Aug. 27, 2012, 10:54 AM), <http://www.reuters.com/article/2012/08/27/us-samsung-shares-idUSBRE87Q00120120827>.

2. See, e.g., Dennis D. Crouch, *Evolving the Court of Appeals for the Federal Circuit and Its Patent Law Jurisprudence*, 76 MO. L. REV. 629, 630 (2011) (introducing a

institutions have increased their interest in patent law. The U.S. Supreme Court has recently become extremely active in reviewing patent cases.<sup>3</sup> Similarly, Congress,<sup>4</sup> the U.S. Patent and Trademark Office<sup>5</sup> (USPTO), and the Federal Trade Commission<sup>6</sup> (FTC) have also begun to exert their influence in the area.<sup>7</sup>

The Federal Circuit, however, has consistently expanded its jurisdiction and authority despite attempts by other institutions to influence patent policy.<sup>8</sup> Commentators and judges have observed the Federal Circuit's growing influence over patent law and have suggested potential avenues for checking the court's power.<sup>9</sup> A rich

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symposium and complete law review issue analyzing the Federal Circuit's thirtieth anniversary "as the focal point of patent law policy in the United States"); Rebecca S. Eisenberg, *The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law*, 106 MICH. L. REV. FIRST IMPRESSIONS 28, 28 (2007) (utilizing an analogy of parental visitation rights to demonstrate that "the Federal Circuit is, for all practical purposes, the parent in charge," while the Supreme Court merely "spends an occasional weekend with the kids").

3. See Timothy R. Holbrook, *Explaining the Supreme Court's Interest in Patent Law*, 3 IP THEORY 62, 62–63 (2013) (analyzing the reasons behind the Supreme Court's recent "hyperactivity" in patent law").

4. See generally Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.) (overhauling the patent act).

5. See U.S. PATENT & TRADEMARK OFFICE, THE 21ST CENTURY STRATEGIC PLAN 4 (2003), available at [http://www.uspto.gov/web/offices/com/strat21/stratplan\\_03feb2003.pdf](http://www.uspto.gov/web/offices/com/strat21/stratplan_03feb2003.pdf) ("The USPTO will lead the way in creating a quality-focused, highly productive, responsive organization supporting a market-driven intellectual property system for the 21<sup>st</sup> Century." (emphasis omitted)).

6. See generally FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (outlining independent findings and making recommendations based on the patent system and competition policy).

7. Although there has been increased interest surrounding the ideal distribution of institutional power in the patent system, it remains an underdeveloped area of study. See Stuart Minor Benjamin & Arti K. Rai, *Fixing Innovation Policy: A Structural Perspective*, 77 GEO. WASH. L. REV. 1, 2 (2008) ("The great attention to innovation policy notwithstanding, the issue of which institution(s) should be making these decisions is a relatively underexamined area of the law.").

8. See, e.g., *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359–61 (Fed. Cir. 1999) (en banc) (holding that Federal Circuit procedural law governs cases involving Lanham Act and state trademark claims). See generally Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1796 (2013) (elaborating on the Federal Circuit's attempts to "obstruct[]" other institutions from shaping patent law"—namely, state courts, other branches of the federal government, federal district courts, and the International Trade Commission).

9. See, e.g., John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 659 (2009) (elucidating the perception amongst the Supreme Court and some commentators that the Federal Circuit's patent jurisprudence "has, predictably, gone horribly awry" due to its nature as a specialized court); Gugliuzza, *supra* note 8, at 1834–35 (describing views of district court judges that the Federal Circuit exercises its power arbitrarily, with one district judge comparing patent appeals to "throw[ing] darts" (alteration in original)); Kathleen M. O'Malley et al., *A Panel Discussion: Claim Construction from the Perspective of the District Judge*, 54 CASE W. RES. L. REV. 671, 682 (2004) (articulating District Court Judge Patti Saris's statement that some district court judges are "demoralize[d]" by the Federal Circuit's high reversal rate).

literature of academic criticism has identified a host of institutions that could potentially temper the growth of the court's power and assist the court in setting innovation policy, including (1) the Supreme Court,<sup>10</sup> (2) district and other circuit courts,<sup>11</sup> (3) the USPTO,<sup>12</sup> and (4) the Solicitor General of the United States.<sup>13</sup>

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10. See, e.g., Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 806–14 (2008) [hereinafter Dreyfuss, *Institutional Identity*] (analyzing problematic developments between the Supreme Court and the Federal Circuit and suggesting solutions, such as the Court using amicus briefs as “substitute signals of importance,” since circuit splits on patent issues are nonexistent); Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 795–96 (2010) [hereinafter Dreyfuss, *What the Federal Circuit Can Learn*] (analyzing the dialogue between the generalist Supreme Court and expert Federal Circuit at both the micro and macro levels of patent policy); John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 284 (noting that the Federal Circuit can signal the Supreme Court regarding which cases are ripe for review by drafting lengthy en banc decisions with multiple opinions); Eisenberg, *supra* note 2, at 31 (suggesting that the Supreme Court could have a more prominent impact on Federal Circuit jurisprudence if its decisions “resolve[d] discrete issues in ways that provide clear guidance for future cases”); Golden, *supra* note 9, at 662–63 (arguing that the Court’s main role in patent law should be to prevent the “undesirable ossification of legal doctrine” in the Federal Circuit by providing “partial direction” when reviewing substantive patent law); Gary M. Hoffman & Robert L. Kinder, *Supreme Court Review of Federal Circuit Patent Cases: Placing the Recent Scrutiny in Context and Determining if It Will Continue*, 20 DEPAUL J. ART TECH. & INTELL. PROP. L. 227, 275–77 (2010) (hinging America’s future economic well-being on the Supreme Court’s continued review of the Federal Circuit’s patent decisions in connection with creating a strong patent system). But see Glynn S. Lunney, Jr., *Patent Law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 SUP. CT. ECON. REV. 1, 2–3 (2004) (arguing that the Supreme Court in recent years has followed existing Federal Circuit precedent, thereby allowing the Federal Circuit to “rewrit[e]” patent law).

11. See, e.g., Jeanne C. Fromer, *District Courts as Patent Laboratories*, 1 U.C. IRVINE L. REV. 307, 319–20 (2011) (suggesting limiting the venue for patent cases, which would narrow the number of district courts hearing patent case, raise the number brought in those districts, and thereby increase the expertise of those judges presiding over patent cases); Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principle*, 101 NW. U. L. REV. 1619, 1623–25, 1664–67 (2007) (proposing to allow other circuits to hear patent cases, thereby creating “a competitive jurisdictional framework” for patent law); Arti K. Rai, *Specialized Trial Courts: Concentrating Expertise on Fact*, 17 BERKELEY TECH. L.J. 877, 889–95 (2002) (proposing specialized patent district courts); William C. Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit’s Discomfort with Its Appellate Role*, 15 BERKELEY TECH. L.J. 725, 726 (2000) (describing the Federal Circuit as “an intermediate appellate court [that] usurps elements of the decision-making process” ordinarily left to the trial court and noting the negative effects this “judicial hyperactivity” has on district courts); Christopher G. Wilson, Note, *Embedded Federal Questions, Exclusive Jurisdiction, and Patent-Based Malpractice Claims*, 51 WM. & MARY L. REV. 1237, 1239–40 (2009) (arguing that malpractice suits based on patent litigation should remain in state courts, even though the Federal Circuit has statutory jurisdiction).

12. See, e.g., Benjamin & Rai, *supra* note 7, at 6 (urging for the creation of an executive branch position to supervise innovation policy); Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 317–20, 326–28 (2007) (advocating for greater deference to the USPTO through statutory or judicial implementation of the administrative law doctrine); Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1751 (2011) (asserting that Congress should grant the USPTO rule-

Despite calls for new institutional voices in patent policy, the Federal Circuit has, by and large, maintained control of patent law.<sup>14</sup>

Surprisingly, scholars have generally dismissed Congress's potential role in supervising patent law and checking the Federal Circuit's expanse.<sup>15</sup> There are various reasons for the skepticism with which the literature treats congressional action in patent law. First, Congress has shown an extreme disinterest in patent law over the past sixty years.<sup>16</sup> Since 1952, with the exception of the 2011 Leahy-Smith America Invents Act<sup>17</sup> (AIA), Congress has made only modest changes to the patent statute.<sup>18</sup> Thus, scholars have tended to ignore Congress when discussing institutional relationships in patent

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making authority); Gugliuzza, *supra* note 8, at 1820–26 (suggesting that the USPTO is a “weak administrative agency” because “the Federal Circuit enhances its power at the expense of the [US]PTO,” and describing various ways that Congress and the executive branch have attempted to “push back”); Ryan Vacca, *Acting Like an Administrative Agency: The Federal Circuit En Banc*, 76 MO. L. REV. 733, 754–58 (2011) (arguing that the Federal Circuit engages in substantive rulemaking akin to an administrative body, and therefore an alternative patent policy authority is needed); Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1977–78 (2013) (arguing that courts should afford *Chevron* deference to some USPTO decisions interpreting the Patent Act); *see also* Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 231–33 (2013) (weighing the “pros and cons” of the court’s “unorthodox role”; attributing the court’s agency-like authority to the Patent Act; and arguing that the court is stuck between the Supreme Court, which attempts to curb the Federal Circuit’s power, and Congress, which seeks uniformity in patent law).

13. *See, e.g.*, John F. Duffy, *The Federal Circuit in the Shadow of the Solicitor General*, 78 GEO. WASH. L. REV. 518, 549 (2010) (arguing that the Solicitor General is the de facto “competitor” to the Federal Circuit in patent cases at the Supreme Court).

14. *See generally* J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 NW. U. L. REV. 1 (2014) (arguing that the Federal Circuit’s de novo standard for claim construction serves to decrease district court influence); Gugliuzza, *supra* note 8 (demonstrating how the Federal Circuit has expanded its influence in various institutional relationships).

15. *See, e.g.*, Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336, 348 (2005) (claiming that as of 2005, Congress had not proposed true “reform” of the patent laws since at least 1836); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1041 (2003) (“[T]he history of the patent statute as well as its language strongly suggest that Congress has delegated policymaking responsibility in patent law to the judiciary.”).

16. *See* Clarisa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965, 1966 (2009) (“Since 1952, Congress has left much of the market for supply-side influence in patent law to the federal courts and, to a lesser degree, to the [US]PTO.”).

17. *See* Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

18. *See* Long, *supra* note 16, at 1965–66 (comparing congressional intervention in the area of copyright law with more limited intervention into patent statutes); *see also infra* Part II (discussing how the AIA has created a dialogic relationship between Congress and the Federal Circuit).

policy.<sup>19</sup> Second, the few scholars who have considered congressional intervention in patent law have dismissed such intervention as undesirable.<sup>20</sup> Academic critics describe Congress as ill-suited to make the frequent, fine-tuned adjustments to patent law that are required to have the patent system operate optimally.<sup>21</sup> Furthermore, Congress is seen as overly beholden to special-interest groups and lobbyists interested in capturing patent rents.<sup>22</sup>

This Article argues that Congress has a vital role to play in shaping patent policy, a role which extends beyond piece-meal modification of the patent statute. As this Article demonstrates, Congress can improve the operation of the patent system by acting as a catalyst of patent reform at the Federal Circuit. Congress can nudge the court to reconsider calcified precedents or procedural rules that need to be updated. Furthermore, when new technological realities render

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19. See *supra* note 15 (discussing articles that note Congress's relative absence of activity in the area of patent law).

20. See, e.g., DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 5 (2009) (suggesting that the judicial branch, and not Congress, is best positioned to reform patent law); Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 108 (2010) (advocating limiting Congress's role in patent reform to "procedural reform and corrective legislative action"); Xuan-Thao Nguyen, *Dynamic Federalism and Patent Law Reform*, 85 IND. L.J. 449, 469–71, 489 (2010) (preferring reform emanating from district courts because Congress has been unable to revamp the patent system due to entrenched interest groups); 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) ("Congress should . . . focus its efforts on areas clearly outside the purview of the courts, such as improving the operations of the USPTO.").

A few scholars have noted that Congress has some institutional advantages over the courts. For example, Jay Thomas believes that Congress has better research capacities, offers enhanced democratic capabilities, can oversee aspects of USPTO management that the Federal Circuit does not review, and can reform the law holistically. See John R. Thomas, *Patent Governance in the United States: Lessons from Bilski v. Kappos*, in *BIOTECHNOLOGY AND SOFTWARE PATENT LAW: A COMPARATIVE REVIEW OF NEW DEVELOPMENTS* 193, 217–18 (Emanuela Arezzo & Gustavo Ghidini eds., 2011) ("For these reasons, congressional ability to address recognized concerns with the U.S. patent system cannot wisely be discounted or dismissed."). Thomas views judicial engagement with patent reform as undesirable, see *id.* at 215 (arguing that the congressional decision to await a pending Federal Circuit case "imposed months of delay upon congressional efforts, and analysis of its impact seems to have cause[d] further deferral of patent reform legislation"), a position with which this Article disagrees, see *infra* Part III.

21. See, e.g., BURK & LEMLEY, *supra* note 20, at 5 (proposing that Congress, or any other unified body, would be unsuccessful in regulating patent law due to variance between industries).

22. See, e.g., *id.* at 6 (hypothesizing that a Congress dependent on industry lobbying to form specialized patent rules would create undesirable results); see also Liza Vertinsky, *Comparing Alternative Institutional Paths to Patent Reform*, 61 ALA. L. REV. 501, 542 (2010) (arguing that congressional action is preferable only when the needed legal change "has high variance (rather than gradual adjustment), low specificity (applying to all inventions, independent of context), broad participation (including coordination with other policy agendas), and low speed").



aspects of the patent system obsolete, Congress can identify doctrinal areas that need reform and signal that need to the Federal Circuit. This signaling function is similar to the role that some scholars have associated with the Supreme Court in its relationship with the Federal Circuit.<sup>23</sup> But the signaling function that Congress can undertake is potentially much broader than that of the Supreme Court. Whereas the Supreme Court functions as a percolator of change for particular doctrines, Congress can suggest broad reform initiatives that can lead to substantial overhauls of patent policy at the Federal Circuit.

When Congress seriously considers legislative reform to the patent laws, it opens up a dialogue with the Federal Circuit. This dialogue often begins in Congress and then moves to the Federal Circuit. The court can react to congressional reform proposals in a number of ways: directly lobbying Congress; altering its jurisprudence; or increasing supervision and instruction to the USPTO, U.S. International Trade Commission (ITC), and federal district courts. Importantly, because the court interacts with the legislative branch, the Federal Circuit's response occurs under the shadow of legislation. If the court fails to adequately address the reform issues raised by Congress, Congress can choose to amend the patent statute or rearrange power structures within the patent system in an effort to better align the patent law with innovation policy goals.

This Article's reconceptualization of Congress as a catalyst for patent reform is not merely theoretical. Evidence of this dialogic relationship with the Federal Circuit recently emerged during the patent reform efforts that resulted in the 2011 AIA.<sup>24</sup> This Article begins by tracing and identifying the dialogic interactions that produced that legislation. During the debate over the AIA, Congress initiated the reform effort and established the initial parameters of the dialogue with the Federal Circuit. Congress identified areas of patent law in need of reform and proposed legislative changes to address those areas. Among the areas of concern were patent venue, monetary damages, and claim construction.

Congress's proposed legislation catalyzed the Federal Circuit to review its jurisprudence in the areas affected by the legislation.<sup>25</sup> Congress then allowed the court to work out the details of doctrinal

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23. See, e.g., Golden, *supra* note 9, at 703–05 (identifying the Supreme Court's ability to “percolat[e]” the Federal Circuit's patent jurisprudence).

24. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

25. See generally Dan L. Burk, *Patent Reform in the United States: Lessons Learned*, REGULATION, Winter 2012–2013, at 20, 22 (arguing that certain reform proposals were “rendered moot by judicial resolution”).

change. The Federal Circuit attempted to resolve the issues identified by Congress in a number of different ways. First, Federal Circuit judges publically commented on the merits of the various legislative proposals. Second, the court invoked its discretionary mandamus power to alter the patent venue standards. Third, Federal Circuit judges actively advocated for its position to the patent bar, urging the bar to appeal damages decisions so that the court could shape the jurisprudence surrounding that area of the law. Lastly, the court fundamentally altered long-standing precedents that mooted controversial aspects of the pending legislation. In response to the Federal Circuit's actions, Congress moved forward with an alternate legislative agenda.

What are we to think of Congress's modern role in patent policy? On the one hand, deferring legislative-like decisions to a court runs contrary to the traditional view of courts' and legislatures' respective roles in the political system. However, Congress certainly envisioned that the Federal Circuit would engage in some policymaking functions when it established the court in 1982 with a mandate to unify and supervise patent law.<sup>26</sup> Furthermore, as scholars have noted previously, Congress is simply unable to anticipate the policy changes necessary to properly reward inventors of cutting-edge technologies.<sup>27</sup> Thus, deferring some policymaking to the Federal Circuit makes sense from an institutional standpoint.

On the other hand, congressional action can have salutary effects on the patent system as a whole. Congress is uniquely suited to regulate the balance of power in patent policy. Along with acting as a catalyst for broad reform at the Federal Circuit, Congress can regulate the interactions among the various institutions in the patent system. Furthermore, as a representative body, Congress can identify and respond to fundamental problems in the patent system more swiftly and with more broad-based input than courts.

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26. See Rai, *supra* note 15, at 1040–41 (deriving the Federal Circuit's policymaking powers from the "open-ended language of the patent statute"). Scholars have long recognized that specialized courts—particularly specialized *appellate* courts—are more likely than courts of general jurisdiction to intervene in the legislative process. See generally LAWRENCE BAUM, SPECIALIZING THE COURTS 39–40 (2011) (describing the tendency of specialized courts to enhance their policymaking power); RICHARD A. POSNER, THE FEDERAL COURTS: CHALLENGE AND REFORM 254 (rev. ed. 1999) (describing the executive and legislative branch's enhanced control over policies set by specialized courts through the power of appointment).

27. See *supra* notes 20–22 (articulating other scholars' arguments regarding the limited instances in which congressional action is desired, such as where policy needs to be promulgated quickly, in part because Congress is subject to conflicting special-interest groups).

Somewhat counterintuitively, congressional intervention in patent law can actually improve the speed with which patent reform occurs. For example, during the debates over the AIA, the Federal Circuit altered particularly controversial and troublesome doctrines that the court had failed to address for many years prior.<sup>28</sup> Those changes to thorny doctrinal areas would not likely have occurred absent congressional involvement. Similarly, freed from the quagmire of those contentious issues, Congress was able to pursue a reform agenda with bipartisan support, an agenda which included altering the inventorship standard and improving the funding for the USPTO.<sup>29</sup> Prodding the court to action thus permitted Congress to move forward with reforms that had realistic chances of becoming law.

This Article proceeds in three parts: Part I provides a historical account of congressional involvement in patent law before the AIA. Part II traces the dialogic relationship that emerged between Congress and the Federal Circuit during the passage of the AIA. This Part focuses on three particularly controversial areas of proposed reforms—venue, damages, and claim construction—which were ultimately omitted from the final version of the AIA after dialogue between the Federal Circuit and Congress. Part III provides a normative assessment of Congress’s new catalytic role in patent law. This Part concludes with a critical assessment of the implications that Congress’s emerging role has for the future of patent law and policy.

### I. CONGRESS’S ROLE IN PATENT POLICY

The U.S. Constitution creates distinct powers for the legislative and judicial branches. To Congress, the Constitution grants the power to create federal laws.<sup>30</sup> To the judiciary, the Constitution grants the power to review cases or controversies.<sup>31</sup> The separation of powers between the branches ensures that distinct governmental bodies maintain distinct law-making functions, with each body “in its own area, none to operate in the realm assigned to the other.”<sup>32</sup>

Despite the distinction between the respective powers granted to the legislative and judicial branches, Congress and the courts do

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28. See *infra* Part II (describing the dialogue between the Federal Circuit and Congress that led to the exclusion of three parts of the AIA—namely, the provisions on damage awards, venue infringement actions, and interlocutory appeals of claim construction rulings).

29. See generally Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284.

30. U.S. CONST. art. I, § 7, cl. 2. That power is limited to some extent by the executive branch’s veto power. See *id.*

31. *Id.* art. III, § 2.

32. Philip B. Kurland, *The Rise and Fall of the “Doctrine” of Separation of Powers*, 85 MICH. L. REV. 592, 593 (1986).

engage in a dialogue about the correct interpretation and application of laws.<sup>33</sup> The “dialogue” between courts and Congress is a rich source of study for the legal academy.<sup>34</sup> However, because Congress has been reluctant to engage with patent law, its dialogic role in patent law has been under-theorized.<sup>35</sup> This Part builds towards a theory of dialogue between Congress and the Federal Circuit by first examining the history of Congress’s role in patent policy.

#### A. Congress’s Historical Role in Patent Policy

The U.S. Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>36</sup> Congress wasted little time in exercising that enumerated power by enacting the nation’s first patent act on April 10, 1790.<sup>37</sup> The 1790 Patent Act created a patent board to determine whether an invention was worthy of a patent.<sup>38</sup> The patent board consisted of three executive branch officials: the Secretary of State (then Thomas Jefferson), the Secretary of War, and the Attorney General.<sup>39</sup>

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33. As a general matter, the “dialogue” between the courts and Congress occurs when the courts interpret and frame issues in need of resolution and Congress responds by amending the laws or acquiescing to the judiciary’s interpretation. See Richard L. Hasen, *End of the Dialogue? Political Polarization, the Supreme Court, and Congress*, 86 S. CAL. L. REV. 205, 208–09 (2013) (finding that congressional overrides of Supreme Court decisions averaged twelve times per congressional session between 1975 and 1990). Hasen notes that the frequency of overrides has significantly dropped since 1991, and even more since 2001. *Id.* at 209.

34. See, e.g., William N. Eskridge, Jr., *Overriding Supreme Court Statutory Interpretation Decisions*, 101 YALE L.J. 331, 352 (1991) (describing three scenarios in which the statutory interpretation of the Supreme Court is likely to be overridden: split decisions based on political ideology, conservative decisions based on plain meaning or the canons of construction, and decisions that harm the interests of the federal government); Lawrence Gene Sager, *The Supreme Court, 1980 Term—Foreword: Constitutional Limitations on Congress’ Authority To Regulate the Jurisdiction of the Federal Courts*, 95 HARV. L. REV. 17, 17–20 (1981) (analyzing the dialogue between the courts and Congress over federal court jurisdiction that emerged in the early 1980s as a “product of deep hostility” to judicial precedents relating to contentious issues such as “abortion rights, school prayers, and public school desegregation through mandatory busing”); Michael E. Solimine & James L. Walker, *The Next Word: Congressional Response to Supreme Court Statutory Decisions*, 65 TEMP. L. REV. 425, 425–28 (1992) (contending that Congress may alter a statute after an unfavorable Supreme Court ruling, which, oftentimes, is an interpretation of a constitutional provision).

35. See Benjamin & Rai, *supra* note 7, at 2–3 (using the patent system as an example to demonstrate the lack of academic discussion concerning which governmental institutions should promote and support technological innovation).

36. U.S. CONST. art. I, § 8, cl. 8.

37. Act of Apr. 10, 1790, ch. 7, 1 Stat. 109, 109–12 (repealed 1793).

38. See *id.* § 1, 1 Stat. at 109–10.

39. *Id.*; accord P.J. Federico, *Operation of the Patent Act of 1790*, 18 J. PAT. OFF. SOC’Y 237, 237–38 (1936).

The 1790 Patent Act was short-lived for two reasons. First, it charged the members of the patent board with personally examining patents, which, in light of their other responsibilities, proved untenable.<sup>40</sup> Second, inventors were displeased with the 1790 Patent Act's strict threshold for patent protection—that inventions be “sufficiently useful and important.”<sup>41</sup> Because of the high standard for patentability and the difficulty with members of the President's cabinet personally examining applications, only fifty-seven patents were granted during the three years of the 1790 Patent Act.<sup>42</sup>

As a result of these failures, Congress enacted the Patent Act of 1793, which removed the requirement that inventions be “sufficiently useful and important” and replaced the examination process with a registration system, leaving the evaluation of patentability entirely to the courts.<sup>43</sup> The Patent Act of 1793 retained a terse standard for patentability: an inventor could patent “any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement on any art, machine, manufacture or composition of matter, not known or used before the application.”<sup>44</sup> The inventor was still required to provide a written description of the invention and the manner of use

in such full, clear and exact terms, as to distinguish the same from all other things before known, and to enable any person skilled in the art or science, of which it is a branch, or with which it is most nearly connected, to make, compound, and use the same.<sup>45</sup>

The Patent Act of 1793 placed control of patent policy in the hands of the courts. Congress altered the law only infrequently in the years following the act, primarily to expand the class of individuals eligible to apply for a patent.<sup>46</sup> The task of establishing the contours of patent rights and requirements such as infringement and

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40. See § 1, 1 Stat. at 109–10; Federico, *supra* note 39, at 251; Letter from Thomas Jefferson to Hugh Williamson (Apr. 1, 1792), *reprinted in* 6 THE WORKS OF THOMAS JEFFERSON 458–59 (Paul Leicester Ford ed., fed. ed. 1904) (lamenting that the patent board's failure to adequately review all patent applications gave him “the most poignant mortification”).

41. § 1, 1 Stat. at 110; Steven Lubar, *The Transformation of Antebellum Patent Law*, 32 TECH. & CULTURE 932, 935–36 (1991).

42. Edward C. Walterscheid, *To Promote the Progress of Useful Arts: American Patent Law and Administration, 1787–1836 (Part 1)*, 79 J. PAT. & TRADEMARK OFF. SOC'Y 61, 73 & n.43 (1997).

43. See Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318, 321.

44. *Id.* § 1, 1 Stat. at 319.

45. *Id.* § 3, 1 Stat. at 321.

46. Compare Act of Apr. 17, 1800, ch. 25, §§ 1, 3, 2 Stat. 37, 38 (permitting resident aliens with two years of residency to apply for patent protection and allowing treble damages), with Act of July 13, 1832, ch. 203, 4 Stat. 577 (permitting all resident aliens with intentions of applying for citizenship to apply for patent protection).

patentability concerns fell to the federal courts.<sup>47</sup> The doctrines that the courts created while interpreting the Patent Act of 1793 remain the bedrock of patent law to this day.<sup>48</sup>

In response to complaints that patents had become too easy to obtain, Congress undertook a major revision of the patent act in 1836.<sup>49</sup> The new act reinstated an executive agency—the patent office—to review patents before issuance.<sup>50</sup> The 1836 Patent Act, for the first time, required the applicant to “particularly specify and point out the part, improvement, or combination, which he claims as his own invention or discovery.”<sup>51</sup> This provision is the antecedent for modern claim drafting worldwide.<sup>52</sup> Congress also established statutory bars,<sup>53</sup> created interference proceedings to resolve competing claims,<sup>54</sup> and provided for patent term extension of seven additional years in certain circumstances.<sup>55</sup>

Congress revisited the patent statutes periodically during the end of the nineteenth century. Many of the changes during this time period were administrative improvements, such as the establishment of a three-member panel to review twice-rejected applications<sup>56</sup> and a provision for the printing of granted patents.<sup>57</sup> Congress also tinkered with patent length, increasing the standard patent term to seventeen years for grant of utility patents<sup>58</sup> and optional three-and-a-half, seven, or fourteen-year terms for design patents.<sup>59</sup>

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47. See generally Walterscheid, *supra* note 42, at 64 (“[P]atent acts have always depended upon common-law principles for their construction . . .” (quoting 1 WILLIAM CALLYHAN ROBINSON, *THE LAW OF PATENTS FOR USEFUL INVENTIONS* 15 n.3 (1890))).

48. See Andrew P. Morriss & Craig Allen Nard, *Institutional Choice & Interest Groups in the Development of American Patent Law: 1790–1865*, 19 SUP. CT. ECON. REV. 143, 152–53 (2011) (explaining that early cases interpreting patent law developed tests to analyze the scope of claims, which have become “the Doctrine of Equivalents”); see also *Evans v. Eaton*, 16 U.S. (3 Wheat.) 454, 490–91, 501–02 (1818) (applying the 1793 Patent Act to determine the claim scope of an improvement on a multicomponent flour milling machine and to determine whether public use prior to the patent application had occurred—two issues still addressed in today’s courtrooms).

49. Act of July 4, 1836, ch. 357, 5 Stat. 117.

50. *Id.* § 1, 5 Stat. at 117–18.

51. *Id.* § 6, 5 Stat. at 119.

52. See generally Anderson & Menell, *supra* note 14 (describing in detail the rise of the claim in patent documents).

53. See § 7, 5 Stat. at 119–20. The statutory bars were (1) prior invention in the United States, (2) prior patent or publication anywhere in the world, and (3) public use or sale with applicant’s consent. *Id.*

54. See *id.* § 8, 5 Stat. at 120–21.

55. *Id.* § 18, 5 Stat. at 124–25.

56. Act of Mar. 2, 1861, ch. 88, § 3, 12 Stat. 246, 247.

57. *Id.* § 14, 12 Stat. at 249.

58. *Id.* § 16, 12 Stat. at 249.

59. *Id.* § 11, 12 Stat. at 248.

As the twentieth century began, the courts and increasingly the patent office were left to establish the details of patent policy and doctrine. The Supreme Court established fundamental patent principles via doctrinal innovations. For example, the Court created the non-obviousness requirement to eliminate patents on innovations that did not exhibit a sufficient degree of inventiveness.<sup>60</sup> Courts also established completely new doctrines with little relation to the statute, such as the rule against double-patenting.<sup>61</sup> Further, courts limited the ability of applicants to amend applications during prosecution before the patent office.<sup>62</sup> All of these judicially imposed doctrines limited patent-eligibility in vaguely constitutional ways by limiting the definition of “discoveries” or invention.<sup>63</sup>

This period of relative congressional inaction in patent policy ended in 1952. In enacting the Patent Act of 1952,<sup>64</sup> Congress statutorily codified two long-standing judicial requirements: the non-obviousness and novelty requirements.<sup>65</sup> It is important to note that Congress did not intervene in patent policy in order to reverse the course of the courts and the patent office; rather, Congress stepped in to codify long-standing rules and clarify which judicial precedents merited statutory codification.<sup>66</sup> The landmark Patent Act of 1952 remains the foundation of patent law today, even though its provisions are quite general in nature.<sup>67</sup> Since the Patent Act of 1952,

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60. See *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248, 263 (1850) (establishing the non-obviousness requirement for patent eligibility).

61. See *Suffolk Co. v. Hayden*, 70 U.S. (3 Wall.) 315, 319 (1865) (establishing the double patenting bar, which prohibits patents on obvious inventions filed by the same inventor).

62. See *Godfrey v. Eames*, 68 U.S. (1 Wall.) 317, 324–25 (1863) (holding that amendments to a specification could not introduce “a distinct and different invention” that had not been “contemplated by the specification[] as submitted at the outset”).

63. See, e.g., *Hotchkiss*, 52 U.S. (11 How.) at 269–70 (establishing an inventiveness threshold via the obviousness requirement).

64. Act of July 19, 1952, Pub. L. No. 82-593, 66 Stat. 792 (codified as amended in scattered sections of 35 U.S.C.).

65. See *id.* § 102, 66 Stat. at 797–98 (novelty); *id.* § 103, 66 Stat. at 798 (non-obvious).

66. See H.R. REP. NO. 82-1923, at 5 (1952) (“[T]he principal purpose of the bill is the codification of title 35, United States Code and involves simplification and clarification of language and arrangement, and elimination of obsolete and redundant provisions . . . . The major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.”); see also Stefan A. Riesenfeld, *The New United States Patent Act in the Light of Comparative Law I*, 102 U. PENN. L. REV. 291, 291 (1954) (noting that the 1952 Act was an exercise in “revision and recodification”); Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. PAT. OFF. SOC’Y 476, 480–97 (1953) (describing how section 271 of the Patent Act of 1952 codified the doctrines of clean hands and of contributory infringement).

67. See Long, *supra* note 16, at 1969 (“The broad standards that comprise most of the patent code indicate that Congress has delegated patent policy to the courts . . .”).

Congress has been largely silent on patent matters, deferring more and more to the judicial and executive branches.<sup>68</sup> When Congress has intervened, it has generally done so: (1) to change technical requirements of a patent application,<sup>69</sup> (2) to protect particular interest groups or patent categories,<sup>70</sup> (3) to implement treaty requirements,<sup>71</sup> or (4) to modify the administrative structure of the patent system.<sup>72</sup>

Indeed, Congress's deferral to the other branches in setting patent policy led to the creation of an entirely new federal court of appeals to handle patent cases: the Federal Circuit.<sup>73</sup> The unique role of the Federal Circuit in the U.S. legal system allows the court to straddle the boundary between legislator and tribunal.

### B. *The Creation of the Federal Circuit*

The federal judiciary is, to a large extent, comprised of generalist judges and generalist courts.<sup>74</sup> Before the creation of the Federal Circuit, all twelve extant Article III appeals courts were courts of general jurisdiction.<sup>75</sup> However, in 1982, Congress began an

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68. *Id.* at 1968 (“On the few occasions that significant amendments to the patent statute have been successful, they have often pertained to procedural or administrative matters—such as better funding for the [US]PTO—on which all participants agree.”).

69. *See, e.g.*, Act of Aug. 27, 1982, Pub. L. No. 97-247, § 6(a), 96 Stat. 317, 320 (codified as amended at 35 U.S.C. § 116 (2012)) (liberalizing the remedies for incorrect listing of inventors on an application).

70. *See, e.g.*, Drug Price Competition and Patent Term Restoration (Hatch-Waxman) Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585, 1598–99 (codified as amended at 35 U.S.C. § 156) (extending patent protection for pharmaceutical inventions).

71. *See, e.g.*, Act To Authorize the United States To Participate in Chapter II of the Patent Cooperation Treaty, Pub. L. No. 99-616, § 4, 100 Stat. 3485, 3485–86 (1986) (codified as amended at 35 U.S.C. § 362) (granting the USPTO the authority to carry out searches of international applications).

72. *See, e.g.*, Patent Law Amendments Act of 1984, Pub. L. No. 98-622, tit. II, 98 Stat. 3383, 3386–89 (codified as amended in scattered sections of 35 U.S.C.) (consolidating USPTO review bodies into the Board of Patent Appeals and Interferences).

73. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (establishing the Federal Circuit and the U.S. Court of Federal Claims). The Federal Circuit's jurisdiction is set out in 28 U.S.C. § 1295(a).

74. *See* BAUM, *supra* note 26, at 1–2 (noting that while the legislative and executive branches are bastions of specialization, the judiciary prides itself on “specializ[ing] in judging but not in any particular subject matter”).

75. The U.S. Court of International Trade (“CIT”) is another Article III court that has jurisdiction based on subject matter rather than geography. *See* 28 U.S.C. § 1581(a)–(c). The CIT is a trial level tribunal with appeals being heard at the Federal Circuit. *Id.* § 1295(a)(5)–(6). The U.S. Court of Appeals for the D.C. Circuit is considered by some to be a specialized court. *See, e.g.*, John M. Golden, *The Federal Circuit and the D.C. Circuit: Comparative Trials of Two Semi-Specialized Courts*, 78 GEO. WASH. L. REV. 553, 554 (2010) (characterizing the D.C. Circuit as a “quasi-specialized administrative law court” (quoting CHRISTOPHER P. BANKS, JUDICIAL POLITICS IN THE D.C. CIRCUIT COURT, at xiii (1999))). While the D.C. Circuit does



“experiment” in specialized appellate adjudication.<sup>76</sup> The Federal Circuit was created by combining two Article I courts: the U.S. Court of Claims and the U.S. Court of Customs and Patent Appeals.<sup>77</sup> Congress granted the court exclusive jurisdiction over all appeals arising under the patent laws, whether originating from U.S. district courts,<sup>78</sup> the USPTO,<sup>79</sup> or the ITC.<sup>80</sup> Thus, the court has enjoyed a near monopoly on patent appeals for over thirty years.<sup>81</sup>

Advocates proffered various rationales for the need to create a specialized patent appellate court. First, proponents argued that concentrating patent appeals in a single court would create stability and predictability in the law.<sup>82</sup> The creation of the Federal Circuit, it was argued, would result in a single, uniform body of law and eliminate the widespread practice of patent forum shopping that existed in the 1970s.<sup>83</sup> It was hoped that uniformity and predictability

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have some specialized jurisdiction relating to review of administrative agencies, the bulk of its caseload stems from geographic-based appeals. *See id.* at 554–55.

76. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 3 (1989) [hereinafter Dreyfuss, *The Federal Circuit*] (referring to the creation of the Federal Circuit as “a sustained experiment in specialization”).

77. THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY, 1982–1990, at 1 (Marion T. Bennett ed., 1991) (describing the court’s origins); *see* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

78. *See* § 127(a), 96 Stat. at 37 (codified as amended at 28 U.S.C. § 1295(a)(1)) (granting the Federal Circuit exclusive jurisdiction over appeals in cases in which the district court’s jurisdiction arises under the Patent Act).

79. *Id.* § 127(a), 96 Stat. at 38 (codified as amended at 28 U.S.C. § 1295(a)(4)(A)).

80. *Id.* (codified as amended at 28 U.S.C. § 1295(a)(6)).

81. The only area of patent law over which the Federal Circuit does not have exclusive jurisdiction is in relation to patent questions that are raised exclusively in non-compulsory counterclaims. *See* *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 832 (2002) (“[W]e decline to transform the longstanding well-pleaded-complaint rule into the ‘well-pleaded-complaint-or-counterclaim rule’ urged by respondent.”); *Wawrzynski v. H.J. Heinz Co.*, 728 F.3d 1374, 1378–81 (Fed. Cir. 2013) (discussing the AIA partially undermining the *Holmes* rule and expanding Federal Circuit jurisdiction to cover patent issues raised in compulsory counterclaims); *see also* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 539–41 (2012) [hereinafter Matal, *AIA Guide Part II*] (identifying the “*Holmes Group* fix,” added by the Senate in 2011, which abrogated *Holmes*, 535 U.S. 826, and granted federal jurisdiction only to compulsory counterclaims (footnote omitted)).

82. *See* COMM’N ON REVISION OF THE FED. COURT APPELLATE SYS., STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE, *reprinted in* 67 F.R.D. 195, 369–71 (1975) (advocating for a single court with nationally binding jurisdiction to guide and monitor the field of patent law in order to end the geographical circuit deviations).

83. *See, e.g., id.* at 370–71 (“Patentees now scramble to get into the 5th, 6th and 7th circuits since the courts there are not inhospitable to patents whereas infringers scramble to get anywhere but in these circuits. Such forum shopping not only increases litigation costs inordinately and decreases one’s ability to advise clients, it demeans the entire judicial process and the patent system as well.”); Dreyfuss, *The Federal Circuit*, *supra* note 76, at 7 (maintaining that one of the purposes of the

in the law would encourage increased investment in patent-eligible technologies.<sup>84</sup> Second, proponents argued that the expertise gained by judges on the new court would allow the court to efficiently adjudicate patent cases.<sup>85</sup> Specialization requires judges to repeatedly hear a particular type of case; repetition, in turn, allows judges to quickly dispose of their work.<sup>86</sup> Specialization also frees generalist courts from having to occasionally wade into complicated areas with which they have little experience, such as patent law.<sup>87</sup> Clearing dockets of unwanted patent cases, it was thought, would allow generalist judges to more quickly dispose of their remaining caseload.<sup>88</sup> Lastly, proponents believed that concentrating patent cases in one court would lead to increased judicial expertise and thus higher-quality decisions.<sup>89</sup>

The creation of the Federal Circuit was not without criticism. Opponents of the court argued that specialized courts suffered from “tunnel vision.”<sup>90</sup> By hearing only a limited subset of legal issues, specialist judges may become convinced of the subset’s importance and create jurisprudence with an eye towards further increasing the subset’s importance and thereby enhancing the influence of the

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Federal Courts Improvement Act of 1982 was to resolve forum shopping issues by providing a single forum for patent arguments).

84. See Dreyfuss, *The Federal Circuit*, *supra* note 76, at 2–3, 7 (describing the difficulties of multiple forums hearing patent disputes and the measures taken to remedy these difficulties); see also Duffy, *supra* note 13, at 518 (“[T]he court was expected to create a unified body of patent precedents that would be developed by judges having some substantial degree of experience and expertise in the field.”).

85. See, e.g., *Court of Appeals for the Federal Circuit—1981: Hearings on H.R. 2405 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 97th Cong. 42–43 (1981) (statement of the Hon. Howard T. Markey, C.J., Court of Customs and Patent Appeals) (analogizing judicial specialization to “brain surgery” and arguing that specialized courts will be more efficient, just as specialized surgeons perform brain surgery much more quickly than general surgeons).

86. See *id.*

87. See *id.* at 43.

88. See *id.* at 42–43.

89. See, e.g., BAUM, *supra* note 26, at 33 (“The most useful way to define [quality] is in relation to what judges are trying accomplish. If judges seek to interpret the law well, expertise helps them choose the best interpretation. If they seek to make good policy, expertise helps them identify the case outcomes and legal doctrines that constitute good policy as they define it.”); cf. David P. Currie & Frank I. Goodman, *Judicial Review of Federal Administrative Action: Quest for the Optimum Forum*, 75 COLUM. L. REV. 1, 67–68 (1975) (articulating arguments for the creation of specialized administrative courts, such as “the notion that review of highly technical administrative decisions requires a better grasp of the subject matter than can be expected from the generalist judge”). But see Rochelle Cooper Dreyfuss, *Specialized Adjudication*, 1990 BYU L. REV. 377, 379–82 (expounding the negative impacts that specialized courts create, such as “an isolation that jeopardizes [a specialized court’s] ability to shape the law”). See generally Harold H. Bruff, *Specialized Courts in Administrative Law*, 43 ADMIN. L. REV. 329, 330–32 (1991) (comparing and contrasting “[t]he general benefits and costs of specialized courts”).

90. Dreyfuss, *The Federal Circuit*, *supra* note 76, at 3.

court.<sup>91</sup> Additionally, opponents of the court's creation expressed concern that the court would be prone to "capture," in that repeat litigants before the court would gain influence and sway over the court's decisions. Concentrating a particular type of case in a single court increases the incentives for affected parties to influence the decisions of that court as well as future appointments of judges.<sup>92</sup> Lastly, some critics suggested that the repetitive caseload of the Federal Circuit would fail to attract "talented jurists."<sup>93</sup>

### C. Control of Patent Policy

Despite these criticisms, Congress's decision to create the Federal Circuit has been, from most perspectives, a "success."<sup>94</sup> Industry groups are largely satisfied with the court, other countries have begun imitating the U.S. patent institutional structures,<sup>95</sup> and generalized appellate courts have rarely complained about the absence of patent cases on their dockets.<sup>96</sup> As hoped, the court's virtual monopoly over patent appeals has eliminated patent forum shopping, at least at the appellate level.<sup>97</sup> The court has also implemented a number of procedural and case management innovations that have improved the predictability of patent

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91. See Gugliuzza, *supra* note 8, at 1853–54 (describing how the Federal Circuit has leveraged its specialized status by creating legal rules that expand the court's jurisdiction).

92. See Dreyfuss, *The Federal Circuit*, *supra* note 76, at 3 (articulating the criticism that specialized judges "are susceptible to 'capture' by the bar that regularly practices before them" (citing RICHARD A. POSNER, *THE FEDERAL COURTS: CHALLENGE AND REFORM* 157 (1985))).

93. *Id.* (explaining that the narrowness of the work and the lack of originality in opinions may deter talented jurists from the specialized patent field (citing POSNER, *supra* note 92, at 150))).

94. See Dreyfuss, *What the Federal Circuit Can Learn*, *supra* note 10, at 790 (chronicling the development of the Federal Circuit and noting that concerns regarding the specialization of the court did not materialize).

95. *Id.* See generally Peter J. Corcoran, III, *Strategies To Save Resources and Reduce E-Discovery Costs in Patent Litigation*, 21 *TEX. INTELL. PROP. L.J.* 103 (2013) (analyzing the court's model order on e-discovery that applied an innovated use of predictive coding, helping streamline document review in patent litigation at the Federal Circuit and in some district courts with large patent dockets).

96. During hearings on the formation of the Federal Circuit, Congressman Sawyer suggested that presiding over patent cases was one of "the most unattractive thing about being a federal judge." *Hearings*, *supra* note 85, at 46 (statement of Rep. Harold S. Sawyer).

97. Forum shopping at the district court level, however, is widespread. See, e.g., J. Jonas Anderson, *Litigant Shopping: Federal Courts and the Competition for Patent Cases*, 163 *U. PENN. L. REV.* (forthcoming 2014) (manuscript at 3) (on file with author) (arguing that some district courts engage in "litigant shopping"); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 *N.C. L. REV.* 889, 892 (2001) (finding that a lack of uniformity among districts hearing patent cases led to widespread forum shopping).

enforceability and standardized various aspects of patent litigation.<sup>98</sup> Most importantly, some observers credit the court with making substantive alterations to patent jurisprudence that have resulted in increased predictability across the most critical aspects of patent enforcement including infringement, validity,<sup>99</sup> and licensing.<sup>100</sup>

But not everyone is satisfied. Although the Federal Circuit is generally credited with strengthening patent rights, it has been less successful in establishing a clear national patent policy.<sup>101</sup> The court has been criticized as overly formalistic and tone deaf to the implications of its decisions on larger national policies.<sup>102</sup> Indeed, the court has explicitly disavowed any role in crafting patent policy.<sup>103</sup>

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98. See, e.g., *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372, 391 (1996) (affirming the Federal Circuit's ruling that claim construction is reserved for the courts). The *Markman* case has resulted in the widespread adoption of *Markman* hearings in which, usually prior to trial, the trial court construes the meaning of the patent claim terms. Frank M. Gasparo, Note, *Markman v. Westview Instruments, Inc. and Its Procedural Shock Wave: The Markman Hearing*, 5 J.L. & Pol'y 723, 723–26 (1997). The Federal Circuit has received significant criticism for its claim construction jurisprudence and the corresponding high reversal rate of claim construction appeals. See, e.g., Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 232–34 (2005) (reporting a 34.5% reversal rate from 1996 to 2003 and indicating that “existing literature asserts a reversal rate ranging from 25% to 50%, depending on the study cited”). Nevertheless, other scholars have noted that this rate is not substantially higher than reversal rates in other complex fields. See, e.g., Jeffrey A. Lefstin, *Claim Construction, Appeal, and the Predictability of Interpretive Regimes*, 61 U. MIAMI L. REV. 1033, 1038–39 (2007) (noting that the patent claim construction reversal rate is not substantially higher than reversal rates observed in the political science literature). Peter Menell and I have demonstrated that the rate of claim construction reversals has recently dropped. See, e.g., Anderson & Menell, *supra* note 14, at 40 tbl.3 (finding a 20.4% reversal rate of claim construction in 2011 and a significant drop in reversal rates since 2005).

99. See, e.g., Jeffrey A. Lefstin, *The Measure of the Doubt: Dissent, Indeterminacy, and Interpretation at the Federal Circuit*, 58 HASTINGS L.J. 1025, 1072 (2007) (arguing that the Federal Circuit has increased predictability in the infringement and validity contexts).

100. See, e.g., Robert W. Gomulkiewicz, *The Federal Circuit's Licensing Law Jurisprudence: Its Nature and Influence*, 84 WASH. L. REV. 199, 202 (2009) (describing the Federal Circuit's lead role in evolving the common law of licensing, which has led other courts to look to it for guidance).

101. See Dreyfuss, *Institutional Identity*, *supra* note 10, at 827 (finding that the Federal Circuit has not succeeded “in using its expertise to keep patent law responsive to changing technological facts and emerging national interests”).

102. See, e.g., John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 773–75 (2003) (“asserting that the Federal Circuit has embraced an increasingly formal jurisprudence,” asking only “whether the invention is minimally useful,” rather than weighing its effect on innovation policy—an inclination that causes the court to “drift toward simple rules”).

103. See, e.g., *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1324–25 (Fed. Cir. 2012) (“[D]isapproving of patents on medical methods and novel biological molecules are policy questions best left to Congress . . .”), *aff'd in part, rev'd in part sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013). Federal Circuit judges have taken this stance off the bench as well. See, e.g., Paul Michel, *Judicial Constellations: Guiding*

Despite the Federal Circuit's explicit disavowal of patent policymaking, the court has fiercely defended its primacy over patent law.<sup>104</sup> Because of the sparseness of the patent statute, policymaking is an implicit reality of patent adjudication in the United States.<sup>105</sup> Thus, the court has had to doctrinally innovate to achieve current levels of uniformity and predictability, a task that involves policy-based selections of preferential doctrines.<sup>106</sup>

Some commentators have suggested that the court can and should do more. Professor John Golden, for example, has encouraged the Federal Circuit to act as a doctrinal “percolator.”<sup>107</sup> He has argued that by avoiding overbroad readings of its own panel opinions and reviewing important doctrines as an en banc court, the Federal Circuit can “ensure that its interpretations and applications of Congress's statutory scheme remain sensible in light of new circumstances and knowledge.”<sup>108</sup>

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*Principles as Navigational Aids*, 54 CASE W. RES. L. REV. 757, 764–65 (2004) (dismissing the need for the court to engage in a “discussion of philosophy”); S. Jay Plager & Lynne E. Pettigrew, *Rethinking Patent Law's Uniformity Principle: A Response to Nard and Duffy*, 101 NW. U. L. REV. 1735, 1737, 1749 (2007) (proclaiming that “the court's function is not to assess the extent to which the congressional policy is responsive to current problems or to determine how well-tuned the statute is to subtle changes in people's behavior or market conditions,” but acknowledging that court must engage in doctrinal “testing and rethinking,” even when a consensus has been reached); Judge Alan D. Lourie, *A View from the Court*, Address at the Fifth Annual Seton Hall Law and New Jersey Intellectual Property Law Association Fall Lecture Series (Oct. 23, 2007) (prepared remarks available at [http://www.cafc.uscourts.gov/images/stories/announcements/2008/AL\\_Williamsburg\\_Speech.pdf](http://www.cafc.uscourts.gov/images/stories/announcements/2008/AL_Williamsburg_Speech.pdf)) (“Since I have been on the court, over 18 years, not once have we had a discussion as to what direction the law should take . . . . That is because we are not a policy-making body. We have just applied precedent as best we could determine it to the cases that have come before us.”).

104. See Gugliuzza, *supra* note 8, at 1828–30 (summarizing the means by which the Federal Circuit has asserted its power over forming patent law by adjudicating state court claims arising alongside patent cases, developing rules that respond to pending patent proposals before Congress, and limiting the authority of the USPTO).

105. See Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1674 (2003) (explaining because Congress intentionally created “a statute that contains more standards than rules,” the court, “[e]ven if it wanted to, . . . could not eliminate the resulting discretion without fundamentally rewriting the rules of patent law”); see also Vacca, *supra* note 12, at 758 (arguing that the Federal Circuit is “the only institution that could handle the task” of setting federal patent policy); Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1440 & n.7 (2012) (stating that the Federal Circuit judge's “boasting [in their disinterest in patent policy] misses the point”).

106. See, e.g., *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970–71, 983–84 (Fed. Cir. 1995) (en banc) (establishing the uniform rule that claim construction is a matter of law to be exclusively determined by a judge to avoid the complexities created by potential Seventh Amendment conflicts and factual inquiries), *aff'd*, 517 U.S. 370 (1996).

107. See Golden, *supra* note 9, at 716–20 (advocating changes the Federal Circuit can make to take on the role of the “second percolator,” with the Supreme Court being the first).

108. *Id.*

Professor Rochelle Dreyfuss views the Federal Circuit's achievement of increased predictability as a preliminary step in achieving a much larger goal: transforming the Federal Circuit into an overt policymaking body.<sup>109</sup> As she has said:

Now that [the Federal Circuit's] credibility is solidified, it can be more proactive about developing procedural law that makes good use of its expertise. It can also shift its focus from meeting Congress's short-term uniformity and predictability objectives to assuming its role as the near-final authority in patent jurisprudence, responsible for crafting law that is responsive to the needs of the creative community and the users of knowledge products.<sup>110</sup>

Professor Dreyfuss has encouraged the Supreme Court to clarify whether the Federal Circuit is "just one more appellate court" or whether the court has a special role to play in shaping patent law.<sup>111</sup>

These scholars and others have devoted substantial attention to the Federal Circuit experiment and the role that the court plays in setting patent policy. Several researchers have studied the court's relationship with the USPTO, the district courts, and the Supreme Court.<sup>112</sup> However, little attention has been paid to the court's relationship with the institution most directly responsible for setting patent policy: Congress.<sup>113</sup> This surprising gap in the scholarship is likely due to the clearly defined roles that each institution plays: Congress crafts legislation, after which the Federal Circuit must apply

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109. Dreyfuss, *Institutional Identity*, *supra* note 10, at 827–28 (expressing hope that the court's doctrinal and policy problems will be cured by "[t]he next generation of jurists" and advocating that practitioners "consider more policy-oriented briefing" as the court evolves). See generally David O. Taylor, *Formalism and Antiformalism in Patent Law Adjudication: Rules and Standards*, 46 CONN. L. REV. 415 (2013) (analyzing Dreyfuss's and other scholar's positions and advancing the argument that the Supreme Court must police the Federal Circuit's consideration of rule-based adjudication in order to increase uniformity).

110. Dreyfuss, *Institutional Identity*, *supra* note 10, at 827.

111. *Id.* at 828.

112. See *supra* notes 9–14 and accompanying text (listing scholars' arguments for ebbing the Federal Circuit's control over patents through increased involvement of other institutions and courts).

113. The treatment of the court's relationship with Congress tends to be cursory or tangential. For instance, in an excellent treatment of the court's policymaking capacity vis-à-vis the USPTO, Ryan Vacca devoted one paragraph to Congress's role in patent policy. See Vacca, *supra* note 12, at 752–53 ("In sum, although Congress has recently passed patent reform after several years of being unable to muster the political will to do so, much work remains to be done."). In his 2013 article, Paul Gugliuzza provided examples of the court's "indirect dialogue" with Congress. See Gugliuzza, *supra* note 8, at 1827–28 (indicating that in 2008, while proposals to amend federal venue provisions in patent cases were pending in Congress, "the Federal Circuit—for the first time ever—ordered a district court to transfer a patent case to a more convenient forum").

and interpret Congress's directives.<sup>114</sup> Alternatively, the lack of attention may stem from Congress's apparent disinterest in patent law from 1952 to 2005.<sup>115</sup> The following Part begins to address the role that Congress plays in modern patent reform by closely tracing the dialogic relationship that has recently emerged between Congress and the Federal Circuit.

## II. CATALYZING PATENT REFORM: LEGISLATIVE AND JUDICIAL DIALOGUE DURING PASSAGE OF THE AMERICA INVENTS ACT (2005–2011)

On September 16, 2011, after six years of legislative debate, President Obama signed the AIA into law.<sup>116</sup> The final bill represented the most comprehensive legislative reform of U.S. patent law in nearly sixty years.<sup>117</sup> The enacted law made two major changes to the patent system. First, it changed the U.S. system from a first-to-invent system to a first-to-file system—similar, but not identical, to the system used in nearly every other country.<sup>118</sup> Second, the law created a number of post-grant review procedures at the USPTO with the intended result of increased administrative oversight of the patent system.<sup>119</sup>

While the AIA represents a significant departure from the previous statutory regime, earlier versions of the bill contained much more

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114. See generally Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 438–47 (2012) [hereinafter Matal, *AIA Guide Part I*] (outlining the path to enacting the AIA from the first draft submitted by Representative Lamar Smith in 2005, to its eventual signing in 2011 by President Obama).

115. See *supra* notes 16–18 (explaining that until the AIA, Congress made only small changes to the patent statute after 1952).

116. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.); Matal, *AIA Guide Part II*, *supra* note 81, at 651 (“After six years of efforts on patent reform, the sponsors and supporters of the AIA understandably were eager to send it directly to the President for his signature.”); see also *President Obama Signs America Invents Act, Overhauling the Patent System To Stimulate Economic Growth, and Announces New Steps To Help Entrepreneurs Create Jobs*, WHITE HOUSE (Sept. 16, 2011), <http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim> (quoting the President as stating he was “pleased to sign” the “much-needed reform”).

117. See Matal, *AIA Guide Part II*, *supra* note 114, at 435 (explaining that “[t]he AIA is the first comprehensive patent bill to be enacted since the Patent Act of 1952”).

118. See § 3, 125 Stat. at 285–87 (codified at 35 U.S.C. § 102(a) (2012)) (creating a first-to-file system, meaning that the critical date in determining whether a patent application meets the substantive requirements to be valid as a novel invention or improvement is defined by the date the application was filed, whereas the U.S. previously determined the critical date by the patent’s invention date); see also Matal, *AIA Guide Part I*, *supra* note 114, at 453–66 (discussing the legislative history of this provision).

119. See, e.g., § 6, 125 Stat. at 299, 306 (codified at 35 U.S.C. §§ 311, 321 (2012)) (providing for inter partes and post-grant review). See generally Matal, *AIA Guide Part II*, *supra* note 81 (describing the evolution and eventual adoption of the AIA post-issuance proceedings including inter partes review and post-grant review).

radical changes.<sup>120</sup> Of course, the fact that a proposed law is modified during the legislative process does not, standing alone, merit serious attention. However, the manner in which Congress and the Federal Circuit engaged with each other during the patent reform process is noteworthy. This Part traces the legislative proposals that led to the AIA as well as the Federal Circuit's corresponding reaction to those proposals. It focuses on three controversial proposals in early versions of patent reform legislation—venue, damages, and claim construction—that were all excised from the enacted bill.

A. *The Beginning of Patent Reform: 109th Congress (2005–2006)*

The protracted legislative battle over patent reform involved diverse parties with vested interests in the patent system.<sup>121</sup> High-technology companies had become largely disillusioned with the patent system.<sup>122</sup> Because of the cumulative nature of innovation in the industry, technology companies inevitably encountered patent barriers in commercializing their products.<sup>123</sup> Notable instances of large damage awards or injunctions on popular consumer electronics soured many in the industry on the patent system.<sup>124</sup> Furthermore, the rise of the so-called “patent troll” exposed companies to high settlement costs for inadvertently infringing on relatively minor

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120. See Matal, *AIA Guide Part I*, *supra* note 114, at 438–47 (describing the history of the bill from introduction in 2005 through enactment including the Leahy and Berman bills that had several controversial provisions). Compare, e.g., America Invents Act, H.R. 1249, 112th Cong. § 5 (as introduced in House, Mar. 30, 2011) (proposing an infringement defense “based on earlier inventor”), with § 5, 125 Stat. at 297 (codified at 35 U.S.C. § 273) (enacting a “[d]efense to infringement based on prior commercial use”).

121. See Nguyen, *supra* note 20, at 468–71 (discussing the unsuccessful attempts to enact patent reform legislation from 2005 to 2010 and attributing the Congress's failures to “the opposing interests of the various industry sectors regarding patents and innovation”); see, e.g., Christopher M. Holman, *Biotechnology's Prescription for Patent Reform*, 5 J. MARSHALL REV. INTELL. PROP. L.J. 318, 323–25 (2006) (describing the biotechnology industry's interest in patent reform and how those interests often clashed with the technology industry).

122. For a more detailed discussion, see Burk & Lemley, *supra* note 105, at 1630–38 (discussing the pros and cons of industry-specific patent legislation).

123. See Mark A. Lemley, *Ten Things To Do About Patent Holdup of Standards (and One Not To)*, 48 B.C. L. REV. 149, 150 (2007) (noting that there are often hundreds if not thousands of patents covering every product in the IT industry).

124. See, e.g., *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1287 (Fed. Cir. 2005) (noting \$53,704,322.69 damages awarded by the lower court to NTP for Research in Motion's BlackBerry™ system infringement of several of NTP's patents); *Hynix Semiconductor Inc. v. Rambus, Inc.* No. 00-20905, 2006 WL 1991760, at \*1 (N.D. Cal. 2006) (noting a jury award of \$306,967,272 for sales of a product containing a Rambus SDRAM device); see also Brian J. Love, Note, *Patentee Overcompensation and the Entire Market Value Rule*, 60 STAN. L. REV. 263, 265 (2007) (discussing the excessive overcompensation available through the entire market value rule when calculating damages of multicomponent electronic devices).



inventions.<sup>125</sup> Technology companies often found themselves at the defendant's table in patent litigation and were thus interested in capping damage awards, limiting venue options for patent holders, and reducing litigation costs.<sup>126</sup>

In contrast to the high tech industries, the pharmaceutical and biotech industries depend upon the strength of the patent system in order to recoup the high cost of research and development of new drugs.<sup>127</sup> When research and development is successful, pharmaceutical companies require legal means to fend off copyists.<sup>128</sup> Because there is little likelihood of innocent infringement in the industry, patent trolls do not pose a threat.<sup>129</sup>

Thus, the pharma and biotech industries were interested in patent reform measures that differed from the measures preferred by the software and electronics industries. Pharmaceutical companies favored strong patent rights and the ability to collect large damage awards. The pharmaceutical industry was concerned with congressional proposals to cap damage amounts and therefore lobbied against patent reform.<sup>130</sup> Small inventors and research institutions joined the lobbying efforts of the pharmaceutical

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125. See Gene Sterling, *Taking on Patent Trolls To Protect American Innovation*, WHITE HOUSE BLOG (June 4, 2013, 1:55 PM), <http://www.whitehouse.gov/blog/2013/06/04/taking-patent-trolls-protect-american-innovation> (detailing the rise of “patent trolls”—companies that employ abusive litigation tactics “not to reward innovation and enforce intellectual property, but to threaten companies in order to extract settlements based on questionable claims”—since 2011); see also Richard Posner, *Patent Trolls*, BECKER-POSNER BLOG (June 21, 2013, 5:12 PM), <http://www.becker-posner-blog.com/2013/07/patent-trollsposner.html> (“The term ‘patent trolls’ is a colloquialism that denotes what the trolls themselves prefer to call ‘patent-assertion entities.’ A patent troll buys patents (sometimes thousands) with the aim not of making the patented product or process or licensing it to others to make but of finding companies or individual inventors that the troll can claim with more or less plausibility are infringing one or more of his inventory of patents.”).

126. See Holman, *supra* note 121, at 322–23 (noting that the technology industry supported caps on damage awards and venue restrictions).

127. See Burk & Lemley, *supra* note 105, at 1587 n.30 (noting that in 2002, the National Institutes of Health spent approximately \$21.6 billion in research and development).

128. Josh Bloom, *Should Patents on Pharmaceuticals Be Extended To Encourage Innovation?: Yes, Innovation Demands It*, WALL ST. J. (Jan. 23, 2012), <http://online.wsj.com/news/articles/SB10001424052970204542404577156993191655000> (explaining that some of the consequences of a lack of patent protection in the pharmaceutical industry include “decreased innovation, fewer drugs, and more job losses”).

129. See Posner, *supra* note 125 (noting that regulatory exclusivity initially protected pharmaceutical companies from patent trolls). *But cf.* Robin Feldman & W. Nicholson Price II, *Patent Trolling—Why Bio & Pharmaceuticals Are at Risk* 6 (Univ. of Cal. Hastings Coll. of the Law Legal Studies Research Paper Series, Paper No. 93), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2395987](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2395987) (arguing that “life sciences trolling is predictable and in its infancy”).

130. See Holman, *supra* note 121, at 323–25 (explaining that pharmaceutical companies were against proposed patent reforms for fear of having their patent rights diminished).

industry.<sup>131</sup> These entities also opposed restrictions on patent enforcement because they rely heavily on strong patent rights to fund initial research and development.<sup>132</sup>

Despite the high-technology industries' dissatisfaction with the patent system, patent reform did not begin in earnest until a 2003 report by the Federal Trade Commission<sup>133</sup> and subsequent report by the National Academy of Sciences<sup>134</sup> (NAS) criticized various aspects of the patent system. The reports from the FTC and NAS identified various Federal Circuit doctrines that were inconsistent with the patent system's goal of encouraging innovation.<sup>135</sup> Following the reports from the FTC and NAS, Congress began to seriously debate patent reform.

*Congressional Action*—On June 8, 2005, Lamar Smith, the Chairman of the House Judiciary Committee's Subcommittee on Courts, the Internet, and Intellectual Property, introduced the Patent Reform Act of 2005.<sup>136</sup> Representative Smith characterized the Act as "without question, the most comprehensive change to U.S. patent law since Congress passed the 1952 Patent Act."<sup>137</sup> The bill would have limited inequitable conduct before the USPTO as a defense to patent infringement, eliminated the best mode requirement for patent applications, and created administrative procedures for opposing already-issued patents.<sup>138</sup>

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131. See *id.* at 323–27 (listing the Universities of Wisconsin-Madison, Scios, Therakos, and Centocor as examples).

132. See Carl E. Gulbrandsen et al., *Patent Reform Should Not Leave Innovation Behind*, 8 J. MARSHALL REV. INTELL. PROP. L. 328, 333 (2009) (discussing how the university community generally disfavored the limitations on patent infringement damages proposed in patent reform bills).

133. FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003) [hereinafter FTC REPORT], available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

134. NAT'L RESEARCH COUNCIL ON INTELL. PROP. RIGHTS IN THE KNOWLEDGE-BASED ECON., A PATENT SYSTEM FOR THE 21ST CENTURY (Stephen A. Merrill et al. eds, 2004) [hereinafter NAS REPORT].

135. Although the Patent Reform Act of 2005 adopted many of the recommendations from the FTC and NAS, it did not propose the sweeping changes that were proposed in those and other publications. For instance, the bill also would have made it easier to invalidate an issued patent, *id.* at 9 (recommending a "preponderance of evidence standard for invalidity challenges").

136. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005).

137. *Patent Act of 2005: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. 1 (June 9, 2005) (statement of Rep. Lamar Smith, Chairman, Subcomm. on Intellectual Prop.).

138. See H.R. 2795, 109th Cong. § 4(a) (amending 35 U.S.C. § 118 (d)(1)(B) by removing the requirement of setting forth the best mode of carrying out the invention); *id.* § 5(a) (amending 35 U.S.C. 136(c)(3) by limiting inequitable conduct as a defense to patent infringement); *id.* § 9 (creating a variety of post-grant review procedures).

In addition, the Patent Reform Act of 2005 proposed significant changes to the patent venue statute and patent damages law.<sup>139</sup> The proposed venue reform was designed to limit forum shopping in patent litigation and was particularly targeted at the U.S. District Court for the Eastern District of Texas.<sup>140</sup> The Eastern District had recently experienced a phenomenal period of growth in patent filings.<sup>141</sup> In 2002, thirty-five patent suits were filed in the Eastern District of Texas; four years later, that number had jumped to 216.<sup>142</sup> The district's newfound popularity was due to a combination of welcoming judges, infamously large jury awards, and a disinclination to grant motions to transfer venue.<sup>143</sup>

Additionally, the Eastern District of Texas owed some of its success in attracting patent cases to the permissive patent venue provision. This provision, 35 U.S.C. § 1400, permits infringement suits in any “district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”<sup>144</sup> The Federal Circuit has interpreted a corporation's residence, for purposes of § 1400, as any district with personal jurisdiction over the defendant.<sup>145</sup> Thus, in patent cases,

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139. The proposed venue provisions, as well as the proposed modifications to the damages provisions, were introduced via amendment. See *Amendment in the Nature of a Substitute to H.R. 2795, the “Patent Act of 2005”*: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary, 109th Cong. 2 (Sept. 15, 2005) [hereinafter *Amendment in the Nature of a Substitute Hearing*] (statement of Rep. Lamar Smith, Chairman, Subcomm. on Intellectual Prop.). Although the substitute was never formally introduced, the draft was widely distributed and was the subject of committee hearings on September 15, 2005. See generally *id.* at 1.

140. Xuan-Thao Nguyen, *Justice Scalia's “Renegade Jurisdiction”: Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 119 (2008) (“The venue provisions as proposed in numerous congressional bills are squarely directed at the [Eastern District of Texas] where patent litigation has risen sharply in the last three years.”).

141. See *id.*; Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES (Sept. 24, 2006), [http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=all&_r=0) (indicating that “[m]ore patent suits will be filed [in Marshall, Texas] this year than in federal district courts in San Francisco, Chicago, New York and Washington” due to “[a] combination of quick trials and plaintiff-friendly juries”).

142. See Nguyen, *supra* note 140, at 130 tbl.6 (chronicling the number of cases filed in the Eastern District of Texas from fiscal year 2001 to 2006).

143. See generally Anderson, *supra* note 97 (arguing that the Eastern District of Texas's popularity was in part due to the district's judges' interest in attracting patent litigants).

144. 28 U.S.C. § 1400(b) (2012).

145. See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583–84 (Fed. Cir. 1990) (applying the amended general federal venue provision, 28 U.S.C. § 1391(c), to patent infringement cases); see also Moore, *supra* note 97, at 895–96 (describing the conflation of the patent venue statute and the general venue statute in patent cases); Thomas A. O'Rourke, *The Modernization of the Patent Venue Statute*, 14 GEO. MASON L. REV. 585, 600 (1992) (stating that the patent venue statute had been broadened by the *VE Holding* and the 1998 amendment to the general venue provision).

venue is synonymous with personal jurisdiction.<sup>146</sup> Companies that offer products nationally are likely to be subject to the personal jurisdiction of a large number of U.S. district courts, if not all ninety-four.<sup>147</sup> The 2005 Patent Reform Act would have tightened the venue standard by limiting venue to (1) districts in which the defendant had its principal place of business, or (2) districts in which acts of infringement occurred and the defendant had an established place of business.<sup>148</sup> That change would have required a much stronger connection between the plaintiff and the location of the district court than that required by the then-current venue provision.

The bill also sought to alleviate growing concerns over the Federal Circuit's damages jurisprudence.<sup>149</sup> A number of patent cases had resulted in very high damages awards.<sup>150</sup> Although these high damage award cases were certainly outliers,<sup>151</sup> the threat of such costly damage awards caused large technology companies to prefer early settlement of patent cases, even when many of those cases appeared meritless.<sup>152</sup>

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146. See *VE Holding Corp.*, 917 F.2d at 1584 (“[T]he . . . test for venue under § 1400(b) with respect to a defendant that is a corporation, in light of the 1988 amendment to § 1391(c), is whether the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced.”).

147. See Megan M. LaBelle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 GEO. MASON L. REV. 43, 69–70 (2010) (recognizing that the typical party sued for patent infringement is a company dealing in interstate commerce, essentially making it subject to personal jurisdiction in any federal court).

148. See *Amendment in the Nature of a Substitute Hearing*, *supra* note 139, at 2, 64 (outlining the tests courts apply in determining what constitutes a “principle place of business”).

149. See Johnathan M. Jackson, *If It Ain't Broke, Don't Fix It: The Pitfalls of Major Reform of the Doctrine of Willful Patent Infringement in the Wake of Knorr-Bremse*, 15 U. BALT. INTEL. PROP. L.J. 37, 44–45 (2006) (discussing how the limits on damages through proposed abolition of the willful infringement doctrine in the 2005 Act ran counter to Federal Circuit precedent).

150. See, e.g., *Advanced Med. Optics, Inc. v. Alcon Labs., Inc.*, No. 03-1095-KAJ, 2005 WL 3454283, at \*1, \*9–10 (D. Del. Dec. 16, 2005) (enhancing the jury's damages award to over \$200 million for patents covering “fluid management system[s]” during cataract surgery); see also Marius Meland, *\$ 213.9M Verdict Upheld in Advanced Medical Optics Case*, LAW360 (Dec. 19, 2005), [http://www.law360.com/articles/4806/-213-9m-verdict-upheld-in-advanced-medical-optics-case?article\\_related\\_content=1](http://www.law360.com/articles/4806/-213-9m-verdict-upheld-in-advanced-medical-optics-case?article_related_content=1).

151. See J. SHAWN MCGRATH & KATHLEEN M. KADROWSKI, DAMAGES TRENDS IN PATENT AND LANHAM ACT CASES 2–3 (2010), available at <http://apps.americanbar.org/litigation/committees/corporate/docs/2010-cle-materials/05-hot-topics-ip-remedies-injunctions/05b-damages-trends-ga-bar.pdf> (indicating that the average patent damages award between 1990 and 1999 was approximately \$13.2 million with a median award of \$2.1 million and that the top ten awards between 1982 and 2008 “account for nearly half of the total patent damages of approximately \$5 billion awarded since 1982”).

152. See, e.g., Susan Decker, *Litigation Fatigue Cited in Apple, Microsoft Patent Fight*, BLOOMBERG (Apr. 25, 2012, 12:49 PM), <http://www.bloomberg.com/news/2012-04-25/litigation-fatigue-cited-in-apple-microsoft-patent-fight.html> (quoting Tim Cook, the CEO of Apple, as saying “the company would ‘highly prefer to settle versus battle’”).

Before 2005, the Federal Circuit was largely deferential to district court damage awards. The court affirmed lenient application of the entire market value rule, a rule that awarded damages based on the value of the entire product.<sup>153</sup> Observers cited the court's failure to clarify damages jurisprudence as one of the principal jurisprudential failings of the Federal Circuit.<sup>154</sup>

The 2005 Patent Reform Act would have restricted the discretion of district courts in awarding damages. First, the bill would have limited the availability of enhanced damages for willful infringement of a patent.<sup>155</sup> Further, the bill instructed courts to consider "if relevant and among other factors, the portion of the realizable value that should be credited to the inventive contribution."<sup>156</sup> This language explicitly identified the value of the advancement of the invention as a factor in damage calculations. Presumably, a district court applying this directive would not grant a large damage award for infringement of a minor innovation.<sup>157</sup>

The Patent Reform Act of 2006, a bill patterned after the Patent Reform Act of 2005 was introduced in the Senate in August 2006.<sup>158</sup> The Senate version of patent reform went even further than the House version in limiting damages in patent infringement cases.<sup>159</sup>

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over patents," as "the legal wrangling was taking its toll, with 'a lot of money going to lawyers and things, instead of building great products for users'").

153. See, e.g., *Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1372–73 (Fed. Cir. 2004) (vacating a jury's reasonable royalty award and remanding to determine lost profits based on a more expansive interpretation of the entire market value rule); see also Amy L. Landers, *Let the Games Begin: Incentives to Innovation in the New Economy of Intellectual Property Law*, 46 SANTA CLARA L. REV. 307, 360 (2006) ("The most recent applications of the entire market value rule have increased the potential for recovery by a patentee . . ."); Mark A. Lemley, *The Ongoing Confusion Over Ongoing Royalties*, 76 MO. L. REV. 695, 703–04 (2011) (noting that due to the Federal Circuit's instructions, a district court had "replaced a more reliable calculation of damages with a notoriously unreliable one that quadrupled the original damages awards").

154. See, e.g., Dreyfuss, *The Federal Circuit*, *supra* note 76, at 12 ("Perhaps most surprising in view of the stakes, the court has also done less than expected with regard to clarifying the law on monetary damages.")

155. Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 6 (2005).

156. *Id.*

157. See Doug Harvey, Comment, *Reinventing the U.S. Patent System: A Discussion of Patent Reform Through an Analysis of the Proposed Patent Reform Act of 2005*, 38 TEX. TECH L. REV. 1133, 1156 ("By adding this language, [s]ection 6 [of the Patent Act of 2005] would direct the court to consider the reasonable value of the component by itself, separate from the whole device or procedure, rather than follow the overgenerous entire market value rule.")

158. Patent Reform Act of 2006, S. 3818, 109th Cong. (2006).

159. The Patent Reform Act of 2006 also proposed repealing 35 U.S.C. § 271(f), which creates infringement liability for supplying a component of a patented product abroad. S. 3818, § 5(f); see also 35 U.S.C. § 271(f) (2012). In 2007, however, the Supreme Court addressed § 271(f) in *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007). While the case was pending before the Court, Congress

The bill codified three factors to consider in reasonable royalty calculations. First, courts should consider “the economic value that should be attributed to the novel and non-obvious feature or features of the invention.”<sup>160</sup> Similar to the House bill, the Senate bill would have required courts to consider the advance of the invention as a factor in damage calculations. Second, courts should look at the terms of non-exclusive licenses concerning the invention.<sup>161</sup> Lastly, courts could consider other relevant factors.<sup>162</sup>

Unlike Congress’s version of patent reform, the Senate bill also took aim at the Federal Circuit’s procedural handling of claim construction.<sup>163</sup> Patent claim construction is the process of interpreting patent boundaries.<sup>164</sup> Claim construction is central to the operation of the patent system because it defines the limits of a patent holder’s right to exclude<sup>165</sup> and guides infringement and validity analysis.<sup>166</sup> Not surprisingly given the doctrine’s importance,

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removed any mention of § 271(f) from the Patent Reform Act of 2007 because “the provision [was] currently pending before the Supreme Court.” Patrick Leahy, *Leahy, Hatch, Berman and Smith Introduce Bicameral, Bipartisan Patent Reform Legislation*, PROJECT VOTE SMART (Apr. 18, 2007), <http://votesmart.org/public-statement/254893/leahy-hatch-berman-and-smith-introduce-bicameral-bipartisan-patent-reform-legislation#UxGcTuOwLBY> (“If the Court does not resolve the issue, we will revisit it in the legislative process.”). Thus, the dialogue over patent reform involved not only the Federal Circuit, but the Supreme Court as well. *Cf.* Thomas, *supra* note 20, at 217 (arguing that *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), “provides potent testimony that the courts do not always possess superior capabilities for addressing the widely recognized problems that plague the modern U.S. patent system”).

160. S. 3818, 109th Cong. § 5(a)(1)(B).

161. *Id.*

162. *Id.*

163. *See id.* § 3(b).

164. *See* David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 225 (2008) (“Claim construction is the process of interpreting the specific terms or phrases used by the patentee to define the technology covered by the patent.”).

165. The late Judge Giles S. Rich, an architect of 1952 Patent Act and long-serving member of the Federal Circuit and its predecessor court the Court of Customs and Patent Appeals, famously noted that “the name of the game is the claim.” Giles S. Rich, *The Extent of the Protection and Interpretation of Claims—American Perspectives*, 21 INT’L REV. INDUS. PROP. & COPYRIGHT L., 497, 499 (1990); *see also* Kimberly A. Moore, *Are District Judges Equipped To Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 8 (2001) (observing that “[d]etermining the scope of the patent claims is the most important issue in a patent infringement suit”); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1119 (2004) (“[I]t is clear that claim construction plays a major—and perhaps the major—role in patent infringement litigation.”); William Redin Woodward, *Particularity and Definiteness in Patent Claims*, 46 MICH. L. REV. 755, 757 (1948) (characterizing claims as “all important on the measure of the grant”). *See generally* Kristen Osenga, *Linguistics and Patent Claim Construction*, 38 RUTGERS L.J. 61, 68–73 (2006) (explaining the Federal Circuit’s claim construction jurisprudence).

166. *See* Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction*, 157 U. PA. L. REV. 1743, 1749 (2009) (describing the claim

litigants frequently appeal unfavorable claim construction rulings to the Federal Circuit.<sup>167</sup> Scholars examining various time periods since the mid-1990s have reported high claim construction reversal rates that have exceeded 40%.<sup>168</sup> One district court judge has observed that in view of such a high reversal rate, “you might as well throw darts.”<sup>169</sup> The Federal Circuit has steadfastly held that it owes no deference to district court claim construction rulings.<sup>170</sup>

In light of the high reversal rates for claim construction decisions, many commentators proposed interlocutory review of claim construction decisions.<sup>171</sup> Interlocutory review in federal cases is generally available only when (1) the outcome of the case would be determined by the appeal, (2) the appeal concerns a question of law, and (3) the matter would be effectively unreviewable absent interlocutory review.<sup>172</sup> The Federal Circuit rarely grants interlocutory review of claim construction decisions.<sup>173</sup> Thus, claim construction is only reviewed after the lower court reaches a final judgment on the merits.<sup>174</sup> The lack of interlocutory review combined with the high reversal rate for claim construction resulted

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construction process and its relation to validity and infringement); Peter S. Menell et al., *Patent Claim Construction: A Modern Synthesis and Structured Framework*, 25 BERKELEY TECH. L.J. 713, 716 (2010) (discussing best practices in managing claim construction).

167. See, e.g., *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351 (Fed. Cir. 2008); see also Schwartz, *supra* note 164, at 243–44 (observing that the relatively low cost of appeals compared to the overall stakes in patent cases lead to high appeal rates).

168. See *supra* note 98. But see Anderson & Menell, *supra* note 14, at 40 tbl.3 (finding that the rate of reversal dropped to 20.4% in 2011).

169. Anandashankar Mazumdar, *Federal District Courts Need Experts that Are Good Teachers, Judges Tell Bar*, 70 PAT. TRADEMARK & COPYRIGHT J. (BNA) 536, 537 (2005) (quoting Judge Marsha J. Pechman of the U.S. District Court for the Western District of Washington).

170. See, e.g., *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc) (disavowing any prior opinions that hinted towards giving the USPTO deference and holding that the court “review[s] claim construction *de novo* on appeal including any allegedly fact-based questions relating to claim construction”).

171. See, e.g., Moore, *supra* note 165, at 34–35 (arguing that “[t]he most efficient way to balance the need for certainty and accuracy in patent claim scope determinations” is to have a “expedited appeal of the claim construction issues”); V. Ajay Singh, *Interlocutory Appeals in Patent Cases Under 28 U.S.C. § 1292(c)(2): Are They Still Justified and Are They Implemented Correctly?*, 55 DUKE L.J. 179, 181 (2005) (advocating for increased use of interlocutory appeals in patent cases).

172. *Lauro Lines v. Chasser*, 490 U.S. 495, 498–90 (1989) (discussing the exception to the final judgment rule, as outlined by the Court in *Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949)).

173. See *Cybor Corp.*, 138 F.3d at 1474 (noting that interlocutory review of claim construction is rare, especially when compared to the number of district court level reviews).

174. See Moore, *supra* note 165, at 33–34 (emphasizing that although the Federal Circuit has discretionary jurisdiction to hear appeals of claim construction that occur during the preliminary injunction stage, the court thus far has refused all such interim appeals).

in the Federal Circuit vacating numerous bench and jury trials.<sup>175</sup> This state of affairs led to frustration for both the bench and the bar.<sup>176</sup> Advocates argued that, given the likelihood of reversal, claim construction should be reviewed immediately by the appellate court, thereby eliminating the need to conduct a trial based on an incorrect understanding of claim boundaries.<sup>177</sup>

The 2006 Patent Act would have allowed interlocutory review of claim construction appeals.<sup>178</sup> The choice to include interlocutory review in the Senate's version of patent reform was explicitly dialogic in nature. The bill's sponsor said that the interlocutory review provision was intended to "generate discussion" of the optimal solution for the high reversal of claim construction reversals.<sup>179</sup> While that discussion was clearly intended to occur between the House and the Senate, it led to a dialogue with the judicial branch as well.<sup>180</sup>

While a number of hearings were held on the initial patent reform bills,<sup>181</sup> neither the Senate nor the House bill were marked up nor reported during the 109th congressional session.<sup>182</sup> It was not until the next congressional session that patent reform legislation "began in earnest."<sup>183</sup>

#### B. 110th Congress (2007–2008)

*Congressional Action*—On April 18, 2007, nearly identical patent reform bills sponsored by Senator Leahy and Congressman Berman,

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175. See, e.g., *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 64 F.3d 1553, 1555 (1995) (vacating a jury damages award after reversing on claim construction); see Moore, *supra* note 165, at 2, 33–38 ("present[ing] the results of an empirical study that shows that district court judges improperly construe patent claim terms in 33% of the cases appealed to the Federal Circuit," 81% of which are reversed, and advocating for interlocutory appeal of these decisions).

176. Menell et al., *supra* note 166, at 715 (describing the lack of a coherent claim construction process following *Markman* as prompting "a bewildering array of cases and rules that can overwhelm litigants, counsel, law clerks, and jurists").

177. See, e.g., Moore *supra* note 165, at 33–38 (advocating, as "a compromise solution," that the court "adopt a policy of granting interlocutory appeal of claim construction issues only after a grant of summary judgment of infringement or non-infringement or at some other defined stage of the litigation proceedings").

178. See Patent Reform Act of 2006, S. 3818, 109th Cong. § 8(b) (2006) (proposing an amendment to 28 U.S.C. § 1292(c)(2)).

179. 152 CONG. REC. 16,998 (2006) (statement of Sen. Orrin Hatch).

180. See *supra* notes 192–206 (discussing the subsequent back-and-forth between Congress and the Federal Circuit).

181. See H.R. REP. NO. 110-314, at 46–49 (2007) (listing various hearings discussing H.R. 1908, 110th Cong. (2007)); S. REP. NO. 110-259, at 36–38 (2008) (listing several hearings on S. 1145, 110th Cong. (2007)).

182. Matal, *AIA Guide Part I*, *supra* note 114, at 439.

183. *Id.*



respectively, were introduced in the Senate and the House.<sup>184</sup> These new bills proposed significant and controversial changes to the patent system.<sup>185</sup> In particular, two proposals in these bills aroused considerable controversy.<sup>186</sup> First, the bills proposed substantive changes to patent infringement damage calculations, beyond those proposed in the Patent Reform Act of 2006.<sup>187</sup> The new bills capped reasonable royalty damage to the “economic value properly attributable to the patent’s specific contribution over the prior art,”<sup>188</sup> whereas the Patent Reform Acts of 2005 and 2006 merely considered the contribution over the prior art as one of a number of factors. The Patent Reform Acts of 2007 also contained a limit on the entire market value (“EMV”) rule. The bills restricted the use of the EMV rule to situations in which the patented component formed the “predominant basis” for the product’s demand.<sup>189</sup>

Second, the Patent Reform Acts of 2007 included mandatory interlocutory appeals for claim construction decisions. The new proposals eliminated the final judgment requirement in order for the Federal Circuit to review claim construction decisions.<sup>190</sup> The mandatory interlocutory provision gave district courts, rather than the Federal Circuit, decision making authority over interlocutory review of claim construction.<sup>191</sup>

*Federal Circuit Response*—On May 3, 2007, while the Patent Reform Acts of 2007 were pending before committees, the Federal Circuit’s

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184. S. 1145, 110th Cong. (as introduced in Senate, Apr. 18, 2007); H.R. 1908, 110th Cong. (as introduced in House, Apr. 18, 2007). These bills comprise “the Patent Reform Acts of 2007.”

185. The 2007 Leahy-Hatch bills dropped two controversial aspects of the 2006 Hatch bill: fee shifting and inequitable conduct restrictions. *Compare* S. 3818, 109th Cong. § 5(b)–(c) (2006) (providing that the court shall award prevailing parties attorneys’ fees and expenses and adding an exception to the enforceability of patents when a party acted in bad faith), *with* S. 1145, 110th Cong. § 5 (omitting these provisions).

186. *See* Matal, *AIA Guide Part I*, *supra* note 114, at 440 (indicating that the source of controversy were “provisions that would have redefined the standards for awarding damages” as well as provisions “that related to post-issuance review of patents, venue for infringement litigation, and interlocutory appeals of claim construction”).

187. *Id.*

188. S. 1145, 110th Cong. § 5(a)(1); *accord* H.R. 1908, 110th Cong. § 5(a)(1)(C).

189. S. 1145, 110th Cong. § 5(a)(1); H.R. 1908, 110th Cong. § 5(a)(1)(C).

190. *See* Rooklidge & Barker, *supra* note 20, at 185–89 (outlining the inclusion of interlocutory appeals from the 2006 to the 2007 draft bills).

191. *See* H.R. REP. NO. 110-314, at 84 (2007) (indicating that the provision requiring district courts to certify an interlocutory appeal for it to proceed was proposed partly due to the “unusually high” reversal rate of claim construction cases (citing H.R. 1908, 110th Cong. § 11(b))); S. REP. NO. 110-259, at 28 (2008) (“The Committee intends to transfer the discretion from the Federal Circuit to the district court judge as to whether—and when—a claim construction order should be decided on appeal.” (citing S. 1145, 110 Cong. § 8)).

Chief Judge Michel responded to Congress's reform proposals. He sent a letter to Senators Leahy and Hatch expressing his opposition towards two aspects of the proposed legislation.<sup>192</sup> Specifically, Chief Judge Michel argued that the provisions on damage apportionment and claim construction interlocutory appeals were unnecessary and incapable of being implemented by the courts.<sup>193</sup> As for damages, he argued that courts were not economic experts and would be unable to distinguish the economic value of the inventive elements from the non-inventive elements.<sup>194</sup> Making such determinations, he claimed, would inundate courts with extra work and invite battles between competing experts.<sup>195</sup>

Regarding claim construction, Chief Judge Michel argued that many claim construction decisions quickly led to summary judgment and therefore were not in need of interlocutory review.<sup>196</sup> Requiring interlocutory review, he argued, would simply prolong patent disputes.<sup>197</sup> "[T]he courts as presently constituted," Chief Judge Michel wrote, "simply cannot implement the provisions in a careful and timely manner."<sup>198</sup> If Congress was sincere when it expressed its desire to "generate discussion" on patent reform,<sup>199</sup> Judge Michel's letter weighing in against interlocutory review certainly fulfilled Congress's wish.

Just one month later, Chief Judge Michel sent another letter to Shanna Winters, Chief Counsel to the House Subcommittee on Courts, the Internet, and Intellectual Property.<sup>200</sup> In this letter, Chief Judge Michel argued that damages law was "highly stable and well

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192. See Letter from Chief Judge Paul R. Michel, U.S. Court of Appeals for the Fed. Circuit, to Senators Patrick Leahy & Orrin G. Hatch, Senate Comm. on the Judiciary (May 3, 2007), available at <http://www.fr.com/files/uploads/attachments/patentdamages/05-03-07Michelletter.pdf> (questioning whether these provisions, "if enacted, . . . could be effectively and efficiently administered by the courts, particularly the Federal Circuit").

193. *Id.*

194. *Id.*

195. *Id.*

196. *Id.*

197. See *id.* (indicating that "[t]he new provision could double" already long delays in patent cases).

198. *Id.*

199. Cf. *supra* note 179 (quoting the Senator who sponsored the Patent Reform Act of 2006).

200. Letter from Chief Judge Paul R. Michel, U.S. Court of Appeals for the Fed. Circuit, to Shanna A. Winters, Chief Counsel, H. Subcomm. on Courts, the Internet, & Intellectual Prop. (June 7, 2007), available at <http://www.intellectualpropertylawblog.com/wp-content/uploads/sites/98/2007/06/Michel-letter-to-Winters.pdf>.

understood by litigators as well as judges.”<sup>201</sup> He suggested that Congress should “do nothing” concerning damages.<sup>202</sup>

*Congressional Response*—Chief Judge Michel’s lobbying efforts urging legislative inaction on damages and claim construction received mixed results. His suggestion to do nothing on damage reform was initially ignored by Congress, as Congress made changes to the damage portions of the bills despite Chief Judge Michel’s criticisms.<sup>203</sup> After mark-up, however, Congress’s bill included more modest changes to the law of patent damages than the earlier version’s provisions.<sup>204</sup> The bill also contained new damages provisions addressing “combination inventions.”<sup>205</sup> The Senate bill maintained the “inventive contribution” requirement for establishing a reasonable royalty, but limited the use of such a calculation to situations in which the EMV rule did not apply and in which actual, established royalties did not exist.<sup>206</sup>

After a bruising three-day battle on the House floor, the House version of the bill was passed by a vote of 220 to 175.<sup>207</sup> The Leahy bill, however, failed to pass the Senate.<sup>208</sup> Despite this failure, Senators Leahy and Hatch reaffirmed their commitment to passing patent reform legislation in the subsequent congressional term.<sup>209</sup> The senators recognized that certain areas remained overly contentious and would require further refinement, namely, damages, venue,<sup>210</sup> inequitable conduct, and post-grant review.<sup>211</sup>

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201. *Id.* at 1.

202. *Id.*

203. H.R. 1908, 110th Cong. § 5 (as passed by House, Sept. 7, 2007) (demonstrating modifications to damages in both House and Senate versions of reform despite Chief Judge Michel’s warning).

204. *See* S. 1145, 110th Cong. § 4 (as introduced in Senate, Apr. 18, 2007); H.R. 1908, 110th Cong. § 5 (as passed by House, Sept. 7, 2007).

205. *See* S. 1145, 110th Cong. § 4(a) (“In the case of a combination invention whose elements are present individually in the prior art, the contribution over the prior art may include the value of the additional function resulting from the combination, as well as the enhanced value, if any, of some or all of the prior art elements as part of the combination, if the patentee demonstrates that value.”); H.R. 1908, 110th Cong. § 5(a)(3) (“[I]n the case of a combination invention the elements of which are present individually in the prior art, the patentee may show that the contribution over the prior art may include the value of the additional function resulting from the combination, as well as the enhanced value, if any, of some or all of the prior art elements resulting from the combination.”).

206. S. 1145, 110th Cong. § 4.

207. 153 CONG. REC. H10,307 (daily ed. Sept. 7, 2007) (recorded vote).

208. *See* Greg Hitt, *Patent Bill Hits Impasse in the Senate*, WALL ST. J. (Apr. 18, 2008, 12:01 AM), <http://online.wsj.com/news/articles/SB120848284744025135> (reporting that Senate negotiations “broke[] down amid concerns among some senators about proposed changes in the way damage awards would be made”).

209. *See* 153 CONG. REC. S15899 (daily ed. Dec. 18, 2007) (statement of Rep. Leahy).

210. On July 12, 2007, for example, Senator Specter introduced an amendment to the Senate version of the bill that would have limited venue in patent cases. Michael C.

Congress was more receptive to the Chief Judge's lobbying efforts regarding interlocutory review. After being marked-up in committee, both bills removed the mandatory interlocutory review provisions, just as Michel had requested.<sup>212</sup> Under the marked-up versions, district judges would be required to certify claim construction decisions and would be able to choose whether to stay proceedings in the interim.<sup>213</sup> Thus, while the bills still provided for interlocutory review, after Chief Judge Michel's letter to Senators Leahy and Hatch, the proposals permitted, but did not require, such review.<sup>214</sup>

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Smith, "A Battle Over Where the War Is To Be Fought": *Venue in Patent Cases*, THE ADVOCATE, Winter 2007, at 10, 11. The new provisions would have limited venue to judicial districts in which (1) the defendant had its principal place of business; (2) the defendant has "committed substantial acts of infringement" or has a "substantial" physical facility that constitutes a "substantial" portion of defendant's operations; or (3) the plaintiff resides if the plaintiff is an institute of higher learning or an individual inventor. *Id.* The new, more restrictive venue provision was aimed at reducing the patent docket in the Eastern District of Texas. *See Comyn Pledges To Fight for Fairness for Eastern District of Texas Courts*, JOHN CORNYN U.S. SENATOR FOR TEX. (July 13, 2007), [http://www.cornyn.senate.gov/public/index.cfm?p=NewsReleases&ContentRecord\\_id=bfff8e84-802a-23ad-4c98-3620b47148c2](http://www.cornyn.senate.gov/public/index.cfm?p=NewsReleases&ContentRecord_id=bfff8e84-802a-23ad-4c98-3620b47148c2) (complaining that the new provision would make "waste of the experience and expertise" of the Eastern District of Texas judges); *see also supra* notes 140–43 and accompanying text (explaining the reasoning behind the influx of patent cases filed in this district).

211. *See, e.g.*, Smith, *supra* note 210, at 10 (discussing that the 2007 Patent Act allows a party to challenge a granted patent's validity before the USPTO).

212. *Compare* S. 1145, 110th Cong. § 8(b) (as introduced in Senate, Apr. 18, 2007) (mandating a stay of court proceedings when an interlocutory appeal is made), *with* S. 1145, 110th Cong. § 8(b) (as reported by Sen. Leahy, Jan. 24, 2008) (granting district courts "discretion whether to approve" the interlocutory appeal application and whether to stay proceedings during pendency of the appeal); *see also* H.R. 1908, 110th Cong. § 11 (as passed by House, Sept. 7, 2007) (granting discretion over interlocutory appeals to district court judges).

213. S. 1145, 110th Cong. § 8 (as introduced in Senate, Apr. 18, 2007); H.R. 1908, 110th Cong. § 11.

214. *Compare* S. 1145, 110th Cong. (as introduced in Senate, Apr. 18, 2007); ("Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree, and proceedings in the district court under such paragraph shall be stayed during pendency of the appeal."), *and* H.R. 1908, 110th Cong. § 11(b) (as introduced in House, Apr. 18, 2007) (same), *with* S. 1145, 110th Cong. § 4 (as reported by Sen. Leahy, Jan. 24, 2008) ("Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree; *judge has discretion on whether to approve the application*; and proceedings in the district court under such paragraph *may at the Judge's discretion* be stayed during pendency of the appeal." (emphasis added)), *and* H.R. 1908, 110th Cong. § 5 (as passed by House, Sept. 7, 2007) ("Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree. *The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during the pendency of such appeal.*" (emphasis added)). *See generally supra* notes 193, 196–99 (discussing Chief Judge Michel's views, which he expressed in a letter sent to Senators Leahy and Hatch on May 3, 2007, that the proposed changes to interlocutory appeal would result in unnecessary delay).

*Federal Circuit Response*—The Federal Circuit continued to monitor action on the Hill.<sup>215</sup> In late 2008, the Chief Judge signaled the court’s new direction in the patent reform dialogue: instead of direct lobbying, the court would use its judicial review power to shape the patent system.<sup>216</sup> In a speech before the Annual Meeting of the Intellectual Property Owners, Chief Judge Michel suggested that many of the issues embodied in the various patent reform proposals were better left to the court.<sup>217</sup> Before an audience largely comprised of patent litigators, the Chief Judge urged practitioners to use the en banc petition process to raise legal challenges to calcified precedent.<sup>218</sup> He further suggested that the court was open to altering its damages case law, stating that in his twenty years on the court he could not “remember a case raising these [damages] issues.”<sup>219</sup> The Chief Judge’s plea for patent stakeholders to approach his court, rather than Congress or the Supreme Court, would not go unanswered. The subsequent term saw the emergence of a Federal Circuit with a docket full of important issues and a confidence in its vision of patent policy.<sup>220</sup>

On the issue of venue, the court took a more subtle track in shaping the law. Instead of engaging directly with senators via official correspondence as it previously had done, the Federal Circuit

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215. See *2007–2010 Patent Law Reform Archive*, FISH & RICHARDSON P.C. <http://www.fr.com/patentreformarchive> (providing a timeline of events surrounding patent reform). On February 4, 2008, the Executive Branch also weighed in on patent reform. See Letter from Nathaniel F. Wienecke, Assistant Sec’y for Legislative & Intergovernmental Affairs, U.S. Dep’t of Commerce, to Senator Patrick J. Leahy, Senate Comm. on the Judiciary (Feb. 4, 2008), available at <http://www.commerce.gov/sites/default/files/documents/2014/january/s1145020408.pdf> (indicating, in a six-page letter, that the Bush Administration opposed the current patent reform bill in its entirety and would continue to do so until the damages provisions were significantly revised); see also Jennifer Rankin Byrne, *Commerce Under Secretary To Address Bush Administration’s Views on Patent Reform Act of 2007*, U.S. PAT. & TRADEMARK OFF. (Feb. 4, 2008), <http://www.uspto.gov/news/pr/2008/08-05.jsp> (explaining that the day after this letter was sent, John Dudas, the Director of the USPTO would hold a teleconference to reinforce the Administration’s opposition to the bill).

216. *2007–2010 Patent Law Reform Archive*, *supra* note 215 (explaining that Chief Judge Michel, in a speech given at the annual meeting of Intellectual Property Owners on September 23, 2008, had previously alluded to this idea).

217. *Id.*

218. See *id.* (quoting Chief Judge Michel as stating he thought it was “interesting” that *KSR* bypassed our en banc process”); see also *infra* note 365 (discussing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)).

219. *2007–2010 Patent Law Reform Archive*, *supra* note 215 (noting how Chief Judge Michel, in a “follow-up email correspondence with BNA,” suggested that 90% of the needed corrections for inequitable conduct were “within the power of our court”).

220. See *infra* Part III.B (outlining the Federal Circuit’s response to various legislative actions in terms of its damages jurisprudence).

exercised its discretionary power of mandamus.<sup>221</sup> From its inception in 1982 until 2008, the Federal Circuit never granted a writ of mandamus to overturn a transfer of venue decision.<sup>222</sup> That changed in December 2008 when the court granted mandamus review in *In re TS Tech USA Corp.*<sup>223</sup> After a denial of a motion to transfer out of the Eastern District of Texas, the Federal Circuit reversed, establishing a new standard for transfer motions of patent cases.<sup>224</sup> The Federal Circuit held that the district court had given “inordinate weight to the plaintiff’s choice of venue,” ignored the factors of convenience to non-parties and the public interest in localized matters, and improperly analyzed the factor of access to sources of proof.<sup>225</sup> In the years following *TS Tech*, the Federal Circuit has taken a much more active role in policing denials of motions to transfer.<sup>226</sup>

Had the Patent Reform Acts of 2007 passed, Congress would have amended the patent venue statute for much the same reason that the Federal Circuit began policing denial of transfer motions: to limit the influence of the Eastern District of Texas.<sup>227</sup> But the court’s actions were spurred by Congress’s proposed alteration to patent venue standards.

### C. 111th Congress (2009–2010)

*Congressional Action*—On March 3, 2009, a slightly modified version of the Patent Reform Acts of 2007 was introduced in both the House

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221. See generally Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 IND. L. REV. 343 (2012) (describing that the difficulties in getting Congress to act has lead the court to use its mandamus power to combat forum shopping, particularly in the Eastern District of Texas).

222. See *id.* at 346 (describing how the Federal Circuit denied over twenty petitions on the issue).

223. 551 F.3d 1315, 1318 (Fed. Cir. 2008).

224. See *id.* at 1317–19. The Federal Circuit’s ruling was based on the court’s interpretation of the law of the Fifth Circuit, which held in *In re Volkswagen of America, Inc.*, 545 F.3d 304 (5th Cir. 2007), that cases should be transferred when another venue is “clearly more convenient,” *TS Tech*, 551 F.3d at 1319.

225. *Id.* at 1320–21.

226. See Gugliuzza, *supra* note 221, at 346 (elaborating that the court’s increasing “use of mandamus to repeatedly overturn discretionary, non-appealable rulings of one district court is unprecedented in any federal court of appeals”); Elizabeth P. Offen-Brown, Note, *Forum Shopping and Venue Transfer in Patent Cases: Marshall’s Response to TS Tech and Genentech*, 25 BERKELEY TECH. L.J. 61, 62, 66–67 (2010) (observing how the Federal Circuit’s increasing grant of mandamus petitions has added “to the precedential weight of the Fifth Circuit and the Federal Circuit’s decisions”). The Federal Circuit has granted writs to overturn denials of motions to transfer in eleven cases since 2008, ten of which arose from the Eastern District of Texas. Gugliuzza, *supra* note 221, at 343.

227. See Nguyen, *supra* note 140, at 147–51 (describing that the Patent Reform Act of 2007 contained the same provision as the 2005 Senate bill that limited the venue to the judicial districts where either party resides).

and Senate.<sup>228</sup> On the same day that the Patent Reform Act of 2009 was introduced, Senator Arlen Specter sent a letter to the Judiciary Committee asking that argument on the bill be delayed until late May.<sup>229</sup> Citing “the symbiotic relationship between the judicial and legislative branches with regard to changes to the patent system,” Specter suggested that the then-upcoming argument in *Lucent Technologies, Inc. v. Gateway, Inc.*<sup>230</sup> at the Federal Circuit might “facilitate a compromise or clarify the applicability of damages theories in various contexts.”<sup>231</sup> Specter asked his colleagues to defer debate on the patent bills so that the Federal Circuit could attempt to modify the damages jurisprudence that had proven so controversial.<sup>232</sup>

*Federal Circuit Response*—In March 2009, Judge Rader presided over a patent trial in the Northern District of New York.<sup>233</sup> The case presented him an opportunity to clarify the Federal Circuit’s damages jurisprudence. In *Cornell University v. Hewlett-Packard Co.*,<sup>234</sup> a jury awarded \$184 million in damages for Hewlett-Packard’s infringement of Cornell’s patent covering computer processing technology.<sup>235</sup> Cornell’s damage calculation was based on a percentage of the over \$23 billion total market value of Hewlett-Packard’s “CPU bricks,” despite the fact that the patented invention was only a small component of the brick.<sup>236</sup> Judge Rader took issue with Cornell’s application of the entire market value rule.<sup>237</sup> While conceding that the EMV rule could apply to a situation in which the royalty base is broader than the invention, Judge Rader stated that the EMV rule applied “only upon proof that damages on the unpatented components or technology is necessary to fully compensate for infringement of the patented invention.”<sup>238</sup> Thus, Rader emphasized the high evidentiary standard that such a rule required.<sup>239</sup> Rader

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228. Patent Reform Act of 2009, S. 515, 111th Cong. (2009); Patent Reform Act of 2009, H.R. 1260, 111th Cong. (2009).

229. Letter from Senator Arlen Specter to Senators Orrin G. Hatch and Patrick Leahy, Senate Comm. on the Judiciary (Mar. 3, 2009), available at <http://www.fr.com/files/uploads/attachments/patentdamages/03-03-09-Specter-to-PJL-Patents.pdf>.

230. 580 F.3d 1301 (Fed. Cir. 2009).

231. Letter from Senator Arlen Specter to Senators Orrin G. Hatch and Patrick Leahy, *supra* note 229.

232. *See id.*

233. *See Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 282 (N.D.N.Y.), amended by 654 F. Supp. 2d 119 (N.D.N.Y. 2009) (indicating that Judge Rader was sitting on the district court by designation).

234. 609 F. Supp. 2d 279 (N.D.N.Y.), amended by 654 F. Supp. 2d 119 (N.D.N.Y. 2009).

235. *Id.* at 282.

236. *Id.* at 282–83.

237. *See id.* at 289 (finding that the record contained no reasonable basis to apply the EMV rule to Hewlett-Packard’s products).

238. *Id.* at 284–85.

239. *See id.* at 292.

granted the motion for judgment as a matter of law (“JMOL”) and reduced the damage award from \$184 million to \$53 million.<sup>240</sup>

Although the *Cornell* case was not binding on district judges around the country, as a sitting Federal Circuit Judge,<sup>241</sup> Rader’s decision carried significant persuasive value. Practitioners noted that the case signaled a Federal Circuit suddenly more willing to entertain arguments about incongruous damage awards.<sup>242</sup> Indeed, many saw *Cornell* as evidence that the Federal Circuit, and not Congress, was the proper venue to restructure damages law.<sup>243</sup> The headline of a news story about the case announced that “*The Courts Beat Congress To Patent Reform (Again)*.”<sup>244</sup>

*Congressional Response*—The Senate bill was voted out of the Senate Judiciary Committee on April 2, 2009.<sup>245</sup> During the markup process, many of the more contentious aspects of the bill were modified or eliminated.<sup>246</sup> For instance, the more stringent requirements for

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240. *Id.* at 293.

241. When Judge Rader presided over *Cornell*, he had been sitting on the Federal Circuit bench for nearly a decade and was close to being sworn in as Chief Judge. See Randall R. Rader, Chief Judge, U.S. CT. APPEALS FOR FED. CIR., <http://www.ca9.uscourts.gov/judges/randall-r-rader-chief-judge.html> (last visited Apr. 18, 2014) (indicating that President George H.W. Bush appointed Rader to the court in 1990 and that he has been Chief Judge since June 1, 2010); see also Dennis Crouch & Jason Rantanen, *Federal Circuit Chief Judge Paul Michel Announces that He Is Leaving the Bench*, PATENTLY-O (Nov. 21, 2009), <http://www.patentlyo.com/patent/2009/11/federal-circuit-chief-judge-paul-michel-announces-that-he-is-leaving-the-bench.html> (describing Judge Rader as a “great friend of the [Federal] Circuit and its community”).

242. See, e.g., Michael J. Kasdan & Joseph Casino, *Federal Courts Closely Scrutinizing and Slashing Patent Damage Awards*, 2010 PATENTLY-O PAT. L.J. 24, 35–36 (concluding that *Cornell* and its progeny “indicate an emerging trend to more carefully scrutinize the evidentiary and economic basis of . . . patent damage awards”); James R. Kyper & Roberto Capriotti, *District Court Tightens Requirements for Applying Entire Market Value Rule in Cornell’s Patent Infringement Damages Case Against Hewlett-Packard*, K&L GATES LLP 3 (Apr. 2009), [http://www.klgates.com/files/tempFiles/38fd509b-0f07-42bd-a0e0-6678a83d036a/Alert\\_IP\\_Cornell\\_041509.pdf](http://www.klgates.com/files/tempFiles/38fd509b-0f07-42bd-a0e0-6678a83d036a/Alert_IP_Cornell_041509.pdf) (“The decision is noteworthy because it was made by Judge Rader, who normally sits on the Court of Appeals for the Federal Circuit. Therefore, the decision may suggest a more limited application of the EMV Rule that may find other allies at the Federal Circuit.”).

243. See, e.g., Mark A. Flagel et al., *The Law of Patent Damages: Who Will Have the Final Say?*, LATHAM & WATKINS LLP 1 (Dec. 22, 2009), <http://www.lw.com/thought-leadership/law-of-patent-damages-lucent-damages-case> (alerting clients that the *Cornell* decision “support[s] the argument that courts are fully equipped to police patent damages awards without legislative intervention”).

244. Bernard Chao, *The Courts Beat Congress to Patent Reform (Again)*, LAW360 (Aug. 31, 2009), [http://chsblaw.com/downloads/The\\_Courts\\_Beat\\_Congress\\_To\\_Patent\\_Reform.pdf](http://chsblaw.com/downloads/The_Courts_Beat_Congress_To_Patent_Reform.pdf).

245. See S. REP. NO. 111-18, at 31–32 (2009) (indicating that the bill received four yeas and thirteen nays, with two not partaking in the vote).

246. See *id.* at 30–31 (providing a section-by-section analysis of how the amendment changed the Act); Matal, *AIA Guide Part I*, *supra* note 114, at 442 (observing that, among other changes, the amendment altered the substantive damages standards and JMOL rules).



proving reasonable royalty provisions were dropped.<sup>247</sup> Instead, the bill codified a “gatekeeper” role for the district judge, instructing the jury on the methodologies and factors that have a legally sufficient basis for calculating damage awards.<sup>248</sup>

Furthermore, the bill that came out of the markup process limited the availability of interlocutory appeals of claim construction. Now such appeals were available only when a sufficient evidentiary record existed and an immediate appeal would likely determine the ultimate outcome of the case.<sup>249</sup> Finally, the venue provision of the new bill was dropped and replaced with a provision requiring transfer of cases upon a showing that the transferee district is clearly more convenient.<sup>250</sup> This new venue provision codified the Federal Circuit’s decision in *TS Tech*.<sup>251</sup>

*Federal Circuit Response*—The modified interlocutory review provisions were not satisfactory to Chief Judge Michel, however. In June of 2009, Judge Michel continued his public relations campaign against interlocutory review.<sup>252</sup> In a speech to the Federal Circuit Bar Association Annual Bench-Bar Conference, he suggested that interlocutory review was “[t]he greatest threat to speedy dispositions” at the Federal Circuit.<sup>253</sup> Furthermore, he predicted that permissive interlocutory review would double both the amount of cases at the Federal Circuit and the average disposition time for patent appeals.<sup>254</sup> He concluded by expressing hope that the Federal Circuit Bar

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247. S. REP. NO. 111-18, at 31 (indicating that this language was “replaced with enhanced procedural protections”).

248. See Patent Reform Act of 2009, S. 515, 111th Cong. § 4 (2009); see also S. REP. NO. 111-18, at 10 (explaining that under section 4 of the bill, the court shall fulfill its “gatekeeper responsibilities” by considering improper theories, methodologies, or opinions that could be burdensome or confusing to juries).

249. S. 515, 111th Cong. § 8; see S. REP. NO. 111-18, at 19–21, 38 (describing the rationale behind the Leahy-Specter-Feinstein amendment’s changes to section 8).

250. S. 515, 111th Cong. § 8; see S. REP. NO. 111-18, at 18–19, 31, 38.

251. See S. REP. NO. 111-18, at 19 (indicating that *TS Tech* showed the court’s “increased willingness to issue writs of mandamus to transfer venue when another venue is clearly more convenient”); see also Donald Zuhn, *House Judiciary Committee Holds Hearing on Patent Reform*, PAT. DOCS (Apr. 30, 2009), <http://www.patentdocs.org/2009/04/house-judiciary-committee-holds-hearing-on-patent-reform.html> (citing to several examples of testimony in which experts explained the troubling effects of expanding post-grant review in light of recent Federal Circuit decisions); *supra* notes 223–26 (discussing *TS Tech* and its impact).

252. See Paul R. Michel, Chief Judge, U.S. Court of Appeals for the Fed. Circuit, 2009 State of the Court Speech at the Federal Circuit Bar Association Annual Bench-Bar Conference (June 19, 2009) (prepared remarks available at <http://www.cafc.uscourts.gov/images/stories/announcements/2009/soc09.pdf>).

253. *Id.*

254. *Id.*

Association “and the entire patent bar will advise and caution Congress on this issue.”<sup>255</sup>

On September 14, 2009, the Federal Circuit issued its opinion in *Lucent*—the opinion for which Senator Specter had been waiting.<sup>256</sup> This opinion was the first in a series in which the Federal Circuit significantly revamped the law of damages in patent cases.<sup>257</sup> Written by Chief Judge Michel, the opinion overturned a \$358 million award against Microsoft Corporation (“Microsoft”) by conducting a meticulous review of reasonable royalty methodology.<sup>258</sup> The court found that the district judge had improperly used the EMV rule by using the value of the sale of computers rather than only the patented portions of the software.<sup>259</sup> Furthermore, the court found that the royalty rate adopted by the jury lacked a valid evidentiary foundation.<sup>260</sup>

The Federal Circuit continued to issue important damage decisions throughout 2009. In *i4i Ltd. Partnership v. Microsoft Corp.*,<sup>261</sup> the Federal Circuit affirmed a lower court damage award of \$200 million for Microsoft’s infringement of a patented software component.<sup>262</sup> In doing so, however, the court chastised Microsoft’s counsel for failing to challenge the damage award in the lower court.<sup>263</sup> The court stated that “[h]ad Microsoft filed a pre-verdict JMOL, it is true that the outcome might have been different.”<sup>264</sup> This admonishment to

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255. *Id.*

256. *Lucent Techs., Inc. v. Gateway Inc.*, 580 F.3d 1301 (Fed. Cir. 2009); see *supra* notes 229–32 (describing Senator Specter’s plea to the Judiciary Committee to delay the bill until *Lucent* was decided).

257. See Bo Zeng, Note, *Lucent v. Gateway: Putting the “Reasonable” Back into Reasonable Royalties*, 26 BERKELEY TECH. L.J. 329, 341–47 (2011) (discussing the post-*Lucent* cases at the Federal Circuit); see also *infra* notes 261–76 (discussing the other cases in which the Federal Circuit increased its scrutiny of damages awards).

258. *Lucent Techs.*, 580 F.3d at 1308. On October 5, 2009, U.S. Department of Commerce Secretary Gary Locke wrote to the Senate Judiciary Committee, stating that “the Department of Commerce supports the bill.” See Letter from Gary Locke, Sec’y, U.S. Dep’t of Commerce, to Senator Patrick J. Leahy, Chairman, Senate Comm. on the Judiciary (Oct. 5, 2009), available at [http://www.uspto.gov/aia\\_implementation/locke-letter-oct-05-2009.pdf](http://www.uspto.gov/aia_implementation/locke-letter-oct-05-2009.pdf) (noting that substantial work had been done, especially in relation to damages and that the Department of Commerce endorsed the current gatekeeper approach).

259. See *Lucent Techs.*, 580 F.3d at 1338.

260. See *id.* at 1337–38 (dismissing how the district court recognized damages using the EMV approach).

261. 598 F.3d 831 (Fed. Cir. 2010), *aff’d*, 131 S. Ct. 2238 (2011). The panel, on rehearing in this case, withdrew and replaced the court’s prior opinion in *i4i Ltd. Partnership v. Microsoft Corp.*, 589 F.3d 1246 (Fed. Cir. 2009). However, the panel only reheard the case “for the limited purpose of revising portions of the discussion of willfulness”; thus, the discussion on damages remains the same. See *i4i Ltd.*, 598 F.3d at 864.

262. *i4i Ltd.*, 598 F.3d at 839, 864.

263. See *id.* at 845, 856–57.

264. *Id.* at 857.

challenge damage awards signaled to litigants that the Federal Circuit was receptive to damage challenges.

In February of 2010, the court further tightened the evidentiary standards for damage awards. In *ResQNet.com, Inc. v. Lansa, Inc.*,<sup>265</sup> the court vacated a lower court damage award because the plaintiff's expert had relied on improper licensing evidence.<sup>266</sup> Again relying on its *Lucent* precedent, the court found that the licenses relied upon by the expert in calculating damages covered both the patented technology as well as additional, unpatented services.<sup>267</sup> Inclusion of these extraneous services rendered the licenses "inapposite" for purposes of calculating damages.<sup>268</sup>

A year after sitting by designation in New York, Judge Rader presided over another district court patent case, this time in the Eastern District of Texas.<sup>269</sup> His opinion in the case outlined the evidentiary standards for patent damage judgments.<sup>270</sup> Again highlighting the role of district courts as gatekeepers, Judge Rader first rejected the plaintiff's request to use the EMV rule to calculate damages, then threw out testimony of the plaintiff's damages expert regarding a reasonable royalty because the expert had failed to "show a sound economic connection between the claimed invention and this broad proffered royalty base."<sup>271</sup>

Finally, the Federal Circuit tightened its damages jurisprudence even further in *Uniloc USA, Inc. v. Microsoft Corp.*<sup>272</sup> In that case the court overturned a \$388 million verdict against Microsoft.<sup>273</sup> First, the court ruled that "the 25 percent rule of thumb" for patent royalty rates was "fundamentally flawed."<sup>274</sup> While noting that the court had "passively tolerated" the rule in past cases, the court emphasized that there was no support for the rule of thumb in the software industry's licensing practices.<sup>275</sup> Lastly, the court rejected the use of the EMV rule

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265. 594 F.3d 860 (Fed. Cir. 2010) (per curiam).

266. *See id.* at 869–73.

267. *See id.* at 870–71.

268. *Id.* at 872.

269. *See* *IP Innovation L.L.C. v. Red Hat, Inc.*, 705 F. Supp. 2d 687, 688 (E.D. Tex. 2010).

270. *Id.* at 688–91 (explaining that expert testimony is subject to the *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993), test and must meet rule 702 of the Federal Rules of Evidence to be considered relevant and reliable, then applying the test in the patent law damages context where expert testimony provides the basis for economic damages).

271. *Id.* at 689–91.

272. 632 F.3d 1292 (Fed. Cir. 2011).

273. *See id.* at 1295, 1311 (affirming the district court's grant of a new trial on damages "[b]ecause the jury's damages award was fundamentally tainted by the use of a legally inadequate methodology").

274. *Id.* at 1315.

275. *Id.* at 1314–15.

in the case, finding that the patented software component was not the primary driver of customer demand for Microsoft's Word software.<sup>276</sup>

The flurry of noteworthy patent damages decisions from the Federal Circuit, both on appeal and by designation at the district court level, signaled the court's willingness to revisit its damages jurisprudence. Not everyone was satisfied with the court's decisions,<sup>277</sup> but most observers welcomed the court's new scrutiny of damages awards.<sup>278</sup>

*Congressional Response*—In March of 2010, further changes were introduced to the Patent Reform Act of 2009 via a managers' amendment.<sup>279</sup> The amended version completely eliminated interlocutory review of claim construction decisions.<sup>280</sup> Provisions providing for interlocutory review have not appeared again in

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276. *Id.* at 1320.

277. *See, e.g.*, Thomas, *supra* note 20, at 214 ("The *Lucent* case does not appear to have achieved consensus in the patent community. . . . High technology industry has continued to voice concerns over damages awards in the patent area.").

278. *See, e.g.*, Zeng, *supra* note 257, at 366 (concluding that the Federal Circuit's damages decisions "have improved the patent damages system and should help prevent excessively large jury awards in the future").

279. Patent Reform Act of 2009, S. 515, 111th Cong. (2009) (amendment in the nature of a substitute). "A Manager's Amendment is a package of numerous individual amendments agreed to by both sides in advance. The managers are the majority and the minority member who manage the debate on a bill for their side." *Manager's Amendment Definition*, C-SPAN CONG. GLOSSARY, <http://legacy.c-span.org/guide/congress/glossary/manamend.htm> (last visited Apr. 18, 2014).

While no official public version of the 2010 managers' amendment exists, a draft is available online, and many commentators have discussed the amendment on various patent weblogs. *See* Patent Reform Act of 2010, S. 515, 111th Cong. (Mar. 4, 2010) (draft amendment in the nature of a substitute to be proposed to the Senate), available at [http://www.aipla.org/Advocacy%20Shared%20Documents/LEG\\_2009-03-03\\_111C\\_S.515\\_MgrsAmend.pdf](http://www.aipla.org/Advocacy%20Shared%20Documents/LEG_2009-03-03_111C_S.515_MgrsAmend.pdf); *see, e.g.*, *A Bipartisan Jobs and Economic Stimulus We Need: Enact S. 515—the Patent Reform Act of 2010*, COALITION FOR 21ST CENTURY PAT. REFORM (Mar. 4, 2010), [http://www.patentmatter.com/issue/pdfs/20100304\\_bipartisan\\_jobs\\_bill.pdf](http://www.patentmatter.com/issue/pdfs/20100304_bipartisan_jobs_bill.pdf) (describing the benefits of the managers' amendment and advocating that it "strikes an appropriate balance among all stakeholders"); *see also Leahy, Sessions, Hatch, Schumer, Kyl, Kaufman Unveil Details of Patent Reform Agreement*, SENATOR PATRICK LEAHY (Mar. 4, 2010) [hereinafter *Details of Patent Reform Amendment*], [http://leahy.senate.gov/press/press\\_releases/release/?id=8b0f5bb3-121b-484a-b0b7-092d7bdee1ac](http://leahy.senate.gov/press/press_releases/release/?id=8b0f5bb3-121b-484a-b0b7-092d7bdee1ac) (detailing what the amendment preserves and changes about the Patent Reform Act of 2009).

280. *See Details of Patent Reform Amendment, supra* note 279 (indicating that the 2010 managers' amendment excised the provision on interlocutory appeals that was present in the Patent Reform Act of 2009 and modified the damages provision by codifying the Federal Circuit's recent jurisprudence surrounding willfulness). *See generally In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (establishing that to show willfulness, a patentee must provide clear and convincing evidence that the infringer acted in spite of "an objectively high likelihood that its actions constituted infringement of a valid patent").

proposals for patent reform; Chief Judge Michel's efforts to defeat changes to interlocutory review have proven successful.<sup>281</sup>

On May 31, 2010, Chief Judge Michel retired from the bench.<sup>282</sup> A few weeks later, in an interview with Bloomberg BNA, he stated that Congress was "just aiming at the wrong target."<sup>283</sup> He indicated that Congress should focus on funding the USPTO and that all of the changes aimed at patent cases were unnecessary.<sup>284</sup> The House Judiciary Committee Chair, Congressman Conyers, disagreed with the former Chief Judge: "Congress, not the courts," Conyers argued, "must clarify and update patent law."<sup>285</sup> This debate ignored reality, however. Both Congress and the Federal Circuit had shaped patent law—both substantively and procedurally. Neither branch could claim complete control of shaping patent law.

#### D. *The America Invents Act: 112th Congress*

On January 25, 2011, Senator Leahy introduced the bill that would become the AIA.<sup>286</sup> Very similar to the 2010 manager's amendment to the Patent Reform Act of 2009,<sup>287</sup> the bill was quickly brought to the Senate floor.<sup>288</sup> On March 1, 2011, Congress adopted a manager's amendment that significantly altered the bill's damages

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281. See Matal, *AIA Guide Part I*, *supra* note 114, at 443 (indicating that procedural issues kept the revised bill from being considered during the 111th Congress). The Federal Circuit also began to revisit its troubled case law on inequitable conduct during the pending of the Patent Reform Act of 2009. See, e.g., *Therasense, Inc. v. Becton, Dickinson & Co.*, 374 F. App'x 35 (Fed. Cir. 2010) (en banc) (per curiam) (granting a petition for en banc rehearing and vacating its prior decision). Chief Judge Rader had described abusive inequitable conduct litigation as "an absolute plague" to the patent system, and indeed the case law was split as to the proper standard to apply to attorney conduct before the USPTO. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287–89 (Fed. Cir. 2011) (quoting *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988)). While the en banc case was not decided until after the AIA had passed, the grant of en banc review signaled yet again the court's willingness to confront issues pending before Congress.

282. *Biographical Directory of Federal Judges: Paul Redmond Michel*, FED. JUD. CENTER, <http://www.fjc.gov/servlet/nGetInfo?jid=1633&cid=999&ctype=na&instat=na> (last visited Apr. 19, 2014).

283. *2007–2010 Patent Law Reform Archive*, *supra* note 215.

284. *Id.* ("None of the actions that the provisions would require inside a courthouse are prohibited today. All are available tools that the district court judges have right now.")

285. *Id.* ("The patent system is simply not up to the challenges of the 21st century and is handicapping the American knowledge economy.")

286. Patent Reform Act of 2011, S. 23, 112th Cong. (as introduced in Senate, Jan. 25, 2011).

287. See *supra* notes 279–81 and accompanying text (discussing the 2010 managers' amendment, which due to procedural issues, was never introduced in Congress); see also 157 CONG. REC. S1366–67 (daily ed. Mar. 8, 2011).

288. Matal, *AIA Guide Part I*, *supra* note 114, at 444 (indicating that the bill was brought to the floor on February 28, 2011).

and post-grant provisions.<sup>289</sup> Once that amendment was adopted, three of the provisions that had proven most controversial during the legislative process had been completely excised—provisions affecting the award of damages, venue in infringement actions, and interlocutory appeals of claim construction rulings.<sup>290</sup> On March 8, 2011, the Senate passed the bill by a vote of ninety-five to five.<sup>291</sup>

Following the Senate's adoption of the AIA, Congressman Lamar Smith introduced in the House an alternate version of the patent reform bill.<sup>292</sup> Two weeks later, the House passed the bill.<sup>293</sup> After further amendments to bring the two bills into agreement, the Senate passed the AIA on September 8, 2011.<sup>294</sup> The three issues that the Federal Circuit had opposed during the process were completely absent from the AIA, which President Obama signed into law on September 16, 2011.<sup>295</sup>

### III. CATALYZING JUDICIAL REFORM: IMPLICATIONS FOR THE FUTURE OF PATENT LAW

Before the passage of the AIA, Congress rarely engaged in dialogue with the courts over patent reform, preferring instead to allow the Federal Circuit to control change in the patent system.<sup>296</sup> During this period, the Federal Circuit greatly expanded its control over patent law.<sup>297</sup> As detailed in Part II, however, Congress has recently reasserted its role in crafting patent policy by establishing a dialogic relationship with the Federal Circuit.<sup>298</sup>

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289. *Id.* at 445.

290. *Id.*

291. 157 CONG. REC. S1381 (daily ed. Mar. 8, 2011).

292. America Invents Act, H.R. 1249, 112th Cong. (as introduced in House, Mar. 30, 2011). The House bill differed from the Senate version in numerous ways, including in its creation of a limited prior user right defense for utility patents, limitations on joinder in patent infringement litigation, and various procedural and funding changes to the USPTO. Matal, *AIA Guide Part I*, *supra* note 114, at 445–46.

293. 157 CONG. REC. H4505 (daily ed. June 23, 2011) (indicating that the bill passed with 304 ayes, 117 nays, and 10 not voting).

294. 157 CONG. REC. S5442 (daily ed. Sept. 8, 2011) (listing eighty-nine yeas and nine nays, with two not voting); see Matal, *AIA Guide Part I*, *supra* note 114, at 446–47 (elucidating that the House and Senate both compromised to reach a bill both sides would pass).

295. See *President Obama Signs America Invents Act*, *supra* note 116; see also Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

296. See *supra* Part I.A (explaining the background of the Federal Circuit).

297. See *supra* note 8 and accompanying text (discussing the Federal Circuit's repeated attempts to consolidate its power).

298. See *supra* Part II (tracing the relationship that emerged between Congress and the Federal Circuit during and the passage of AIA).

The Federal Circuit's recently established relationship with Congress differs from relationships the court has with other institutions.<sup>299</sup> As the branch with legislative powers, Congress can statutorily override Federal Circuit decisions. It can also signal the areas of patent law that are in need of reform by proposing legislative adjustments. This Part suggests that Congress's newfound catalytic role in patent reform has the potential to reshape the manner in which patent reform takes place in the United States.

#### A. *Congress as Catalyst*

Congress's power to legislate is unquestioned. Article II of the Constitution grants the legislative branch the power to create law.<sup>300</sup> Despite Congress's monopoly on law making, scholars have theorized that the other branches of government can engage in a dialogic relationship with Congress.<sup>301</sup> Inter-branch dialogue permits the non-legislative branches to express criticism or skepticism over Congress's decisions, spur Congress to action in areas in which a particular branch has an acute interest, and help shape the power of the non-legislative branches in light of Congress's singular ability to define that role.<sup>302</sup>

Congress's dialogic relationship with the courts is somewhat different with regard to patent law.<sup>303</sup> Because of the existence of a specialized appellate court in the area, Congress can defer some

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299. See *supra* note 11 (providing examples of scholarly works that discuss the relationship between the Federal Circuit and Congress); see also Gugliuzza, *supra* note 8, at 1827 (noting that the Federal Circuit engages in "indirect dialogue" with Congress when it changes laws in response to legislative proposals); Burk, *supra* note 25, at 22 (observing that pressing issues before Congress have been "rendered moot by judicial resolution"). While accurate, these accounts focus on the Federal Circuit's desire to increase or maintain its control over patent law.

300. U.S. CONST., art. I, § 7.

301. See, e.g., Dan T. Coenen, *A Constitution of Collaboration: Protecting Fundamental Values with Second-Look Rules of Interbranch Dialogue*, 42 WM. & MARY L. REV. 1575, 1583 (2001) (discussing the ways in which the branches of government engage in dialogue with one another and demonstrating that "[t]hrough the use of [structural doctrines] and many other process-centered rules, the [Supreme] Court initiates a dialogue with and among nonjudicial actors, often deferring to decisions of political branches on how to resolve constitutional issues, so long as those decisions bear the earmarks of deliberation and care").

302. See, e.g., *id.* at 1582 ("Often the [Supreme] Court directly engages nonjudicial officials in a shared elaboration of constitutional rights . . . through the use of doctrines that focus on whether nonjudicial actors have taken an appropriately close and sensitive look at policy judgments that threaten important constitutional values. In many of these cases, the Court in effect "remands" constitutionally controversial programs to the political branches—inviting a more studied consideration of the program than attended its initial adoption, and leaving open the possibility that the readopted program will be upheld against constitutional attack.")

303. See generally *supra* Part II (outlining the evolution of patent reform).

policy-like decisions to the Federal Circuit. As Part II of this Article demonstrated, during passage of the AIA, Congress crafted reform legislation to remedy problems in the patent system.<sup>304</sup> Those legislative proposals were often intended to spark a dialogue between Congress and the courts.<sup>305</sup>

Of course, Congress and the Federal Circuit did not engage in discussion over every issue in the patent reform proposals. Many other elements of the legislation were passed without Federal Circuit response, such as changes to the joinder rules in patent cases.<sup>306</sup> Tellingly, however, many of the changes that Congress did enact were directed at aspects of the patent system over which the Federal Circuit has little or no control. For instance, Congress changed the U.S. patent system from a first-to-invent system to a first-to-file system, a change that could only have been made by statute.<sup>307</sup> Similarly, the creation of post-grant administrative procedures at the USPTO is not something that the Federal Circuit could have created without congressional action.<sup>308</sup>

Why is Congress's dialogue with the judicial branch unique when it comes to patent law? The answer lies largely with the Federal Circuit's uniqueness among the Federal judiciary. Congress created the Federal Circuit with an eye towards enlisting the court in some policymaking functions.<sup>309</sup> It is not surprising therefore, that Congress views the court as an institutional policymaker, despite the court's reluctance to overtly assume that role for itself. Nor is it surprising that Congress is comfortable playing an initial catalytic role in policymaking. In fact, allowing the Federal Circuit to shape doctrinal patent reform can free Congress to focus on administrative, procedural, or other types of reform measures.<sup>310</sup> For example, during the AIA's legislative process, the Federal Circuit's doctrinal changes to thorny issues such as damages allowed Congress to pass

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304. See *supra* Part II.

305. See, e.g., *supra* note 179 and accompanying text (discussing how the Patent Reform Act of 2006 was intended to create a dialogue between Congress and the courts to address the high reversal rate for claim constructions).

306. See Burk, *supra* note 25, at 23–24 (recounting the “political economy” in which the AIA was passed and that the day before the AIA became law, “a record number of patent lawsuits naming multiple parties were filed”).

307. See *supra* note 118 and accompanying text (indicating that the first-to-file system is similar to that of almost every other country).

308. See *supra* note 119 and accompanying text (discussing how these procedures are intended to increase administrative oversight).

309. See Rai, *supra* note 15, at 1041 (arguing that it would be more economical for “greater fact-finding and policy application . . . [to be] vested at the administrative and trial court levels”); see also *supra* Part I.A.

310. See Burk, *supra* note 25, at 21 (outlining the impracticality of continuous legislative attention to patent reform).



reform measures that substantially altered the administrative proceedings of the patent system.<sup>311</sup>

Furthermore, Congress is more likely to play a catalytic role in patent reform because the Federal Circuit is particularly cognizant of legislative proposals on patent law.<sup>312</sup> Unlike the work of generalist courts, the work of the Federal Circuit is significantly impacted by legislative changes in a single area of law.<sup>313</sup> Judges on generalist appellate courts will only rarely be impacted by any particular legislative change, and are therefore only mildly affected by any particular piece of legislation. However, over one-third of every Federal Circuit judge's caseload is made up of patent cases,<sup>314</sup> and those cases tend to take up an outsized portion of the judges' time and attention.<sup>315</sup> It is thus predictable that the Federal Circuit monitors the legislative machinations on patent reform. The court likely will continue to monitor future developments with equal interest and respond to suggestions made by Congress.

### B. *The Federal Circuit as Reactor*

As demonstrated in Part II, the Federal Circuit reacted to legislative reform proposals in various ways. Viewing the Federal Circuit's responses in isolation helps elucidate how the court reacts to congressional reform signals.

#### 1. *Direct advocacy*

The court's first foray into patent reform came in the form of direct advocacy. During the 110th Congress, the court's Chief Judge sent letters directly to the Senate and House Judiciary Committees, arguing against particular elements in legislation pending before those Committees.<sup>316</sup> He also gave speeches to practicing attorneys in which he suggested that the changes to damages and claim construction in the proposed bills would adversely impact the work of

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311. See *supra* Part II.B (listing the back-and-forth between Congress and the Federal Circuit from 2006 to the AIA's enactment in 2011).

312. See, e.g., Letter from Chief Judge Paul R. Michel, to Senators Patrick Leahy & Orrin G. Hatch, *supra* note 192 (questioning the need for certain proposed legislation).

313. See, e.g., *id.* (assessing how the pending legislation could delay patent proceedings in several ways).

314. *United States Court of Appeals for the Federal Circuit: Appeals Filed, by Category (FY 2013)*, U.S. COURT APPEALS FOR FED. CIR., <http://www.cafc.uscourts.gov/images/stories/Statistics/fy%2013%20filings%20by%20category.pdf> (last visited Apr. 19, 2014).

315. See *id.* (demonstrating that even though the court's jurisdiction includes a multitude of subject matter areas, 34% of appeals that reach the court involve patent cases).

316. See *supra* notes 192–202 and accompanying text.

the courts.<sup>317</sup> Further, he wrote various op-eds suggesting that Congress need not interfere in areas of patent litigation.<sup>318</sup> Such direct lobbying of Congress from a sitting judge is rare.<sup>319</sup> The directness with which Chief Judge Michel addressed congressional proposals suggests a court that views itself as uniquely situated to supervise the state of patent law. Indeed, Michel's predecessor, Chief Judge Rader, has continued the practice of directly addressing Congress by, among other things, writing op-eds expressing the lack of need for congressional action in the area of patent fee shifting.<sup>320</sup>

It is difficult, however, to discern how much of the lobbying effort that occurred during the patent reform process reflects the views of the Federal Circuit judges as a unit and how much of the effort simply reflected the views of the Chief Judge. Judge Michel never suggested that all of the judges on the court were of one mind about patent reform. It might be the case that Judge Michel's interest in patent reform was purely personal. Judge Michel is, after all, former Chief Counsel for Senator Specter, one of the principle players behind the AIA.<sup>321</sup> Thus, he is undoubtedly well-versed in the legislative process. Indeed, he left the court before his term as Chief Judge had ended in order to "speak freely on all aspects of patent reform."<sup>322</sup> Since retiring, Judge Michel has said that as a judge he

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317. See *supra* notes 252–55 and accompanying text (highlighting the inefficiency of interlocutory review).

318. See, e.g., Paul R. Michel & Henry R. Nothhaft, *Inventing Our Way Out of Joblessness*, N.Y. TIMES (Aug. 5, 2010) (advocating for more Federal Circuit funding so that the court can keep up with its caseload); see also Kristina Peterson, Q&A: Judge Michel on Patent Law, WALL ST. J. (Nov. 27, 2009, 12:57 PM), <http://blogs.wsj.com/washwire/2009/11/27/qa-judge-michel-on-patent-law> (reporting on an interview with Judge Michel in which he argued that managing ongoing litigation and determining the proper method and amount of damages awards are "inherently judicial" in nature).

319. Cf. Michael J. Frank, *Judge Not, Lest Yee Be Judged Unworthy of a Pay Raise: An Examination of the Federal Judicial Salary "Crisis,"* 87 MARQ. L. REV. 55, 55 (2003) (noting that Chief Justice Rehnquist and other federal judges "urged Congress to raise judicial salaries").

320. Randall R. Rader, et. al, *Make Patent Trolls Pay in Court*, N.Y. TIMES (June 4, 2013), <http://www.nytimes.com/2013/06/05/opinion/make-patent-trolls-pay-in-court.html> (arguing that congressional proposals on fee shifting in patent cases are unnecessary because judges "already have the authority to curtail" trolls by making them "pay for abusive litigation").

321. Chief Judge Michel served as Senator Specter's counsel and administrative assistant from 1981 until his appointment to the bench in 1991. *Biographical Directory of Federal Judges*, *supra* note 282.

322. *Crossing the Finish Line on Patent Reform: What Can and Should Be Done: Hearing Before the Subcomm. on Intellectual Prop., Competition, & the Internet of the H. Comm. on the Judiciary*, 112th Cong. 35 (2011) (statement of J. Paul R. Michel, former C.J., U.S. Court of Appeals for the Federal Circuit), available at [http://judiciary.house.gov/\\_files/hearings/printers/112th/112-8\\_64407.PDF](http://judiciary.house.gov/_files/hearings/printers/112th/112-8_64407.PDF).

felt forced to limit advocacy to “the potential impact of proposed legislation on judicial administration and court operations.”<sup>323</sup>

However, as the Chief Judge of the court, letters and comments from Judge Michel tend to be viewed as representing the entire court.<sup>324</sup> Furthermore, the court set up an “advisory group” that monitored patent reform and advised the court on impending legislative changes.<sup>325</sup> The precise role of this committee is unclear, but its existence suggests that the interest in patent reform extended beyond the Chief Judge’s chambers. In addition to setting up the advisory group, the Chief Judge repeatedly urged IP litigators and patent holders to lobby Congress to remove the damages and claim construction portions of the bill.<sup>326</sup> These actions impact the court as a whole and are unlikely to be sustained without at least tacit approval by the court.

## 2. *The court’s supervisory role*

Beyond direct advocacy, the court also engaged with patent reform legislation by exercising its role as a supervisor of lower courts, agencies, and even the specialized bar that practices before the court. During the debate surrounding damages reform, the court instructed district courts about the proper means of damage calculations and the requisite proof to support damages awards.<sup>327</sup> The court performed this function through its written opinions, its directives and instructions to practitioners, and by sitting by designation in district courts.<sup>328</sup>

The Federal Circuit has not limited its teachings to district court judges. The court also instructed litigants about the types of cases

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323. *Id.*

324. *Cf.* Gene Quinn, *An on the Record Interview with CAFC Judge Randall Rader*, IPWATCHDOG (Apr. 12, 2010, 4:09 PM), <http://www.ipwatchdog.com/2010/04/12/an-on-the-record-interview-with-cafc-judge-randall-rader/id=10115> (explaining that a Chief Judge “is often asked to speak for the Court and makes an effort to properly reflect the Court’s viewpoints on things”).

325. *See* Paul R. Michel, Chief Judge, U.S. Court of Appeals for the Fed. Circuit, Address to the Association of Corporate Patent Counsel (Jan. 28, 2008) (transcript available at [http://www.patentdocs.typepad.com/patent\\_docs/files/address\\_by\\_chief\\_judge\\_michel.pdf](http://www.patentdocs.typepad.com/patent_docs/files/address_by_chief_judge_michel.pdf) (discussing the advisory group that “is advising on changes in the patent law and, particularly, given the current circumstances, the pending legislation in the Congress”).

326. *See id.* (urging attendees “to assure that whatever the Congress [does] . . . reflects the best input . . . from all of the best minds” after repeatedly critiquing the damages and interlocutory review provisions of draft legislation and suggesting that Congress is overburdened with other issues).

327. *See supra* notes 256–78 and accompanying text.

328. *See supra* notes 256–78 and accompanying text.

and arguments that would be especially appealing to the court.<sup>329</sup> To the degree that the court is successful in encouraging litigants to bring particular cases and issues before it, the court increases its ability to make precedential decisions in cases that touch on present legislative debates. This provides the Federal Circuit with more opportunities to shape patent policy. Moreover, in doing so, the court may be attempting to convince Congress that courts are capable of improving the patent system and that legislative reform is unnecessary.<sup>330</sup>

### 3. *Judicial review*

Judicial review is the greatest tool that the Federal Circuit can wield to influence Congress. The court can exercise this tool both in its non-discretionary review of controversies as well as by exercising its discretionary powers. The court employed both powers in shaping the AIA.

#### a. *Non-discretionary review*

In the debate over damage reform, the Federal Circuit had its most significant impact by deciding the patent cases that it hears on a monthly basis. In 2009, at the height of congressional debate about the shape of patent damage reform, a three-judge panel heard *Lucent Technologies, Inc. v. Gateway, Inc.*<sup>331</sup> The opinion was greatly anticipated by the bar and by members of the Senate. Senator Specter urged his colleagues to delay debate on the bill until after oral argument in the case.<sup>332</sup> The opinion in the case reads like a plea to Congress to leave damage jurisprudence to the courts. *Lucent* dealt with the two issues percolating in Congress at the time: the method of calculating royalties and the appropriateness of the entire market value rule.<sup>333</sup> In doing so, the court largely put in place the damages scheme envisioned by Congress.<sup>334</sup> The court continued to address damages jurisprudence throughout 2009 and into 2011,

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329. See *supra* notes 217–19 (describing Chief Judge Michel’s speech, in which he encouraged patent litigators to raise legal challenges in en banc petitions).

330. See *supra* note 243 (highlighting one example of patent litigators noting that the court was able to correct patent damage awards without legislative intervention).

331. 580 F.3d 1301 (Fed. Cir. 2009).

332. Letter from Senator Arlen Specter to Senators Orrin G. Hatch and Patrick Leahy, *supra* note 229.

333. See *supra* notes 257–60.

334. See *Lucent*, 580 F.3d at 1324–39 (discussing the appropriate calculation of damages).

clarifying the law in a way that had not occurred in the previous twenty-seven years of the court's existence.<sup>335</sup>

The court's shift towards a more aggressive supervisory role in damages jurisprudence evinces a court newly energized in an area of law that had been largely untended prior to Congress's reform proposals. The Federal Circuit's sudden interest in clarifying its damages jurisprudence is almost certainly a direct result of the proposed changes then circulating on Capitol Hill. The emerging case law from the court has largely been viewed as a step in the right direction.<sup>336</sup>

*b. Discretionary review*

Consistent with its vision of itself as the expert body on patent litigation, the Federal Circuit viewed proposed changes to the patent venue provision with skepticism.<sup>337</sup> However, the court did not publically discuss its views with Congress. Instead, the court began granting writs of mandamus to review denials of motions to transfer.<sup>338</sup> In doing so, the court significantly altered the manner in which district courts handle transfer motions in patent cases.<sup>339</sup> The Federal Circuit's newfound interest in venue decisions signaled to district courts that the Federal Circuit was scrutinizing transfer motions much more closely than in the past.

The court has also begun, somewhat haltingly, to expand its use of en banc review. During the patent reform period, Judge Michel urged litigants to make better use of the en banc process to bring troubling case law before the entire court rather than the Supreme Court or Congress.<sup>340</sup> After the passage of the AIA, the court used its en banc power to resolve an issue that meandered in and out of the patent reform proposals.<sup>341</sup> In 2010, the court announced that it had

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335. See *supra* notes 261–76 (summarizing the cases in which the court increased its scrutiny of damages awards); see also Dreyfuss, *The Federal Circuit*, *supra* note 76, at 12 (noting that the Federal Circuit, in the 1980s “tended to hide behind the skirts of the district courts” on damages).

336. See, e.g., Zeng, *supra* note 257, at 366 (concluding that the court's decisions improved the way damages were calculated and increased accuracy).

337. See, e.g., Michel, Address to the Association of Corporate Patent Counsel, *supra* note 325 (refusing to discuss venue because he had had too much to say on the topic).

338. See *supra* notes 222–26 and accompanying text (discussing the first time in its history the court used a writ of mandamus to overturn a transfer of venue decision).

339. See *supra* note 225 and accompanying text (discussing factors to which the district court in *TS Tech* had given too much weight in denying the motion to transfer).

340. See *supra* notes 217–19 (describing Chief Judge Michel's speech encouraging patent litigators to use en banc petitions to raise legal challenges).

341. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291–95 (Fed. Cir. 2011) (en banc) (establishing the standard for proving inequitable conduct).

granted en banc review of a case concerning the doctrine of inequitable conduct, a troubled doctrinal area that had been languishing in uncertainty for over a decade.<sup>342</sup> While the case was decided after the AIA was passed, the announcement that the Federal Circuit was hearing the case en banc likely led to the issue being dropped from the final legislation.<sup>343</sup>

### C. Separation of Powers Concerns

The Federal Circuit's interest in and engagement with patent reform indicates that the court has begun to exert itself as a policymaker. The court has long seen itself as the expert body concerning patent law in its relationship with the USPTO, district courts, and the Supreme Court. Establishing a dialogic relationship with Congress suggests the court views its role as complimentary to the legislative branch.

The court's engagement with Congress, however, does have potential downsides. As an initial matter, objections may be raised as to the propriety of the Federal Circuit's participation in the legislative process. Traditionally, the judicial and legislative roles have been quite distinct.<sup>344</sup> The distinctive nature of legislating and interpreting legislation is enshrined in the U.S. Constitution, which separates the two functions and grants them to the legislative and judicial branches, respectively.<sup>345</sup> It is well-established that Congress cannot interpret its own laws.<sup>346</sup> The policy behind such a denial is clear: permitting Congress to interpret its own laws would reduce any incentive to create limiting and transparent rules.<sup>347</sup>

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342. *Therasense, Inc. v. Becton, Dickinson & Co.*, 374 F. App'x 35 (Fed. Cir. 2010) (en banc) (per curiam); see *Therasense*, 649 F.3d at 1285 (granting petition for rehearing en banc in recognition of "the problems created by the expansion and overuse of the inequitable conduct doctrine").

343. Cf. John M. Golden, *Patent Law's Falstaff: Inequitable Conduct, the Federal Circuit, and Therasense*, 7 WASH. J.L. TECH. & ARTS, 353, 377–78 (2012) (describing provisions of the AIA that appear to endorse the court's approach in *Therasense*).

344. See, e.g., Amanda Frost, *Congress in Court*, 59 UCLA L. REV. 914, 963 (2012) ("[T]he Constitution denies Congress the authority to interpret its own laws."); Ronald J. Krotoszynski, Jr., *Constitutional Flares: On Judges, Legislatures, and Dialogue*, 83 MINN. L. REV. 1, 2–3 (1998) ("Traditionally, most academics and judges have viewed the legislative role as quite distinct from the judicial role . . .").

345. Compare U.S. CONST. art. I (vesting legislative powers in Congress), with *id.* art. III (vesting judicial powers with the Supreme Court and "in such inferior Courts as the Congress may from time to time ordain and establish").

346. See Frost, *supra* note 344, at 963 (discussing how the Constitution's creation of a separate judicial branch reflected a rejection of the English approach of having the upper legislative chamber serve as the highest court).

347. See John F. Manning, *Constitutional Structure and Judicial Deference to Agency Interpretations of Agency Rules*, 96 COLUM. L. REV. 612, 647–48 (1996) ("[W]hen a lawmaker controls the interpretation of its own laws, an important incentive for

While the separation of powers between courts and Congress is well-established, there is nothing in the Constitution that forbids a judicial response to pending legislation. Indeed, scholars have noted that the Supreme Court and Congress have just such a dialogic relationship.<sup>348</sup> The Court routinely signals to Congress that particular laws are in need of an overhaul.<sup>349</sup>

Furthermore, courts have historically engaged in the legislative process in a wide range of areas. For example, during William Taft's tenure as Chief Justice, the Supreme Court actively lobbied Congress to increase the Court's discretion over its caseload.<sup>350</sup> The resulting Judiciary Act of 1925 gave the Supreme Court its certiorari power by which it can selectively grant review.<sup>351</sup> Furthermore, Federal Courts casebooks are littered with examples of the Supreme Court using its judicial review power to define federal court jurisdiction, despite jurisdiction definition unquestionably being a congressional power.<sup>352</sup> As one scholar puts it, "the federal jurisdiction decisions suggest that the Supreme Court plays a role in defining federal jurisdiction at least as great as, if not greater than, that played by Congress."<sup>353</sup> Other examples of direct judicial interaction in the legislative process include judges testifying before Congress regarding proposed legislation,<sup>354</sup> staying cases pending legislative changes,<sup>355</sup> and organized lobbying by judges in an effort to increase judicial pay.<sup>356</sup>

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adopting transparent and self-limiting rules is lost because any discretion created by an imprecise, vague, or ambiguous law inures to the very entity that created it.").

348. See *supra* note 34 (highlighting examples of the scholarship related to this dialogue).

349. See, e.g., Krotoszynski, *supra* note 344, at 22–23 (highlighting, as an example, *San Antonio Sch. Dist. v. Rodriguez*, 411 U.S. 1 (1973), in which, in addition to ruling on the merits, the majority opinion and Justice Stewart's concurrence discussed a need for reform of the property tax system).

350. Jeremy Buchman, *Judicial Lobbying and the Politics of Judicial Structure: An Examination of the Judiciary Act of 1925*, 24 JUST. SYS. J. 1, 1 (2003).

351. *Id.*

352. See generally Barry Friedman, *A Different Dialogue: The Supreme Court, Congress and Federal Jurisdiction*, 85 NW. U. L. REV. 1 (1990) (arguing that the boundaries of federal court jurisdiction are not simply set by Congress but are the result of interaction between Congress and the courts).

353. *Id.* at 2.

354. See *Final Report of the Commission on Structural Alternatives for the Federal Courts of Appeals: Hearing Before the Subcomm. on Courts & Intellectual Prop. of the H. Comm. on the Judiciary*, 106th Cong. 20–21 (1999) (statement of Procter Hug, Jr., C.J., Ninth Circuit Court of Appeals) (opposing the House Judiciary Committee's proposal to split the Ninth Circuit into divisions).

355. See, e.g., *Action Wholesale Liquors v. Okla. Alcoholic Beverage Laws Enforcement Comm'n*, 463 F. Supp. 2d 1294, 1306–07 (W.D. Okla. 2006) (staying judgment to give "the Oklahoma Legislature an opportunity to act" on the appropriate remedy for the violation at issue); *Costco Wholesale Corp. v. Hoen*, 407 F. Supp. 2d 1247, 1256 (W.D. Wash. 2005) (staying judgment to allow the legislature

The Federal Circuit's actions of teaching and judicial review leading up to the AIA are unlikely to violate established notions of separation of powers. The court's lobbying efforts, on the other hand, are more troubling from a constitutional perspective. Lobbying on judicial pay and jurisdictional issues is one thing—lobbying about the substance of the law over which a judge is likely to rule is something wholly distinct.

Aside from questions of constitutionality, scholars have questioned whether dialogue between Congress and a specialized appellate court is preferable to dialogue between various appellate courts.<sup>357</sup> But whether intra-judicial dialogue would be beneficial is a separate question from whether congressional dialogue in patent law is valuable. It would seem that congressional input is particularly desirable in patent law, with or without intra-court dialogue. Because patent law deals with rapid technological innovation, legislators who represent the interests of innovators are often better positioned and able to more quickly identify problems than are appellate judges.

#### *D. Constitutional Competencies: Leveraging Expertise*

To answer the normative question of whether the court's new dialogic interaction with Congress is likely to benefit patent policy going forward, the respective competencies of Congress and the Federal Circuit in crafting patent policy must be examined. A tremendous amount of political capital is required to pass any new legislation. It is simply impractical to expect Congress to expend that capital every year in order to update the patent statute. Continual congressional oversight in other areas of intellectual property has resulted in statutes bloated with special-interest provisions.<sup>358</sup> As Dan Burk has noted, "The manifest impracticality of continuous legislative attention leaves courts and administrative agencies as the likely institutional stewards of statutory tailoring."<sup>359</sup>

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"sufficient time to act" and decide which of two alternative remedies "represent[ed] better public policy").

356. See Frank, *supra* note 319, at 55 (explaining that while judges frequently disagree on legal issues, they are often brought together over the issue of increases in judicial salary).

357. See, e.g., Nard & Duffy, *supra* note 11, at 1623–25, 1664–67 (advocating for increased doctrinal percolation in patent law via competition among circuit courts).

358. Consider the Copyright Act, which is now approximately two hundred pages long and has numerous carve-outs for special interest groups. For an overview of the Act's shortcomings and new ways forward, see Pamela Samuelson, *Preliminary Thoughts on Copyright Reform*, 2007 UTAH L. REV. 551 (2007).

359. Burk, *supra* note 25, at 21.



Furthermore, the ex-ante nature of legislative—and to some extent administrative—action can be detrimental in an area of the law concerned with technological advance. Mark Lemley and Dan Burk, for example, have argued that because of the patent statute's broad provisions and the specific needs of various technological sectors, the courts are best positioned to respond, ex-post, to technological changes that challenge the patent laws.<sup>360</sup>

Building off of Lemley and Burk's insights, conceptualizing Congress as a catalytic partner with the court can improve the functioning of the court as it goes about the business of tailoring the statute to individual technologies. Because the Federal Circuit handles a high volume of patent cases, it is at risk of suffering from tunnel vision.<sup>361</sup> The court has been accused of elevating patent law above other innovation policy devices, such as trade secret law, governmental prizes for innovation, or unfettered competition.<sup>362</sup> Congress is well-positioned to judge when the court has fallen into the tunnel-vision trap. When Congress feels that the Federal Circuit's jurisprudence has become a hindrance rather than a help to innovation, Congress can propose legislation and expect a response from the court. Thus, the proposed legislation becomes a sort of default—it is passed only if the court is unable or unwilling to reform the law itself.

The use of legislation as a spur to judicial action initially may seem as undermining the counter-majoritarian structure of Congress. If Congress can reform the law by merely *proposing* legislation, then individual Congressman or small groups of legislators can change the law even if they lack the votes to pass statutes. This counter-majority concern, however, is tempered by the reality that the Federal Circuit, while cognizant of legislative proposals, is likely to be moved to action only by legislative proposals that have a high probability of enactment. Using the AIA as an example, the Federal Circuit responded to the legislative proposals only when it appeared that there was political momentum for reform.

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360. See Burk & Lemley, *supra* note 105, at 1674–75 (describing the judicial discretion in the patent system and the need for the court to use that discretion tailored to different industries).

361. See generally BAUM, *supra* note 26, at 16 tbl.1.3 (classifying the Federal Circuit as having a high concentration of cases).

362. See, e.g., Gugliuzza, *supra* note 8, at 1860 (explaining that the court more frequently gives administrative-law deference in areas other than patent law); see also J. Jonas Anderson, *Secret Inventions*, 26 BERKELEY TECH. L.J. 917, 921 (2011) (arguing that trade secrecy is, at times, socially preferable to patenting).

The give and take between the court and Congress has potentially salutary effects for the litigation of patent cases at U.S. district courts. During the patent reform era, the Federal Circuit consciously sought to empower district court judges making damages determinations. The court did this by crafting case law that clearly laid out the requirements for upholding damages decisions.<sup>363</sup> Judges on the court also sat by designation in order to instruct the lower courts on proper handling of such cases.<sup>364</sup> Improved instruction for district judges is a desirable goal since federal district courts are the main battlefield for patent litigants.

For congressional dialogue with the Federal Circuit to improve the patent system, however, it requires continual oversight from Congress. While patent reform has been a staple of congressional debates over the past ten years, Congress was largely silent on patent issues before that time. If Congress were to revert to its prior disinterested state, the Federal Circuit would be once again left largely to itself with regards to patent policy. While congressional disinterest might be preferable to some, the potential salutary effects of Congress's moderating presence described in this Article would be lost.

Lastly, congressional dialogue regarding patent law must also include the Supreme Court. The Supreme Court has recently become more active in the field, and has attempted to provide a check on the Federal Circuit's control.<sup>365</sup> It may be necessary at times, however, for Congress to assist in that endeavor. Whereas the Supreme Court is limited to reviewing particular decisions of the Federal Circuit, Congress can engage in wholesale reevaluation of the patent system.<sup>366</sup> The piecemeal nature of Supreme Court supervision and the volume of cases that the Federal Circuit

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363. See *supra* Part III.B.3 (discussing the court's judicial review power as a tool to influence Congress).

364. See *supra* notes 233–44 (demonstrating instances when Chief Judge Rader's sitting by designation on different district courts instructed lower courts on the proper method to calculate patent damages).

365. See, e.g., *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012) (reversing the Federal Circuit's finding of patentability for a diagnostic method patent, thereby reducing the scope of patentable subject matter); *Bilski v. Kappos*, 130 S. Ct. 3218, 3226, 3231 (2010) (affirming the Federal Circuit but disavowing the "machine-or-transformation test" as overly formalistic); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) (rejecting the Federal Circuit's "rigid approach" to obviousness determinations).

366. See Thomas, *supra* note 20, at 218 ("Congress is also better able to address patent law reform holistically, rather than in a piecemeal fashion by raising questions in rehearing orders.").

reviews permit the Federal Circuit to diminish the impact of Supreme Court precedents.<sup>367</sup>

Congress, on the other hand, is not limited to reviewing particular cases or rulings. As demonstrated in the legislative debates over the AIA, Congress has the ability to completely alter the statutory foundations of patent law. Congress can also mandate procedural changes for patent litigation—an area in which the Supreme Court has as yet remained uninterested.<sup>368</sup> Through its role as catalyst, Congress can leverage its legislative powers in ways that catalyze the Federal Circuit to reconsider whole areas of patent law. If unsatisfied with the Federal Circuit's response, Congress holds the ultimate veto—legislative change.

#### CONCLUSION

The Federal Circuit's active approach to shaping patent reform legislation has been controversial. Some have questioned whether a court should interact with pending legislation in any manner.<sup>369</sup> The recent passage of the America Invents Act, however, revealed intriguing developments in the relationship between Congress and the Federal Circuit. First, the Federal Circuit embraced its role as patent policymaker, at least insofar as patent litigation is concerned. Faced with a Congress interested in fundamentally altering various provisions of the Patent Act, the Federal Circuit significantly updated two areas of its case law that were in dire need of reform: damages and venue. Policymaking from the Federal Circuit can, at times, be beneficial for the patent system. Compared to Congress, the Federal Circuit can more quickly update patent policy and can, at times, craft better solutions due to its ability to create nuanced rules and avoid procedural holdups that can plague the legislative process.<sup>370</sup>

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367. For a more complete discussion of the Supreme Court-Congress-Federal Circuit dynamic, see J. Jonas Anderson, *Patent Dialogue*, 92 N.C. L. REV. (forthcoming 2014).

368. Although this may be changing. The Supreme Court recently heard two cases on fee shifting in patent cases. See *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (involving a challenge to the Federal Circuit's test for finding a case "exceptional"); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014) (involving a challenge to the Federal Circuit's standard of review of fee awards).

369. See, e.g., Thomas, *supra* note 20, at 217–18 (arguing that judicial intervention in legislative matters makes it more difficult for legislators to negotiate and compromise).

370. See ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT* 166–68 (2004) (showing that Congress's attempts to adopt sound policies are often thwarted by parties interested in the keeping the status quo); Dreyfuss, *Institutional Identity*, *supra* note 10, at 801 (arguing that Congress lacks

Second, Congress demonstrated an ability to act as a catalyst of judicial patent reform. By proposing substantial changes to venue, damages, and claim construction, Congress forced the Federal Circuit to grapple with thorny legal issues that it had largely ignored for decades. In doing so, Congress moved the court's jurisprudence away from its calcified state.

Congress's catalytic power to push the Federal Circuit to update patent law has potential salutary benefits for the operation of the patent system at various levels. First, Congress can exert its influence over the Federal Circuit, infusing the court with input from a representative body. District courts can also benefit from the push and pull between Congress and the Federal Circuit. During congressional debates about the AIA, Congress's actions moved the Federal Circuit to provide better instruction to the district courts in the area of damages and venue. The Federal Circuit instructed lower courts both through written opinions and through its judges sitting by designation in district courts.

The new relationship between the Federal Circuit and Congress holds out promise for the future of patent policy. A Federal Circuit that is actively engaged with policy choices and cognizant of the broader implications of its interpretive activities is more likely than a rigidly formalistic court to strike the appropriate balance between encouraging innovation and enabling competition. Congress can ensure that the Federal Circuit properly balances stakeholder interests by spurring the court to action via legislative proposals. But, the congressional-Federal Circuit relationship requires continued congressional oversight of the patent system, a task that Congress has only recently taken seriously.

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expertise necessary to craft particularized solutions); Nard, *supra* note 20, at 55 (arguing for the institutional advantage of the Federal Circuit over Congress as policymaker). *But see* Peter S. Menell, *A Method for Reforming the Patent System*, 13 MICH. TELECOMM. & TECH. L. REV. 487, 504–05 (2007) (suggesting that congressional reforms' obstacles are not intractable).