Dynamic Federalism and Patent Law Reform

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Dynamic Federalism and Patent Law Reform†

XUAN-THAO NGUYEN*

INTRODUCTION .......................................................................................................449
I. THE "BROKEN" PATENT SYSTEM ......................................................................453
II. LOCAL PATENT REFORM AND DYNAMIC FEDERALISM ..................................456
III. RACE TO THE TOP FOR PATENT REFORM .....................................................460
   A. THE SUPREME COURT AND PATENT REFORM ...........................................460
   B. CONGRESS AND PATENT REFORM .............................................................467
IV. LOCALISM AND PATENT REFORM .................................................................472
   A. A LOCAL MOVEMENT FOR LOCAL PATENT RULES .................................472
   B. DISTRICT JUDGES: INSTRUMENTAL TO LOCAL PATENT REFORM ...........477
   C. OTHER IMPACTS FROM LOCAL PATENT REFORM ....................................481
V. PUNISHING INNOVATIVE LOCAL REFORM ....................................................483
CONCLUSION ..........................................................................................................489

Patent law is federal law, and the normative approach to patent reform has been top down, looking to Congress and the Supreme Court for changes to the broken and complex patent system. The normative approach thus far has not yielded satisfactory results. This Article challenges the static approach to patent reform and embraces the dynamic-federalism approach that patent reform can be an overlapping of both national and local efforts. Patent reform at the local level is essential as locales can serve as laboratories for changes, vertically compete with national government to reform certain areas of the patent system, and become influential catalysts for changes that have an impact at the national level. Because the Constitution expressly grants to Congress the power to regulate substantive patent law, the local patent-reform movement is limited to the development and utilization of local procedural rules to streamline patent litigation in federal district courts. This Article examines the success of the local patent-reform movement initiated by local judges and bar associations sweeping different regions of the United States and suggests that bottom-up reform must be encouraged to solve the national problem of the broken patent system.

INTRODUCTION

The current patent system is in trouble. Patents issued on questionable inventions such as "method of exercising a cat" with a flashing laser pointer for cats to chase,1 "method of swinging on a swing,"2 lidded containers,3 and crustless peanut butter and

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2. U.S. Patent No. 6,368,227 (filed Nov. 17, 2000). For a list of "crazy patents" see Free
jelly sandwiches have raised questions about patent quality. The patent-quality problem leads to exorbitant litigation costs. It is estimated that patent-litigation costs have soared to an average combined amount of almost $8 million for both parties in complex cases, prompting scores of negative reactions and strong demands for patent-litigation reform. Commentators have noted that generalist judges at the district court level lack expertise and are unequipped to handle patent cases, contributing to the skyrocketing costs of litigation, arguably due to the high reversal rate by the Federal Circuit. Many experts claim that the patent system has been broken for some time, as various interest groups have descended on Congress to lobby for reform. But although the 2008 elections were filled with many unexpected outcomes, the 110th Congress delivered no surprises, as it once again failed to pass any legislation to overhaul the patent system.


5. See generally Kimberly A. Moore, Worthless Patents, 20 BERKELEY TECH. L.J. 1521, 1524 (2005); Glieck, supra note 2; Lessig, supra note 2.
8. See William C. Rooklidge, Reform of the Patent Laws: Forging Legislation Addressing Disparate Interests, 88 J. PAT. & TRADEMARK OFF. SOC’ Y 9, 14–16 (2006) (outlining and critiquing the agendas advanced by various interest groups lobbying for patent reform); see also Patent Trolls: Fact or Fiction: Oversight Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 31 (2006) [hereinafter Patent Trolls Hearing] (statement of Chuck Fish, Vice President and Chief Patent Counsel, Time Warner) (urging Congress to reform the patent system because it is out of control); Amendment in the Nature of a Substitute to H.R. 2795, the Patent Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 7 (2005) [hereinafter Patent Act Hearing] (statement of Emery Simon, Counsel, The Small Business Alliance) ("[Allowing patent holders to shop for pro-plaintiff jurisdictions] undermines confidence in the fairness of adjudicated outcomes. It has proven very burdensome for technology companies sued in jurisdictions far removed from their principal places of business where the bulk of the evidence or witnesses are to be found.").
Patent law is federal law, so the appropriate body to initiate and facilitate patent-law reform is the federal government, that is, Congress and the Supreme Court. This normative thinking has a strong foundation in the Constitution, which expressly authorizes Congress to legislate patent law. Indeed, the First Congress enacted the first patent statute. Naturally, patent reformers focus their efforts on persuading Congress to amend the troubled patent system. Powerful corporations and interest groups aggressively and persistently lobby Congress to influence revisions to the patent system. In recent years, lobbying efforts have intensified, and many eyes have turned toward Congress for a complete revision of the patent system. As bills for a major overhaul languish in Congress, others look to the Supreme Court for patent reform and subsequently also encounter limitations.

This Article challenges the conventional wisdom of patent reform that looks primarily to the top—Congress and the Supreme Court—for changes. Within the theoretical framework of dynamic federalism, patent reform can involve an overlap of both the national and local levels of the federal government. Patent reform can occur at the local level and serve both local and national interests. Patent reform at the local level is dynamic as locales can serve as laboratories for changes, vertically compete with the national government, and become influential catalysts for changes that have impacts at the national level.

This Article critiques the top-down, national-only approach to patent reform that has neglected powerful bottom-up efforts by local judges and members of local bar associations throughout many regions of the United States. Far from the halls of Congress and the gavel of the United States Supreme Court, local judges and bar associations collaborate to streamline the patent litigation process and shape litigants'
conduct. They transform their districts into centers of patent expertise, with judges having a keen knowledge of patent law and the daily operation and management of complex patent litigation. These centers of patent expertise adjudicate cases within a short time frame, increase access to justice, and deliver swift results. They reduce the fear of patent complexity and encourage judges and juries to participate in the process. In nine years, the local patent reform movement has spread to federal courts in California, Delaware, Georgia, Texas, Minnesota, Washington, Pennsylvania, New Jersey, Ohio, North Carolina, Missouri, Massachusetts, Illinois, and New York.¹⁷ Local reform is in the spirit of dynamic federalism where both local and national interests are served.¹⁸

To be clear, this Article does not advocate against reform activities in Congress and the Supreme Court. That approach would be within the mode of static dual federalism, which this Article does not embrace.¹⁹ Instead, this Article argues that in some instances, patent law reform can occur interactively at both levels, national and local. The local patent-reform process identified in this Article serves as a valuable reminder that changes related to an area of strictly federal law, such as patent law, can be accomplished locally and yield important results that benefit the entire nation. Local patent reform does not change substantive patent law, allaying fears of violating the supremacy of national patent law. Instead, local patent reform focuses on the development and utilization of local procedural rules to streamline patent litigation.²⁰ Several districts have already undertaken these reform efforts and experienced significant benefit,²¹ which suggests that such efforts should be encouraged, in light of the impasse on patent reform at the top over the last few years.

This Article proceeds as follows. Part I discusses the current state of the patent system and factors contributing to claims of a “broken” patent system. Part II advocates a departure from the normative static thinking of patent-law reform. It is time to embrace a spirit of dynamic federalism by acknowledging and encouraging innovative reform at the local level, thereby solving, in part, a national problem. Part III identifies and explains the top-down approaches to patent reform that epitomize conventional thinking about repairing the broken patent system. The Supreme Court has ventured into patent reform by accepting and deciding an unprecedented number of patent cases over the last few years. The Court’s limited experience and exposure to the complexity of the patent system prevents needed meaningful reform for the patent

¹⁷. See infra notes 176–91.
¹⁸. See Younger v. Harris, 401 U.S. 37, 44 (1971) (explaining the concept of federalism which represents “a system in which there is sensitivity to the legitimate interests of both State and National Governments”); see also Jones, supra note 14, at 109 (discussing the role of federalism in corporate regulation and emphasizing the importance of competition and interaction among federal and state government regulators to establish an appropriate allocation of regulatory authority that would reflect the public opinion). See generally Erwin Chemerinsky, Empowering States When It Matters: A Different Approach to Preemption, 69 BROOK. L. REV. 1313, 1329 (2004).
¹⁹. See generally Adelman & Engel, supra note 14, at 1807–08 (critiquing the static dualism advanced by other scholars and embracing dynamic federalism); Schapiro, supra note 14, at 248 (critiquing the static nature of dual federalism).
²⁰. See infra notes 159–61 and accompanying text.
²¹. See infra notes 176–91 and accompanying text.
system. Congress has embarked on patent-law reform by proposing comprehensive legislation that positions interest groups against each other and therefore stalls one proposal after another.

Part IV identifies the local patent reform movement sweeping through numerous regions of the United States. Local federal judges and bar associations together create and implement systemic procedures to curb abuses in patent litigation, reduce costs associated with patent litigation, shorten litigation time, increase access to justice, and enhance local district and judicial expertise in handling patent cases. Their reform efforts provide benefits beyond their localities, solving part of the gridlock in Congress.

Instead of encouraging the local patent-reform movement, Congress has willfully attempted to punish the local, bottom-up reformers. Part V highlights recently proposed legislation that attempts to punish, though not on its face, a maverick district known for its local reform—the Eastern District of Texas—for its adoption of the Local Patent Rule and the transformation of the district into a national judicial center of patent expertise. The proposed patent-reform legislation is an example of the politicization of patent reform at the national level that ignores the important contributions of judges and bar associations at the local level.

I. THE "BROKEN" PATENT SYSTEM

It is difficult to ignore patents today. National and local media draw readers' attention to problems with the patent system. These media outlets have concluded that the system is "broken" and that there is an overall failure of the patent system. Headlines on patent-related topics are common. Examples include: the high costs of patented drugs, genetic engineering, cloning cows and sheep, patenting of tax-planning methods, migration of patents to tax shelters overseas, and plans in


28. See Floyd Norris, Patent Law is Getting Tax Crazy, INT'L HERALD TRIB., Oct. 20, 2006,
Congress to make payments to rescue the banking industry from patent infringement liability. These headlines dominate print and electronic media. Since anything under the sun created by a human is potentially patentable, patents proliferate even amid the rise of strong criticism of the "broken" patent system.

The number of patents issued by the United States Patent and Trademark Office reflects the nation's frenzy over patents. For instance, in the ten-year period between 1997 and 2007, the number of patents issued increased by 47%, from 124,069 issued in 1997 to 182,899 in 2007. The patent application numbers are even higher because not all patent applications satisfy the statutory requirements of patentability and are either rejected or abandoned. During the same ten-year period, patent applications rose from 232,424 in 1997 to 484,955 in 2007, demonstrating an increase of more than one hundred percent.

The large number of patent applications and patents issued means more disputes and litigation. In 1997, there were 2112 patent cases filed in district courts across the United States; ten years later, the number climbed to 2896 patent cases. Patent litigation is expensive; on the average, the cost per suit is approximately $1.5 million.

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30. See Jeffrey H. Birnbaum, Lawmakers Move to Grant Banks Immunity Against Patent Lawsuit, WASH. POST, Feb. 14, 2008, at A22 (reporting that Senator Jeff Sessions has sponsored legislation that would grant banks immunity against pending patent-infringement suits "potentially saving them billions of dollars").


33. Id.


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The cost can reach the astonishingly high figure of $4 million for each party in cases where damages exceed approximately $25 million.\(^\text{38}\)

Patent litigation generally is complex and factually intensive. In an infringement case, lawyers must master the patented invention, the technology related to the invention, and the prior art.\(^\text{39}\) In most infringement cases, the lawyers need experts in the relevant fields to explain the technology at issue to them, and subsequently to the judges and jurors.\(^\text{40}\) The litigants expend substantial time and resources preparing claim charts and disclosures of preliminary infringement and invalidity contentions, as well as attending claim-construction hearings.\(^\text{41}\) All litigation steps are factually intensive and generally exorbitantly expensive.

The role of patents today, according to major studies, differs depending on the industry.\(^\text{42}\) Regardless of the differences, outcries about exorbitant patent-litigation costs echo from the media to congressional hearings.\(^\text{43}\) From technology companies to

\(^{38}\) See Stirland, supra note 6, at 613 (reporting that complex patent litigation can cost both parties as much as a combined $8 million).

\(^{39}\) See MICHAEL D. KAMINSKI, EFFECTIVE MANAGEMENT OF U.S. PATENT LITIGATION, available at http://www.foley.com/files/tbl_s31Publications/FileUpload137/2941/Effective Management of US Patent Litigation.pdf (stating that patent litigation is costly because patent cases often involve complex technology and providing an example of the factually intensive preparation required at the prelitigation stage: lawyers in prelitigation must review the patents at issue, the prosecution history, and relevant prior art to evaluate the validity of the patents).


\(^{42}\) See FTC/DOJ Joint Hearings on Competition and Intellectual Property Law (Feb. 6, 2002) (testimony of Richard C. Levin, President, Yale University), available at http://www.ftc.gov/os/comments/intelpropertycomments/levinrichardc.htm (summarizing the findings of major studies on patents). President Levin remarked:

The most striking and most influential finding from the data collected in the mid-1980s was that the role of patents differed across industries and technologies. In most industries, firms reported that being first to market with a new or improved product and supporting their head start with superior marketing and customer service most effectively protected the competitive advantages of their R&D. In these industries, patents were not regarded as highly effective in protecting a firm's competitive advantage. The pharmaceutical and certain other chemical industries were striking exceptions. In these industries, patent protection was deemed to be far and away the most effective means of appropriating the returns from research and development. Despite significant changes in patent law during the ensuing years, a follow-up survey conducted in the late 1990s by Wesley Cohen, Richard Nelson, and John Walsh essentially replicated our findings. Id.

\(^{43}\) See Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary, 109th Cong. 4 (2006) (statement of Mark Chandler, Senior Vice President and
banking and insurance brokerage firms, many voice their complaints about bad patents and attacks staged by "patent trolls," which are patent holding companies whose primary reason for existence is to capitalize on their patent property via patent-infringement litigation. Large corporations spend significant sums of money to defend themselves in patent-infringement cases. For example, Intel spends approximately $20 million annually on patent litigation, and Microsoft spends $100 million annually. Over the years, the belief that patent litigation is out of control has gained significant traction. Indeed, different interest groups have joined forces and formed coalitions to lobby Congress to reform the law relating to patent litigation.

II. LOCAL PATENT REFORM AND DYNAMIC FEDERALISM

In the area of patent law, Congress has sole authority to legislate. During the very first session of Congress, the patent statute was enacted. Congress subsequently

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General Counsel, Cisco Systems) (asserting that the "patent litigation system is broken"); Patent Quality Improvement Hearing, supra note 34, at 141 (testimony of Nathan P. Myhrvold) (representing the small technology companies' view and stating that "[l]itigation saps resources that small inventors could put toward more productive pursuits, like new inventions. Reducing the likelihood of litigation, with the attendant cost, complexity and uncertainty is a worthy goal").

44. See Gary L. Rebak, Patently Absurd: Too Many Patents Are Just as Bad for Society as Too Few, FORBES, June 24, 2002, at 45–46 (recounting IBM's strong tactics of using bad patents to coerce companies into settling a lawsuit). Mr. Rebak recalled that the lead counsel for IBM threatened him that "maybe you don't infringe these seven patents. But we have 10,000 U.S. patents. Do you really want us to go back to Armonk [IBM headquarters in New York] and find seven patents you do infringe? Or do you want to make this easy and just pay us $20 million?" Id.; see also Patent Quality Improvement: Hearing of the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Judiciary Comm., 108th Cong. 15–19 (2003) (statement of Mark Kesslen, Managing Director and Associate General Counsel, J.P. Morgan Chase & Co.) (representing banks and insurance brokerage firms and reporting the rise in frivolous lawsuits against the banking and insurance industries based on bad patents).

45. For an example of the extent to which "patent trolls" can burden businesses, especially those in the technology sector, see Patent Reform: The Future of American Innovation: Hearing Before the S. Comm. on the Judiciary, 110th Cong. 250 (2007) (statement of Mary E. Doyle, Senior Vice President and General Counsel, Palm, Inc.) (stating that out of the sixteen lawsuits pending against Palm, thirteen were brought by patent-holding or licensing companies).

46. Stirland, supra note 6, at 613.


48. See Patent Trolls Hearing, supra note 8, at 26 (testimony of Chuck Fish) (testifying that patent litigation is out of control and needs urgent reforms); see also Patent Act Hearing, supra note 8, at 7 (testimony of Emery Simon) (claiming that the escalated level of patent litigation and forum shopping by plaintiffs "undermines confidence in the fairness of adjudicated outcomes").

49. See generally Patent Trolls Hearing, supra note 8 (testimony of Chuck Fish) (lobbying for patent litigation reforms on behalf of Time Warner); Patent Act Hearing, supra note 8 (testimony of Emery Simon) (lobbying for patent litigation reforms on behalf of the computer and software industry).

50. U.S. CONST. art. I, § 8, cl. 8 ("Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive
amended the statute to develop a body of law relevant to changes in technology and the

Right to their respective Writings and Discoveries.


53. See generally Timothy R. Holbrook, Extraterritoriality in U.S. Patent Law, 49 WM. & MARY L. REV. 2119, 2127 (2008) (looking to Congress to close loopholes relating to the extraterritoriality problem); John W. Schlicher, Patent Licensing, What to do After Medimmune v. Genentech, 89 J. PAT. & TRADEMARK OFF. SOC’Y 364, 392 (2007) ("Patent owners should also consider asking Congress to amend sections 294(c) and (d) of the Patent Act to make clear that an arbitration award will have no effect on the patent owner’s rights as to any other person, and remove concern that an invalidity decision might have adverse effects in later actions involving others."); Herman Levy, News from the Committees, PROCUREMENT LAWYER, (ABA Section of Pub. Contract Law, Chi., Ill.), Winter 2008, at 19, 19–20 (reporting concern about patent infringement and desire for Congress to amend patent legislation to protect the government contractors expressed during the September 2007 meeting of ABA’s Research and Development and Intellectual Property Committee).


56. See Patent Act Hearing, supra note 8 (highlighting a patent system riddled with problems); Viana, supra note 55 (reporting the issues supported and opposed by various interest groups).
Supreme Court, the local patent-law-reform movement was ripe. Furthermore, local patent reform is an example of how bottom-up reforms parallel the current trends in dynamic federalism.

Constitutional law scholars have fueled much of the debate in the last two decades on federalism, examining and positing the constitutional limits of congressional authority, state and federal government relationships, and the social benefits and costs of federalism. While the debate is ongoing among scholars in constitutional law, scholars in other areas such as environmental law, corporate securities, and immigration have turned their attention to the implications of federalism for their respective fields.

In recent years, scholars have embraced a new trend of federalism, proclaiming that strict "[d]ual federalism is dead" and that neither federal nor state governing authority can be seen through a single, nonoverlapping lens. The new alternative to the static dual federalism is dynamic federalism, which has many other names such as "federalism" or "interactive federalism." Under the new concept of federalism, scholars focus on the dynamic interaction among the states and the federal government; the competition, either confrontational or cooperative, between states and the federal government; and the overlapping of state and federal authority.

The local movement, as described in this Article, drawing an analogy to dynamic federalism, challenges the normative, static thinking that anything related to patents

57. See Clarisa Long, Our Uniform Patent System, FED. LAW., Feb. 2008, at 44, 47 (discussing the patent reform efforts in Congress and noting that "[f]or the past three years in a row, patent reform bills have languished in Congress").


63. Adelman & Engel, supra note 14, at 1807–08 (noting “a new trend in federalism scholarship is emerging that is alternatively referred to as ‘empowerment federalism,’ ‘polyphonic federalism,’ ‘interactive federalism,’ ‘dynamic federalism,’ and even ‘vertical regulatory competition’” and can be applied in such areas as environmental and corporate law). Adelman and Engel also advocate an “adaptive federalism” as a variant of dynamic federalism. Id. at 1827–31.

64. See Schapiro, supra note 14, at 278–301 (tracing the different theories of federalism in an attempt to move beyond dualist federalism).
must be left to Congress. Little progress has been made, as the top-down reformers have so far raced to the top. Congress and the Supreme Court have thus far failed to solve the broken-patent problem. The local movement provides a bottom-up solution that interacts, competes, and overlaps with the top-down approach to solve parts of the broken and complex patent system. The local movement is a product of work accomplished within local laboratories in many different locales across the nation to reform patent litigation. The local movement demonstrates that not all patent-related issues should be at the mercy of congressional attention, languishing for years on legislation pulled and pushed by powerful interest groups.

The local movement embodies the spirit of cooperative reform in that it represents a system sensitive to the legitimate interests at both the local and national levels. Congress wanted to address problems associated with patent litigation but failed to do so during the past couple of terms. Local judges and bar associations compete with Congress by partially filling the void. The local movement reveals how local judges and bar association members, together with citizens in a locality, can bring positive results to solve problems in the patent area by delivering fair and speedy resolutions to patent disputes, reducing patent litigation costs, shortening the timetables for infringement and defense contentions, imposing “good cause” standards to justify delays in pleadings, and dismissing patent cases with prejudice if certain deadlines are missed. Consequently, as more patent cases are promptly disposed of and new cases are filed in the reformed districts, local federal judges have opportunities to enhance their expertise in patent law and subsequently create new federal judicial centers for patent cases.

The work accomplished by the local movement does not suggest that all patent-related reform should be conducted at the local level. The strict dual federalism view of either national or local authority is not always productive to patent reform. Moreover, the view that all patent-related reform should be local would be unconstitutional, as Congress has the constitutional mandate to legislate substantive patent law. The local movement, however, demonstrates how changes related to an area of law—patent law

65. See, e.g., Holbrook, supra note 53, at 2127 (looking to Congress for patent law reform); Levy, supra note 53, at 20 (reporting procurement practitioners look to Congress for patent law reform); Schlicher, supra note 53, at 392 (noting patent owners look to Congress for patent law reform); Viana, supra note 55 (reporting that big companies and influential groups fight inside the beltway for their version of patent law reform).
66. See infra Part IV.
67. See infra Part IV.
68. See Schapiro, supra note 14, at 278–301 (denouncing dual federalism and advancing a new theory of dynamic federalism); see also Younger v. Harris, 401 U.S. 37, 44 (1971) (explaining the concept of federalism). The Supreme Court has long noted that federalism represents “a system in which there is sensitivity to the legitimate interests of both State and National Governments.” Younger, 401 U.S. at 44.
69. See infra Part IV.
70. See infra Part IV.
71. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 231 (1964) (“[A] State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents” because the State doing so would undermine “the policy of Congress of granting patents only to true inventions, and then only for a limited time.”).
specifically, which has often been deemed to be exclusively within the power of Congress—can be achieved procedurally, for example, through the creation and adoption of local patent rules at the district level.\textsuperscript{72}

The local movement does not reform the substantive patent law because Congress still possesses the sole power to legislate. Undoubtedly, the Patent and Copyright Clause in the Constitution speaks for the national interest in having a national patent-law system and vests Congress with the power and authority to govern the patent system. The local patent-reform movement’s development and utilization of local patent rules does not encroach upon Congress’s authority or flaunt the supremacy of substantive patent law. The local patent rules are not substantive patent law; they are procedures unique to patent cases that govern how patent cases should be managed and disposed of at the district court level. The end result is an increased access to justice, a reduction in the time to dispose of cases, a decrease in litigation costs, a creation of patent expert centers throughout the nation, and a restoration of certainty that benefits the nation as a whole.

### III. RACE TO THE TOP FOR PATENT REFORM

#### A. The Supreme Court and Patent Reform

After a long period of relative silence, the Supreme Court has robustly injected itself into reforming patent law.\textsuperscript{73} Over the last few terms, the Court has heard a significant number of patent cases, especially in light of the fact that the number of cases heard annually by the Court has sharply decreased over the years.\textsuperscript{74} The Court’s new interest in patents may fundamentally change patent law, an area of law that many considered settled after Congress created the United States Court of Appeals for the Federal Circuit,\textsuperscript{75} which has exclusive jurisdiction to hear patent appeals.\textsuperscript{76} The

\textsuperscript{72} See infra Part IV.


\textsuperscript{74} See Kevin W. Kirsch & David A. Mancino, Wind of Change in U.S. Patent Law, INTELL. PROP. & TECH. L.J., Oct. 2007, at 1, 1 (noting that in the last quarter century, the Supreme Court heard only sixteen patent cases as compared to the six cases in the past two terms).

\textsuperscript{75} See generally Paul M. Janicke, To Be or Not to Be: The Long Gestation of the U.S. Court of Appeals for the Federal Circuit (1887-1982), 69 ANTITRUST L.J. 645 (2001) (tracing the genesis of the Federal Circuit, the federal appellate court with exclusive jurisdiction over patent appeals).

\textsuperscript{76} 28 U.S.C. § 1295(a)(1) (2006) (providing that the Federal Circuit has exclusive
Supreme Court has drastically altered the course of patent jurisprudence and, according to some commentators, undermined the Federal Circuit’s authority in charting the contours of patent law, as seen by a string of reversals of important Federal Circuit decisions.

Leading the pack of reversals is *eBay v. MercExchange.* The Supreme Court decided to eliminate the long-standing rule propounded by the Federal Circuit granting automatic permanent injunctions to prevailing patent holders in infringement suits. The decision, according to some critics, also overturned the Supreme Court’s own precedent on automatic permanent injunctions in patent cases. The decision forces the patent holder to meet a difficult four-factor test before an injunction is issued. The plaintiff must show: (1) an irreparable injury; (2) that a remedy at law would be inadequate; (3) that a balancing of the party’s interests warrants an equitable remedy; and (4) that an injunction is not against the public interest. The decision weakens the power of patent holders, by making it harder to exert the threat of permanent injunction over defendants in infringement suits. Consequently, defendants, faced with the


78. 547 U.S. 388 (2006); see also David L. McCombs, Phillip B. Phibin & Jacob G. Hodges, Intellectual Property Law, 60 SMU L. REV. 1141, 1145–46 (2007) (analyzing *eBay* and observing that the impact of the decision has been “far-ranging, affecting various aspects of patent litigation, including trials, decisions on settlement, ongoing licenses, and the practices of competitors, patent holders, and patent holding companies”).

79. *eBay*, 547 U.S. at 393–94 (holding that the Federal Circuit “erred in its categorical grant” of injunctive relief).


81. *eBay*, 547 U.S. at 391 (outlining the well-established test for injunctive relief adopted in other areas of law and dictating that no departure from the test is warranted in patent law).

82. See Doug Lichtman & Mark A. Lemley, Rethinking Patent Law’s Presumption of Validity, 60 STAN. L. REV. 45, 72 (2007) (stating that *eBay v. MercExchange* is an example of
reduced likelihood of a permanent injunction, have little incentive to settle patent infringement suits. 83

Next, in MedImmune, Inc. v. Genentech, Inc., 84 the Court rejected the Federal Circuit's "reasonable apprehension of imminent suit" test in declaratory judgment actions. In that case, MedImmune licensed a patent from Genentech for a certain respiratory drug, and while it was still paying the royalties on the licensed patent, it brought a declaratory judgment action seeking to invalidate the patent. 85 Under the Federal Circuit's established rule in patent cases, the presence of a valid license meant that no case or controversy between the parties existed, and thus the licensee had no Article III standing to bring suit. 86 In reversing the Federal Circuit, the Supreme Court held that the licensee had standing to bring the declaratory judgment action, concluding that "promising to pay royalties on patents that have not been held invalid does not amount to a promise not to seek a holding of their invalidity." 87 The Court mandated that the focus for declaratory judgment actions for patent cases must center on the "actual controversy" test, which requires that a dispute be "definite and concrete, touching the legal relations of parties having adverse legal interests." 88 The mandate means that whether a party has standing to bring a declaratory judgment action is analyzed under all the facts and circumstances of the action. 89

83. See Raymond Millien, The Evolving IP Marketplace, in PRACTISING LAW INST., PATENT LAW INSTITUTE 2007: THE IMPACT OF RECENT DEVELOPMENTS ON YOUR PRACTICE 335, 344 (PLI Intellectual Prop. Course Handbook Series No. G-899, 2007) (asserting that eBay has caused a shift in negotiation leverage from patent holders to potential defendants because alleged infringers no longer face the automatic injunction of their infringing activities, thus, "the likelihood that they would be willing to settle most certainly decreases"); Raymond T. Nimmer, Developments in Patent Licensing, in 2 PRACTISING LAW INST., 2ND ANNUAL PATENT INSTITUTE 317, 322 (PLI Intellectual Prop., Course Handbook Series No. G-923, 2008) ("[A]fter eBay[,] an accused [patent infringer] with large resources may have more incentive to test the patent in court. The alleged infringer may have less reason to fear having its product line shut down or recalled.").


85. Id. at 121–22.


87. MedImmune, 549 U.S. at 135.


89. See MedImmune, 549 U.S. at 127.
MedImmune is seen as another case signaling the beginning of a showdown in the patent-reform battle.\(^9\) The decision favors a weaker patent-protection system, as it extends a new right to licensees—the postgrant review of the validity and enforceability of the licensed patents.\(^9\) MedImmune broadens the ability of licensees and competitors to seek declaratory judgment actions against the patent holder.\(^9\) The licensees can continue the license relationship, enjoying the benefits of the licensed patent, and yet have standing to bring a lawsuit to declare that the licensed patent is invalid and not enforceable.\(^9\) Consequently, the licensing business model, which is the main path of moving innovation to the marketplace, is undermined as most patents in licensing arrangements are now exposed to potential declaratory judgment actions, which gives the licensees an opportunity to use the patents for free.\(^9\)

The Supreme Court continued its trajectory in reforming patent law by addressing invalidity by obviousness in *KSR International Co. v. Teleflex, Inc.*\(^9\) and rejected the


\(^9\) See Kirsch & Mancino, *supra* note 74, at 2; McCombs et al., *supra* note 78, at 1149 (declaring that *MedImmune* was a "Mutiny on the License"). Professor Nimmer observed how *MedImmune* drastically altered the licensor and licensee relationship:

> Now it appears that a case or controversy may exist even when a patent holder puts another party on notice of a patent and identifies a product or activity of the other party that is affected by the patent, even if the patent holder is clearly offering a license to the other party and not threatening patent litigation. Prior to this decision, there was a perceived safe harbor for patent holders to avoid declaratory judgment actions resulting from their notice letters by offering in the notice letter a license to the patent and by not threatening litigation.


\(^9\) See Belt & Toms, *supra* note 90, at 11. Supporters of a strong patent system see *MedImmune* as placing too much burden on owners of valid patents who are the licensors in patent licensing arrangements:

> Patent licensing is a major contributor to the U.S. economy: it is the primary way that major sources of innovation, such as universities, research and development companies, and independent inventors, bring their new technologies to market. Allowing licensees, who are often large manufacturers, to force a "renegotiation" of their licenses by threatening, without consequence, costly litigation to challenge the licensed patents would bury these sources of innovation in frivolous lawsuits.


Federal Circuit’s longstanding “teaching, suggestion, or motivation” (TSM) test as too rigid and narrow. The Federal Circuit’s pro-patent-holder approach stated that a patent claim was not obvious unless there existed some teaching, suggestion, or motivation to combine the various prior art references to reach the claimed invention. KSR alters the course of the patent tide by embracing an “expansive and flexible approach” in determining whether a patent is obvious. KSR lowers the threshold by allowing common sense and creativity in the field to dictate the reasons for combining various prior art references in evaluating obviousness. By rejecting the Federal Circuit’s TSM test, the Supreme Court injected itself into reshaping patent law, although the empirical data evaluating pre-KSR cases on obviousness failed to support such a drastic response. Under KSR, many patents, as predicted, would be easier to invalidate as obvious in litigation. By lowering the obviousness threshold, KSR will affect patent-licensing costs in ways not favorable to patent holders. Patent values will diminish as licensing costs decrease, because the likelihood of invalidating a patent as obvious greatly increases.

Continuing with its leap into reforming patent law, the Court, in Microsoft Corp. v. AT&T Corp., reversed the Federal Circuit’s de facto extraterritorial application of U.S. patents to activities occurring outside the United States. The Court held that Microsoft’s Windows software sent from the United States to a foreign manufacturer on a master disk for subsequent copies, which were then installed on foreign-made computers sold in foreign jurisdictions, did not violate section 271(f) of the Patent Act.
Act.\textsuperscript{104} Under section 271(f),\textsuperscript{105} the exportation of components of a patented invention from the United States for combination into an infringing product abroad can be an infringement of a U.S. patent.\textsuperscript{106} The Court reasoned that “foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries,” and “[i]f AT&T desires to prevent copying in foreign countries, its remedy today lies in obtaining and enforcing foreign patents.”\textsuperscript{107} The decision is significant because there are many countries that reject software patent protections, rendering Microsoft’s infringing conduct in the United States irrelevant in jurisdictions outside the United States.\textsuperscript{108} Consequently, the patent holder cannot obtain damages for infringing foreign conduct.\textsuperscript{109}

The Court’s strong interest in steering the development of patents and patent law is arguably a reflection of how patents have become vitally important, both to the economy and society.\textsuperscript{110} Importantly, the Court generally grants certiorari when there are splits among the circuit courts.\textsuperscript{111} However, in patent law, there are no circuit splits.\textsuperscript{112} The Court wields its power in an area of law where Congress has specifically

\begin{itemize}
  \item \textsuperscript{104} Id. at 1751 ("Because Microsoft does not export from the United States the copies actually installed, it does not ‘supply[y] . . . from the United States’ ‘components’ of the relevant computers, and therefore is not liable under § 271(f).”).
  \item \textsuperscript{105} 35 U.S.C. § 271(f) (2006).
  \item \textsuperscript{107} Microsoft, 127 S. Ct. at 1759 (rejecting AT & T’s advocacy for extraterritorial reach of U.S. patent law).
  \item \textsuperscript{108} See, e.g., James Emstmeyer, Note, \textit{Does Strict Territoriality Toll the End of Software Patents?}, 89 B.U. L. Rev. 1267, 1295 (2009) ("The holding[] of Microsoft v. AT&T effectively eliminate[s] protection under domestic patent law for an American software inventor against domestic competitors who export the software to overseas markets. Remedy under foreign patent law is also problematic. The lack of protection of software patent rights across national borders . . . seriously diminishes an important commercial benefit of software patents.").
  \item \textsuperscript{109} See Marc J. Pensabene & Thomas S. Gabriel, \textit{To Sue or Not to Sue: Risks of Unlocking Value Through Patent Litigation}, INTELL. PROP. & TECH. L.J., Sept. 2007, at 18, 20 (observing that Microsoft v. AT&T “effectively eliminated [the] trend of obtaining damages for foreign replicated software”).
  \item \textsuperscript{110} See William P. Skladony, Quanta Computer v. LG Electronics: The U.S. Supreme Court May Consider the Doctrine of Patent Exhaustion, INTELL. PROP. & TECH. L.J., July 2007, at 1, 4 (stating that patents “play a more significant role in modern markets and economies” than they did before the Supreme Court’s recent foray into patent law reform).
  \item \textsuperscript{111} Sup. Ct. R. 10(a).
  \item \textsuperscript{112} Judge Plager of the Federal Circuit offered the following observation on the Supreme Court’s recent strong focus on patent law:

Perhaps more curiously, though in keeping with the notion that patent law now plays a major economic role in the nation, the Supreme Court in several other recent cases has inserted itself into the operational aspects of patent law. Since there are no circuit splits requiring Supreme Court intervention into the substantive side of patent law, the Court’s interest reflects a broader concern for the functioning of the system.

Plager, \textit{supra} note 88, at 757.
created the Federal Circuit for patent-law uniformity and harmonization purposes, suggesting that the Federal Circuit has a right to claim an important stake in patent-law reform. The Court’s actions indicate that it too can alter patent law, direct the approaches to reforming the patent system, fundamentally and substantively change patent litigation in the United States, and accomplish patent reforms at a quicker pace than Congress.

The Court’s patent-reform decisions may be seen as an attempt to shift power from Congress. The Court’s effort in patent-law reform, however, has limits. The latest round of patent-reform agendas advanced by various groups show that the issues related to patents are vastly complex and intertwined. Nonetheless, most of the issues identified and debated for reform are more appropriately decided by Congress.

113. The creation of the Federal Circuit has led many to believe, for quite some time, that the Federal Circuit was viewed as the “supreme” court of patent cases. See Mark D. Janis, Patent Law in the Age of the Invisible Supreme Court, 2001 U. ILL. L. REV. 387, 387 (“[T]he Federal Circuit . . . has become the de facto supreme court of patents.”).


115. See Reichman & Dreyfuss, supra note 76, at 117–21 (2007) (noting that while other countries will “use legislative solutions” in searching for new approaches to patents, “the Supreme Court’s foray into patent law suggests that the U.S. approach may be judicially based”).


117. See generally Farrand, supra note 116 (submitting that “evolving case law, rather than new legislative mandates,” has driven patent reform efforts).

118. See Nard & Duffy, supra note 77, at 1640 (observing that, although the Supreme Court may attempt to provide a competitive check on the Federal Circuit, the Court is “at best a very awkward institution” to do so because it “lacks a day-to-day familiarity with patent law doctrine, and because of the Court’s superior position in the judicial hierarchy, any dialogue between the two institutions lacks the equipoise of peer debate”).

119. See generally Rocklidge, supra note 8 (discussing the complexity of the patent-law-reform approaches advocated by different interest groups).

120. See Nard & Duffy, supra note 77, at 1639 (noting that Congress, not the courts, should intervene in the development of patent policy and cautioning that Congress should intervene “only rarely”).
B. Congress and Patent Reform

The Constitutional Convention of 1789 aimed to create a national patent system by including a clause relating to patent and copyright in the Constitution itself. Article I, Section 8, authorizes Congress to grant exclusive rights for a limited time to inventors for their discoveries. With that constitutional mandate and the recognition of the importance of having a national patent system, the first Congress passed the Patent Act of 1790. More than two hundred years later, Congress has the firm upper hand, dictating the contours of American patent law. Congress is where new patent bills are introduced and debated and, in some cases, passed by both the House and the Senate to become the law of the nation.

Major changes to patent law, however, are few. The Patent Act of 1952, the Federal Courts Improvement Act of 1982, with its creation of the Court of Appeals for the Federal Circuit, and the America Invents Act of 2011 are the most significant.

121. See Bugbee, supra note 11, at 126, 142–43 (discussing various proposals advanced at the Constitutional Convention and discussing the Patent Act of 1790).
122. U.S. Const. art. I, § 8, cl. 8. ("To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."). The exclusive rights in patents are property. See, e.g., 35 U.S.C. § 261 (2006) ("[P]atents shall have the attributes of personal property."); Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 730 (2002) (stating that a patent monopoly "is a property right"); United States v. Dubilier Condenser Corp., 289 U.S. 178, 186–87 (1933) ("[A] patent is not, accurately speaking, a monopoly, [but rather a] patent is property."). Recent debates on the patent grant illuminate the importance of patents and evaluate whether patents have been protected as constitutional private property under the Takings Clause. See generally Adam Mossoff, Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause, 87 B.U. L. Rev. 689, 690, 700–01 (2007) (tracing the history of patents as constitutional private property).
124. See Daniel J. Gervais, The Protection of Database, 82 CHI.-KENT L. REV. 1109, 1143 n.192 (2007) (noting that since enacting patent laws, Congress has ensured the exclusive jurisdiction of patent actions in federal courts, "allowing for the development of a uniform body of law in resolving the constant tension between private right and public access").
126. See Daniel R. Cahoy, An Incrementalist Approach to Patent Reform Policy, 9 N.Y.U. J.
for the Federal Circuit for exclusive jurisdiction over patent appeals, and the American Inventors Protection Act of 1999 represent the notable sweeping changes in patent law. The resulting federal body of patent law, codified in title 35 of the United States Code, governs the landscape of patent law as it faces an ever changing world of new technologies and business models.

In recent years, Congress has faced pressure from different interest groups to overhaul patent law, particularly with regard to patent litigation. During this time, Congress has introduced many bills and held many hearings, but no comprehensive patent-reform legislation has passed. On June 8, 2005, Representative Lamar Smith, Chairman of Courts, the Internet, and Intellectual Property Subcommittee of the House Judiciary Committee, introduced the much anticipated H.R. 2795, the Patent ReformLEGIS. & PUB. POL'Y 587, 638 n.210 (2006) (noting that the “last major overhaul of the patent system in the United States was the Patent Act of 1952” and that the “most recent substantive revision was the American Inventors Protection Act of 1999” (emphasis in original).


The legislative process and policymaking creates most patent law and limits judge-made patent law. See Plager and Pettigrew, supra note 77, at 1737.

The Patent Act, in which Congress, by the way in which it has written both the structure and the detail of the legislation, has incorporated important basic policy choices. It is certainly true that within such detailed legislation there nevertheless may be broadly stated provisions, or provisions with broadly stated directives, that are intended for agency implementation. Yet even in these cases, when the courts are called upon to review a legislative gap through interpretation that has policy overtones, the choices are constrained by the central policies reflected in the basic legislative scheme, as well as by the self-imposed deference to the policy-fulfilling role of the executive branch.

Id.

132. See generally Donald S. Chisum, Reforming Patent Law Reform, 4 J. MARSHALL REV. INTELL. PROP. L. 336 (identifying Microsoft’s position on intellectual property and analyzing notorious patent infringement cases that created the momentum for the comprehensive patent law reform outcry today).
133. The recent patent-reform attempts in Congress seek to reduce patent protection for patent holders in areas such as remedies and enhance the ability of alleged infringers to oppose issued patents. See Robert E. Thomas, Vanquishing Copyright Pirates and Patent Trolls: The Divergent Evolution of Copyright and Patent Law, 43 AM. BUS. L.J. 689, 690–91 (2007) (finding that while copyright law reform legislation seeks to expand copyright protection, patent reform legislation proposed during the 108th and 109th congressional sessions would greatly decrease patent protection and “erect significant barriers to the enforcement of patent rights including making it more difficult to obtain injunctive relief and creating additional opportunities for third parties to oppose issued patents”).
Act of 2005—a major piece of legislation to reform the entire patent system. Powerful interest groups intensified their lobbying efforts, which immediately led to a different version of the bill, known as the Amendment in the Nature of a Substitute to H.R. 2795, being introduced on July 26, 2005.

The Senate also introduced its own version of national patent-law reform relating to H.R. 2795 during the 109th Congress. On August 3, 2006, Senators Orin Hatch and Patrick Leahy introduced S. 3818, known as the Patent Reform Act of 2006. Not surprisingly, with so many divergent interests expressed in the different provisions of the proposed bills, the 109th Congress ended without further action on S. 3818 or H.R. 2795.

Subsequently, in the 110th Congress, S. 1145 and H.R. 1908 were introduced in the Senate and the House of Representatives, respectively. These bills became known as the “Patent Reform Act of 2007.” The House passed its version of the bill, but the Senate had not taken any action on the bill by the summer of 2008. This legislative stalemate prompted Senator Patrick Leahy, the bill’s sponsor, to express his disappointment that the Senate could not come together to reform the patent system.

Congress’s attempts to drastically reform patent law have not been successful largely due to the opposing interests of the various industry sectors regarding patents and innovation. For instance, large software and technology companies have been

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135. Christopher M. Holman, Biotechnology’s Prescription for Patent Reform, 5 J. MARSHALL REV. INT’L PROP. L. 318, 318 (2007) (stating that H.R. 2795 “not only would have changed the rules pursuant to the way that patents are procured, enforced, and challenged, they would have fundamentally altered the requirements for a patentable invention”).
136. H.R. 2795.
137. See Patent Act Hearing, supra note 8; see also Holman, supra note 135, at 322 (explaining that the substitute “retreated from a number of the changes proposed in the original legislation by eliminating the provisions relating to injunctive relief, continuation practice, and second-window post-grant opposition procedures” and revising the damage apportionment provision).
139. Representative Berman also introduced his own legislation to reform the patent system on April 5, 2006, H.R. 5096, 109th Cong. (2006), but no further action was taken on Berman’s bill.
143. Press Release, Sen. Patrick Leahy, Comment on Patent Reform Legislation (April 10, 2008), http://leahy.senate.gov/press/200804/041008b.html. (“I am disappointed that just a handful of words have stalled the Senate’s debate on this important patent legislation. We have been working on these reforms for years. Thousands of hours have been spent in negotiations to address the concerns of 100 Senators, hundreds of Representatives, and dozens of stakeholders. This was a missed opportunity. I have said repeatedly that the time for patent reform is now. Unfortunately, some have yet to fully grasp this fact, and have stalled meaningful reform.”).
144. See Rooklidge, supra note 8, at 10, 13 (noting that different interest groups with stakes in patent law reform and lobbied for their various versions of patent reform); cf. Robert A. Armitage, The Myth of Inherent and Inevitable "Industry Differences": “Diversity” as Artifact in the Quest for Patent Reforms, 13 MICH. TELECOMM. & TECH. L. REV. 401, 419 (2007)
actively advocating for a weaker patent system, claiming that existing strong patent protection discourages innovation. These companies have asserted that the current patent system provides too much power to holding companies whose existence depends on purchasing patents and suing others for infringement, thereby threatening extensive and expensive patent litigation against the technology industry. Over the years, they have aggressively lobbied Congress to weaken the patent system. Their lobbying efforts culminated in H.R. 1908 and S. 1145, which were viewed as antipatent bills. Other groups, such as pharmaceutical companies, favor a strong patent system to protect their long and costly investment in the development of patented drugs. These groups oppose a weak patent system because patents are both critical and necessary to their industries. Additionally, the small technology sector and small inventor groups (challenging the belief that inherent and inevitable “industry differences” is the motive for patent reforms).

145. See Rooklidge, supra note 8, at 13–15 (explaining that the patent reform proposal advanced by the Business Software Alliance would weaken the patent system). Some technology companies do not want to see software patent protection because these companies would be burdened by the high cost of defending against patent infringement suits. See Public Hearing on Use of the Patent System to Protect Software-Related Inventions Before the United States Patent and Trademark Office, at 17 (1994), available at http://www.uspto.gov/web/offices/com/hearings/software/sanjose/sjhrng.pdf (statement of Douglas Brotz, Principal Scientist, Adobe Systems, Inc) (stating that software patents have harmed Adobe, as illustrated in a suit brought by Information International Inc. where Adobe spent and $4.5 million dollars in legal fees and litigation expenses over five years).


147. See Kirsch and Mancino, supra note 74, at 7.


149. The Biotech Industry asserts that intellectual property protection is “the key factor for economic growth and advancement in the biotechnology sector.” Letter from Sara Radcliffe, Managing Dir. Sci. and Regulatory Affairs, Biotechnology Indus. Org., to Linda Olsson, European Meds. Agency (June 5, 2005), available at http://www.bio.org/reg/20050617.pdf. The Biotechnology Industry Organization, along with other biotechnology and pharmaceutical organizations, has also made some observations on patent reform efforts and cautioned unilateral changes without objective empirical evidence on patents:

While we welcome efforts to make improvements to the U.S. patent system, we must make clear our opposition to S. 1145 as approved by the Senate Judiciary Committee. This bill contains provisions that will create uncertainty and weaken the enforceability of validly issued patents. Some of the proposed reform provisions, such as an expanded apportionment of damages, an indefinite post-grant opposition process, excessive venue restrictions, burdensome and expensive mandatory search requirements, and unworkable interlocutory appeal provisions, pose serious negative consequences for continued innovation and American technological leadership in a competitive global economy. In addition, the bill codifies the current inequitable conduct doctrine rather than to make broadly
strongly oppose the proposed patent-litigation-reform legislation, arguing that the
problems related to patent litigation have been exaggerated and that the proposed
legislation would encourage more patent disputes, not reduce them. The failure of
different sectors to compromise on a wide range of issues has resulted in the stalling of
patent law reform in recent congressional sessions.

While Congress fails to pass legislation reforming the patent system, a quiet
patent reform movement has emerged at the local level to curb patent abuses, curtail
protracted patent litigation, and increase the expertise of judges in handling patent
cases across America.

supported reforms to eliminate litigation abuse of the doctrine and gain increases
in patent quality.

No compelling case has been made for a bill written in this fashion. It is based
on claims of a crisis in the current patent system that does not exist, supported by
selective assertions which do not hold up under scrutiny. Importantly, the bill fails
to take into account the impact of numerous court decisions and administrative
rules that have occurred recently regarding major patent issues. We believe the
authors of the legislation must make fundamental changes to the legislation if it is
to work for all American innovators, and we urge you not to consider the bill on
the Senate floor unless such changes are made.

Letter from the Biotechnology Industry Organization and Other Biopharmaceutical
Organizations to Harry Reid, Senator, and Mitch McConnell, Senator (Oct. 23, 2007), available

150. Patent Quality Improvement Hearing, supra note 34, at 142 (statement of Nathan P.
Myhrvold, Chief Executive Officer, Intellectual Ventures). Myhrvold made the following
observations:

So, while I can understand the frustration that my colleagues in large technology
companies have, the reality is that the impact of these lawsuits is exaggerated.
Some horror stories exist, but they are rare. The magnitude of the supposed
problem is not borne out by the statistics.

I was curious, so I did a study counting the total number of lawsuits filed
against technology companies by entities that do not produce products. The total
of all these lawsuits over the last five years was just over 2% of all patent lawsuits.
Furthermore, fully half of those lawsuits are from one very litigious company.
Those horror stories aren’t about an epidemic, or a situation that is out of
control—it is actually a very minor phenomenon. I also counted the number of
patent lawsuits in which a large technology company was the plaintiff—the result
is 1.6%. Large technology companies generate nearly as many lawsuits as the
entities that have no products.

These numbers put some perspective on the problem. On one hand, we have
the potential to harm tens of thousands of small inventors. On the other hand we
have the supposed benefit—to reduce the total number of lawsuits by perhaps one
percent. It seems clear that the cure is far worse than the disease.

Id.

151. See Holman, supra note 135, at 318 (stating that the sweeping reform did not gather
support from the biotech industry and other constituencies affected by changes to the status quo,
stalling the proposed legislation).

(cautioning that large-scale patent-law reform is difficult as seen through the history of patent
reforms).
Local patent and intellectual property bar associations across the United States have witnessed a relatively modest increase in the number of patent cases, the complexity of the technology, the complexity of patent law, the lengthiness of litigation, and the cost of litigation. These bar associations were aware for years that patent cases were primarily concentrated on the East and West Coasts, notably in the Eastern District of Virginia, the District of Delaware, and the Northern District of California. Consequently, the expertise of the judges presiding over patent cases in those districts has developed significantly because they have had more opportunities than other judges to preside over patent cases. Judges and patent attorneys in districts outside California and Virginia have recently decided to curb abuses in patent litigation.


155. See Joseph Scott Miller, Enhancing Patent Disclosure for Faithful Claim Construction, 9 LEWIS & CLARK L. REV. 177, 198 (2005) (reporting that, according to the American Intellectual Property Law Association’s biennial survey in 2004, “the national median cost of a full patent trial in which $1 to $25 million is at risk is $2 million per side, i.e., $4 million”); see also Johnson, supra note 154, at 67 (indicating that, based on the American Intellectual Property Law Association’s Report of the Economic Survey 2005, the median litigation cost in patent cases in which more than $25 million is at risk is $4.5 million).


157. For example, Judge Roderick McKelvie of the District of Delaware possessed significant patent-law experience, and he innovated the handling of patent cases on his docket. His innovations led to more patent cases filed in the District of Delaware. See William P. DiSalvatore, Filing Considerations in Patent Litigation, in PATENT LITIGATION 2001, at 81, 98 (PLI Intellectual Prop., Course Handbook Series, No. G-669, 2001) (stating that Judge McKelvie encouraged the growth of patent cases by reforming the way patent cases were litigated in the District of Delaware, such as eliminating sidebars during jury trials, prohibiting long and argumentative objections, limiting the trial of patent cases to twenty to twenty-five hours per side, and creating an Advisory Committee on Intellectual Property, which explored adjudicating intellectual property cases more efficiently).
increase the expertise of local judges in patent cases, and create new centers for patent cases.158

Local judges and patent bars understand that they do not have the authority to reform substantive patent law, because Congress has the sole authority to pass patent legislation.159 Nevertheless, local judges and patent bars can work together to formulate local procedural rules regarding patent cases litigated in their districts.160

158. For example, the District of Minnesota appointed an Advisory Committee to make recommendations on local patent rules. The Committee consisted of judges and local attorneys. Press Release, Proposed Local Rule Amendments for Public Comment (Sept. 13, 2005), available at http://www.mnd.uscourts.gov/Press_ Releases/public_comment.pdf [hereinafter Minnesota Patent Committee] (listing the Committee members recommending the Local Patent Rules for the District of Minnesota). The Committee recommended a set of local patent rules and explained that the rules "ease, simplify, and reduce the cost of patent practice in the District of Minnesota. Patent cases are frequently complex. These Rules are designed to streamline the pretrial and claim construction processes." Id.

The Committee had the following objectives in recommending the local patent rules:
1. Reducing the cost and burden of patent litigation in Minnesota without sacrificing fairness.
2. Promoting consistency and certainty in how patent cases are handled in Minnesota.
3. Addressing issues that are recurring in most patent cases and that all litigants and the Courts have some common interests in managing by rule, in particular disclosure, discovery, and claim construction issues.
4. Promoting the greatest and most accessible understanding of patent issues and technical issues by litigants, Courts, and juries.
5. Minimizing the discovery procedural disputes that often lead to the same outcome and could be resolved at less cost and burden, at least presumptively, by rule rather than by motion.
6. Discouraging expensive and/or burdensome litigation procedures that do not substantially contribute to the resolution of patent cases.

Id.

159. See Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 229 (1964) (stating that Congress enacted the first patent law in 1790 and "ever since that time has fixed the condition upon which patents . . . shall be granted. These laws, like other laws of the United States enacted pursuant to constitutional authority, are the supreme law of the land." (citation omitted)).

Through hard work and cooperative effort, local judges and lawyers can create and adopt sets of comprehensive local patent rules.

The movement for the creation and adoption of local patent rules originated at the district level, where judges and local bar members share a common desire to streamline patent litigation in their respective districts. For instance, judges and members of the Illinois patent bar formed a group to propose local rules for patent cases. Subsequently, public meetings were held and comments were solicited for the proposed local patent rules. Debates and revisions followed, leading to the adoption of the Patent Rules for the Northern District of Illinois.

Local patent rules are innovative. They control the schedule of litigation and dictate a faster pace. For example, under many local rules, a patent holder asserting patent infringement has a very short time (ten to thirty days after the initial case-management conference) to submit its preliminary infringement contentions.
preliminary infringement contentions are deemed final and patentees can only amend their contentions without leave of the court within a narrow time frame. Likewise, a defendant’s preliminary invalidity contentions are deemed final, and infringement contentions can only be amended with the court’s permission upon a showing of good cause. Most local patent rules allow discovery related to the charges and defenses of willful infringement, and they encourage parties to explore the basis for raising claims shortly after the scheduling order.

To minimize unnecessary battles over protective orders, some local patent rules have a default protective order. The default protective order is automatically entered upon the filing of a patent suit. Having default protective orders shortens the time required to reach a protective order suitable to both parties.

Another feature of many local patent rules is their swift timetable for claim construction. Several districts’ local patent rules allow only twenty days for the parties to exchange preliminary construction for each claim term identified, and each party must disclose extrinsic evidence to support their claim construction. Again, the quick

Contentions within thirty (30) days after filing of the Joint Preliminary Report and Discovery Plan.”); E.D. Tex. P. R. 3-1 (“Not later than 10 days before the Initial Case Management Conference with the Court, a party claiming patent infringement must serve on all parties a ‘Disclosure of Asserted Claims and Infringement Contentions.’”).

168. See Carraway, supra note 166, at 361; see also E.D. Tex. P. R. 3-6.
169. See, e.g., E.D. Tex. P. R. 3-8; see also Carraway, supra note 166, at 361. Preliminary invalidity contentions are final except that a party may amend “if a party claiming patent infringement has served amended infringement contentions . . . or ‘Final Infringement Contentions,’” or the alleged infringer believes in good faith that the Court’s Markman ruling so requires. E.D. Tex. P. R. 3-6(c).
170. For example, the Committee for the District of Minnesota’s Patent Local Rules explained the genesis of its innovative discovery rule:

Paragraph (c) allows discovery related to a charge of willful infringement and to defenses of invalidity and unenforceability, such as the defense of inequitable conduct, without pleading of those defenses, in order to encourage parties to explore whether there is a substantial basis for such pleading before pleading them. The Court of Appeals for the Federal Circuit has commented that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” Burlington Indus. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988). The Committee considered a proposal to require leave of the Court for pleading inequitable conduct or willfulness, similar to Minn. Stat. § 549.191 (2003), but concluded that the power of the Court to dismiss such allegations under Rules 12 and 56 of the Federal Rules of Civil Procedure provided an existing tool for management of insufficient charges of inequitable conduct or willfulness.

Minnesota Patent Committee, supra note 158.
171. E.g., W.D. Pa. LPR 2.2 (“Such Protective Order shall be deemed automatically entered upon the filing or transfer of any civil action to which these Local Patent Rules, apply pursuant to LPR 1.3, unless otherwise modified by agreement of the parties or Order of Court.”).
173. E.g., N.D. Cal. Patent L.R. 4-2; N.D. Ga. Patent L.R. 6.1; E.D. Tex. P. R. 4-2; see also Carraway, supra note 166, at 361. These rules permit that, within twenty days of exchanging terms, parties shall exchange preliminary construction for each term identified, and each party shall identify extrinsic evidence relied upon to support their claim construction, including dictionary definitions, citations to treatises, and brief descriptions of witness
timetable forces the litigants to plan, manage, and control the litigation to meet the deadline.174
Together, these rules prevent the parties from prolonging litigation with acrimonious procedural tactics. Indeed, a typical patent case takes approximately three to five years from filing to disposition. However, the time can be reduced to eighteen months, as shown by the district courts that have adopted and enforced local patent rules to resolve patent disputes with rapid speed.175
The local-patent-rules movement has been widespread. In 2000, the Northern District of California was the first to formulate and adopt local patent rules.176 Nine years later, the Southern District of Ohio,177 the District of Minnesota,178 the District of Massachusetts,179 the Northern District of Illinois,180 the Eastern District of North Carolina,181 the District of New Jersey,182 the Northern District of Georgia,183 the Southern District of Texas,184 the Eastern District of Texas,185 the Western District of Washington,186 the Western District of Pennsylvania,187 and the Southern District of California188 have all adopted their own versions of local patent rules or developed
testimony. N.D. CAL. PATENT L.R. 4-2; N.D. GA. PATENT L.R. 6.1; E.D. TEX. P. R. 4-2.
174. See Minnesota Patent Committee, supra note 158, at 2 (stating that the local patent rules will minimize “the discovery procedural disputes that often lead to the same outcome and could be resolved at less cost and burden, at least presumptively, by rule rather than by motion [in addition to d]iscouraging expensive and/or burdensome litigation procedures that do not substantially contribute to the resolution of patent cases”).
175. See McFadyen, supra note 52, at 5 (noting that patent cases are “typically resolved in about fourteen to eighteen months” in the Eastern District of Texas).
DYNAMIC FEDERALISM AND PATENT LAW

patent-specific rules within their existing local rules. The Northern District of Texas has adopted patent rules in a standing order. In some districts, such as the Southern District of New York, local patent rules have not been adopted for the entire district; however, individual judges may adopt the recommended set of local patent rules on a voluntary basis.

Overall, the movement in creating and adopting local patent rules has had positive effects on judges sitting in districts with no local patent rules. Some judges have observed the benefits of the rules and decided to use some of the rules to manage their court's ongoing patent dockets. For example, in Suncast Technologies v. Patrician Products, the Southern District of Florida reviewed local patent rules from a number of districts and found that the rules "provide instructive insight into identifying proper topics of discovery unique to a patent suit," which assisted the court to adopt "the correct sequencing" of patent discovery.

B. District Judges: Instrumental to Local Patent Reform

The local-patent-rules movement reflects the local interests of judges who want to address how patent cases should be managed on their dockets. In certain districts, some judges have observed that having local patent rules is essential to the administration of patent cases in their dockets; the rules reduce the lengthy and drawn-out process of costly discovery. In other districts, there are judges with a strong interest in presiding over patent cases. They welcome patent cases to their districts because they enjoy

189. See John N. Zarian, Patent Litigation in the U.S. District of Idaho, ADVOCATE (Idaho), Aug.–Sept. 2007, at 33 n.28 (noting that at least seven judicial districts have adopted local patent rules); Carraway, supra note 166, at 360–61 (listing the district courts with local patent rules).

190. Miscellaneous Order No. 62 (N.D. Tex. Apr. 2 2007), available at http://www.txnd.uscourts.gov/pdf/misc_orders/misc62_4-2-07.pdf. The Dallas Division of the United States District Court for the Northern District of Texas has adopted patent rules through an order as part of a "pilot project." Id. "The rules of practice established in [Miscellaneous Order No. 62] will be carefully reviewed for editorial and substantive changes . . . if later considered for adoption as local rules." Id. at n.1.


193. Id. at *9.

194. Id.

195. See, e.g., Wacom Co. v. Hanvon Corp., No. C06-5701RJB, 2007 WL 4111396, at *2 (W.D. Wash. Nov. 16, 2007) ("[T]he deterioration of an agreement to follow the proposed Local Patent Rules creates the exact opposite of a streamlined process, resulting in the consideration of additional motions and expense of other litigation inefficiencies. It is extremely unfortunate that this situation has become an example of the need for Local Patent Rules.").

the intellectual challenge patent cases offer to their dockets. They believe that having a set of innovative local patent rules will encourage additional patent cases to be filed in their districts because such cases will be resolved in accordance with a swift timeframe.

1. Streamlining the Process and Shaping Litigants’ Conduct

As judges strictly enforce local patent rules, litigants are no longer free to abuse the litigation process with delaying tactics and prolonging their cases on the docket.


Local patent rules have made an impact on litigants’ conduct in patent-infringement cases. If litigants ignore the local patent rules, the consequences can be disastrous, as seen in some of the cases wherein the Federal Circuit affirmed the dismissal of patent-infringement cases when the litigants failed to obey the local patent rules.  

For example, in *O2 Micro International Ltd. v. Monolithic Power Systems, Inc.*, the plaintiff patent holder’s three-month delay between discovering a new infringement theory and moving for leave to amend its final infringement contentions lacked sufficient diligence to satisfy the local patent rule’s requirement of “good cause” for the amendment. The district court granted the defendant’s summary judgment motion on noninfringement grounds and denied the plaintiff’s motion for leave to amend its infringement contentions. The plaintiff challenged the district court’s ruling, but the Federal Circuit affirmed, dismissing the patent infringement claim.

Similarly, in *Safeclick, LLC v. Visa International Service Ass’n*, the plaintiff patent holder did not present its new infringement theory until it opposed the defendant’s motion for summary judgment on noninfringement grounds. The district court found no good cause for the plaintiff to raise its new infringement theory and granted summary judgment for defendant. On appeal, the Federal Circuit held that there was no abuse of discretion by the district court and affirmed the grant of summary judgment.

The affirmation by the Federal Circuit lends powerful credence to the local judges’ rulings related to noncompliance with the local patent rules. All have a positive effect on the lawyers’ behavior. The lawyers’ behavior changes since they must conduct their cases in compliance with the local patent rules for fear of receiving a reprimand or sanction from the court or—in some instances—jeopardizing their client’s chances to succeed. Consequently, parties in patent infringement litigation will have their cases

order are mere suggestions. Discovery is not a game in which each party plays a card and waits for the opponent’s and the court’s response before deigning to release another. Such antics... especially assail customary and expected practice in the Eastern District of Texas.”); *Safeclick, LLC v. Visa Int’l Serv. Ass’n*, 208 F. App’x 829 (Fed. Cir. 2006).


201. *Id.*

202. *Id.* at 1361–62.

203. *Id.*

204. *Id.* at 1367–68 (evaluating the district court’s ruling and rationale).

205. 208 F. App’x 829 (Fed. Cir. 2006).

206. *Id.* at 833.

207. *Id.*

208. *Id.* at 835.

resolved without years of languishing and uncertainty.\textsuperscript{210}

2. Enhancing Judicial Expertise

Local patent-law reform has allowed for the enhancement of judicial expertise in the patent area. As more patent cases are filed and subsequently disposed of in a timely fashion,\textsuperscript{211} judges in districts with local patent rules have more opportunities to enhance their judicial expertise in patent law and their skills in presiding over patent cases.\textsuperscript{212} This enhancement will assist in rectifying a chronic problem identified by many commentators—district judges lack the legal knowledge or technical expertise required to accurately construe patent claims.\textsuperscript{213} The problem had led to a high reversal rate by the Federal Circuit on claim-construction decisions.\textsuperscript{214} Having knowledgeable

\begin{enumerate}
\item \textsuperscript{210} See CBT Flint Partners, LLC v. Goodmail Sys. Inc., 529 F. Supp. 2d 1376, 1380–81 (N.D. Ga. 2007) (explaining that the Northern District of Georgia’s Local Patent Rules require plaintiffs in patent cases “to disclose a great deal of extremely detailed information” and that any “plaintiff filing a patent case in this district knows that these disclosures must be made early”); IXYS Corp. v. Advanced Power Tech., Inc., No. C 02-03942 MJP, 2004 WL 1368860, at *3 (N.D. Cal. June 16, 2004) (“The Local [Patent] Rules exist to further the goal of full, timely discovery and provide all parties with adequate notice and information with which to litigate their cases, not to create supposed loopholes through which parties may practice litigation by ambush”); see also Townshend Intellectual Prop., LLC v. Broadcom Corp., No. C 06-05118 JF (RS), 2007 WL 1994158, at *2 (N.D. Cal. July 5, 2007) (explaining that the patent local rules governing preliminary infringement contentions “has been described as a ‘streamlined’ mechanism to replace the ‘series of interrogatories that defendants would likely have propounded’ in its absence” (quoting Network Caching Tech. LLC v. Novell, Inc., No. C-01-2079-VRW, 2002 WL 32126128, at *4 (N.D. Cal. Aug. 12, 2002))).
\item \textsuperscript{211} See Zarian, supra note 189, at 33 n.16 (noting that in fiscal year 2006, by rank order, the top 10 districts for patent filings were the Central District of California (281), Eastern District of Texas (216), Northern District of California (161), District of New Jersey (142), District of Delaware (139), Northern District of Illinois (138), Southern District of New York (135), District of Massachusetts (80), Northern District of Georgia (76), and Southern District of Florida (68)).
\item \textsuperscript{213} See generally Jeffrey A. Lefstin, \textit{Claim Construction, Appeal, and the Predictability of Interpretive Regimes}, 61 U. MIAMI L. REV. 1033, 1035–36 (2007) (discussing recent proposals to change the way patent claims are handled). Representative Darrell Issa (R-CA) made the following observation: “Prior to coming to Congress, I was part of a number of patent suits. I was often struck by the fact that many district court judges either knew little of the applicable law, or did not understand the technology involved.” Press Release, Representative Darrell Issa, Issa and Schiff Introduce Legislation to Improve Patent Litigation in District Courts (May 19, 2006), http://issa.house.gov/index.cfm?FuseAction=News.PressReleases&ContentRecord_id=34D98169-6511-4145-849E-A8035C348725.
\item \textsuperscript{214} See generally Lefstin, supra note 213, at 1035–36; Press Release, Issa, supra note 213 (stating that the reversal rate was roughly forty percent of all patent appeals of district court decisions).
judges will reduce the cost of litigation by reducing the reversal rate.\textsuperscript{215} Having more
district judges with patent expertise is important to the administration of justice in an
area of law that is often so complex and difficult that many judges generally do not feel
comfortable adjudicating.\textsuperscript{216}

\textbf{C. Other Impacts from Local Patent Reform}

In addition to the obvious positive results stemming from local patent reform with
respect to streamlining patent litigation, reducing litigation costs, resolving cases with
certainty, and enhancing judicial expertise, there are other impacts not yet identified
thus far.

1. Creating Knowledgeable Districts for Patent Cases

One result of local-patent-reform expansion is the spread of judicial awareness and
knowledge in patent law and case management. As courts from different parts of the
nation embrace patent cases, as seen with the creation, adoption, and enforcement of
local patent rules, the patent expertise of the judges is no longer concentrated in just
California and Virginia.\textsuperscript{217} Judicial know-how and expertise are dispersed throughout
different regions, transforming a small district or division of a district into an
adjudication center with strong patent expertise.\textsuperscript{218}

Judges accumulate their knowledge and skills by building their reputation among
patent litigants.\textsuperscript{219} They are rewarded for their innovation in adjudicating patent cases
swiftly via the implementation of their local patent rules resulting in an increase in the
number of patent cases filed in their district.\textsuperscript{220} Adjudication centers for patents have
attracted attention at the national level.\textsuperscript{221} For example, national news media report and

\textbf{\textsuperscript{215}} See McFadyen, \textit{supra} note 52, at 57–58 (reporting that the Federal Circuit “has never
reversed a decision” by Judges Ward and Davis of the Eastern District of Texas as these two
judges are known for their expertise in handling patent cases along with strict enforcement of
the local patent rules).

\textbf{\textsuperscript{216}} See \textit{id.} at 57 (“Patent cases are complex, difficult, time consuming and expensive.
Despite the nature of these the cases, they are litigated before generalist judges and lay juries.”
on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th
Cong. 3 (2005) (statement of Kimberly Moore, Professor of Law, George Mason University))).

\textbf{\textsuperscript{217}} See Xuan-Thao Nguyen, \textit{Justice Scalia’s “Renegade Jurisdiction”": Lessons for Patent
Law Reform, 83 TULANE L. REV. 111, 135 (2008) (discussing the cases filed in Virginia and
California).

\textbf{\textsuperscript{218}} See Michael Cukor & Lisa H. Wang, \textit{New Jersey Local Patent Rules, IPFRONTLINE.COM,
adopting the local patent rules the District Court of New Jersey will become the “go to”
jurisdiction for patent litigation); see also Nguyen, \textit{supra} note 217, at 134 (noting the
transformation of the Eastern District of Texas as a rocket docket for patent cases).

\textbf{\textsuperscript{219}} See Joe Vanden Plas, \textit{With Patents, Wisconsin Court Gaining Reputation as a “Rocket

\textbf{\textsuperscript{220}} See \textit{supra} note 211.

\textbf{\textsuperscript{221}} See e.g., Julie Creswell, \textit{So Small a Town, So Many Patent Suits, N.Y. TIMES, Sept. 24,
2006, § 3, at 1 (reporting on the Eastern District of Texas as a center for patent cases).
comment on the transformation of their districts. Not all comments are flattering. Not surprisingly, those who are far away from the local control and interest do not like to see the changes continue, as evidenced by the efforts to rein in local patent reform in the last congressional session.

2. Increasing Jury Participation

Most importantly, local citizens, as potential jurors in patent litigation, have the opportunity to participate as triers of fact in patent cases because these cases are no longer concentrated in Silicon Valley. For years, litigants have complained that it is difficult to have a jury that understands the technology in patent cases. As local citizens witness the benefits of having a district with a high volume of patent cases filed, they welcome those cases by exhibiting their willingness to serve on jury trials for patent cases. Some defendants may not like to hear about such local litigation enthusiasm. They are afraid of jury-friendly districts. Their fear may overshadow

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222. See e.g., id. (interviewing Judge Ward for his approach in presiding over patent cases in the Marshall division of the Eastern District of Texas); Williams, supra note 198 (explaining that the center of patent adjudication is a haven for patent pirates).

223. See Williams, supra note 198; see also M. Craig Tyler, Patent Pirates Search for Texas Treasure, Tex. Law., Sept. 20, 2004, at 39, available at http://www.wsgr.com/PDFSearch/09202004_patentpirates.pdf (complaining that the courts with local patents rules and fast calendars to trial provide the “‘gun to the head’ that the patent pirate needs to execute his strategy”); Dean Takahashi, Hope for the Little Guys at the Intellectual Property Symposium, DigitalBeat, Apr. 18, 2008, http://digital.venturebeat.com/2008/04/18/hope-for-the-little-guys-at-the-intellectual-property-symposium/ (“In a strange way, some courts like the federal court in the Eastern District of Texas are trying to grease the patent system by hearing lots of patent cases.”).

224. See infra Part V.


226. The increase in the number of patent cases filed in a particular district means more resources to renovate and update old court buildings and infrastructure. Ancillary services to accommodate litigants and witnesses bring jobs and improve the local economy. For example, the Eastern District of Texas has a newer court building, and local businesses enjoy the economic growth, all due to the increase of patent cases filed in the district in the past few years. See Creswell, supra note 221.

227. Some litigants have suggested that jurors outside of metropolitan areas are not smart enough to hear patent cases. See Tyler, supra note 223 (“Juries in East Texas, unlike those in Houston, Dallas or Austin, are much less likely to have a member with any technical training or education, which exacerbates the problem from the defense perspective, but makes East Texas federal courts an attractive venue for would-be plaintiffs, who know that the jury will, instead, gravitate toward softer or superficial issues that are difficult to predict.”). Whether juries in patent cases in districts with high concentration of patent filings are smart enough compared to juries outside the districts may not have much support. According to the 2004 omnibus study of a nationwide sample of potential jurors conducted by the American Bar Association, thirty-three percent of the respondents were not college graduates. Harris Interactive, Jury Service: Is Fulfilling Your Civic Duty a Trial? 22 (2004), available at http://www.abanet.org/media/releases/juryreport.pdf.
and diminish the important contribution of engaged citizens who fulfill their duty to serve on juries in patent cases.\textsuperscript{229} Moreover, as our economy is more technology dependent and as more patents will be the subject of litigation, having districts with jurors without aversion to sit through patent trials is a blessing for our judicial system.\textsuperscript{230}

V. PUNISHING INNOVATIVE LOCAL REFORM

Instead of recognizing and supporting the local patent-law reform spreading across various regions, Congress has attempted to punish the reform. Notably, Representatives Darrell Issa and Adam Schiff cosponsored H.R. 5418 to establish a pilot program ("Pilot Program") specifically for five district courts to hear patent cases.\textsuperscript{231} Senator Orrin Hatch introduced a similar bill in the Senate, S. 3923.\textsuperscript{232} The House then passed, by a voice vote, an amended version of H.R. 5418.\textsuperscript{233} Subsequently, in the Senate, the amended H.R. 5418 was read twice and referred to the Committee on the Judiciary.\textsuperscript{234} As explained below, the Pilot Program is in part an effort to punish certain maverick districts that have implemented local patent-law reform.

\textsuperscript{228} See Tyler, supra note 223.

\textsuperscript{229} The 2004 ABA study on jury service reported that Americans view jury service as an important civic duty, and maintain a positive attitude about the responsibility. HARRIS INTERACTIVE, supra note 227, at 5 (summarizing that "more than four in five (84%) agree that jury duty is an important civic duty that should be fulfilled, even if it happens to be inconvenient" and that "seven in ten (71%) believe they know enough to be able to serve as an effective juror"). After the study, the ABA campaigned to promote jury duty and to encourage potential jurors to serve. Id.

\textsuperscript{230} Jury participation was viewed so important by the ABA that the campaign to increase jury participation was the central theme of the ABA in 2004–05. Robert Grey, Former President of the ABA noted that courts across the country report low response rates to jury summonses. We must take steps to move jury service into the 21st century. We need to make it easier for people to report for jury duty when called, make it convenient and comfortable while they wait, aid their understanding of the evidence once they are selected, to help them reach well-reasoned and fair verdicts, and protect their privacy all along the way. And we must do all we can to encourage people to put their belief in the system into action. ABA's Grey Finds Rewards in Issues, THE THIRD BRANCH (Admin. Office of the U.S. Courts, Washington, D.C.), May 2005, available at http://www.uscourts.gov/tribe/may05tribe/interview/index.html.


\textsuperscript{232} S. 3923, 109th Cong. (2006).


\textsuperscript{234} H.R. 5418 (as referred to the S. Comm. on the Judiciary, Nov. 13, 2006).
Under the original version of H.R. 5418 and S. 3923, the Director of the Administrative Office of the United States Courts would designate the five district courts with the largest number of patent cases filed in the most recent calendar year to participate in the program. The amended H.R. 5418, which was passed by the House and subsequently read in the Senate, contains a limitation on the selection of district courts for participation in the Pilot Program. A district court must have at least ten judges appointed by the President to be eligible for the designation, and at least three judges must have requested to participate in the Pilot Program.

In the designated district courts, a judge may keep a patent case if he or she has requested to hear patent cases and if a patent case is subsequently and randomly assigned to that judge. However, when a case is randomly assigned to a judge in the designated district that has not opted to hear patent cases, that judge can either keep the case or refer the case to judges who have opted into the Pilot Program. The Pilot Program will last for ten years, and periodic studies will occur to determine its success.

235. S. 3923, § 1(b) ("The Director shall make such designation from among the 15 district courts in which the largest number of patent and plant variety protection cases were filed in the most recent calendar year that has ended.").
237. H.R. 5418, § 1(b).

Except that the Director may only designate a court in which—(1) at least 10 district judges are authorized to be appointed by the President, whether under section 133(a) of title 28, United States Code, or on a temporary basis under other provisions of law; and (2) at least 3 judges of the court have made the request under subsection (a)(1)(A).

Id.
238. Id. § 1(a).

(a) Establishment—(1) IN GENERAL—There is established a program, in each of the United States district courts designated under subsection (b), under which—(A) those district judges of that district court who request to hear cases under which one or more issues arising under any Act of Congress relating to patents or plant variety protection must be decided, are designated by the chief judge of the court to hear those cases; (B) cases described in subparagraph (A) are randomly assigned to the judges of the district court, regardless of whether the judges are designated under subparagraph (A); (C) a judge not designated under subparagraph (A) to whom a case is assigned under subparagraph (B) may decline to accept the case; and (D) a case declined under subparagraph (C) is randomly reassigned to one of those judges of the court designated under subparagraph (A).

Id.
239. Id. § 1(e).

(e) Reporting to Congress—(1) IN GENERAL—At the times specified in paragraph (2), the Director of the Administrative Office of the United States Courts, in consultation with the chief judge of each of the district courts designated under subsection (b) and the Director of the Federal Judicial Center, shall submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report on the pilot program established under subsection (a). The report shall include—(A) an analysis of the extent to which the program has succeeded in developing expertise in patent and plant variety protection cases among the district judges of the district courts so
H.R. 5418 also contains a provision for training judges relating to patents and for the compensation of law clerks with expertise in technical matters arising in patent cases.\textsuperscript{240} The authorized amount for each fiscal year is at least five million dollars.\textsuperscript{241}

The House Report accompanying H.R. 5418 explains that there is a need for the legislation; it claims patent litigation has become too costly because federal district judges are generalists.\textsuperscript{242} Generalist judges are not equipped to handle the novelty and

\begin{itemize}
\item designated; \\
\item an analysis of the extent to which the program has improved the efficiency of the courts involved by reason of such expertise; \\
\item with respect to patent cases handled by the judges designated pursuant to subsection (a)(1)(A) and judges not so designated, a comparison between the 2 groups of judges with respect to—(i) the rate of reversal by the Court of Appeals for the Federal Circuit, of such cases on the issues of claim construction and substantive patent law; and (ii) the period of time elapsed from the date on which a case is filed to the date on which trial begins or summary judgment is entered; \\
\item a discussion of any evidence indicating that litigants select certain of the judicial districts designated under subsection (b) in an attempt to ensure a given outcome; and \\
\item an analysis of whether the pilot program should be extended to other district courts, or should be made permanent and apply to all district courts.
\end{itemize}

(2) TIMETABLE FOR REPORTS- The times referred to in paragraph (1) are—(A) not later than the date that is 5 years and 3 months after the end of the 6-month period described in subsection (b); and (B) not later than 5 years after the date described in subparagraph (A). 

(3) PERIODIC REPORTING- The Director of the Administrative Office of the United States Courts, in consultation with the chief judge of each of the district courts designated under subsection (b) and the Director of the Federal Judicial Center, shall keep the committees referred to in paragraph (1) informed, on a periodic basis while the pilot program is in effect, with respect to the matters referred to in subparagraphs (A) through (E) of paragraph (1).

\textit{Id.} \\
240. \textit{Id.} § 1(f). \\
241. \textit{Id.} \\

Patent cases constitute an insubstantial number of the total cases filed. Of that amount, the overwhelming majority of cases are typically settled or decided by motion with the rest, approximately 100 cases, going to trial in a given year. Due to their novelty and complexity, the cases that are tried tend to be resource-intensive and account for a disproportionate share of district court judges' time and effort. As with other civil and criminal cases, the standard practice is to randomly assign patent cases to the various judges within a district.

Given this background—the relative infrequency of patent litigation, early settlement of most suits, and random assignment of cases—district court judges generally receive little exposure to actual patent claim trials.
complexity of patent cases. Consequently, the reversal rate of the district judges' decisions on patent cases by the Federal Circuit is high. Some judges and other commentators, however, have challenged the problems identified and have argued the statistics relied on by the House in passing H.R. 5418 were inaccurate and exaggerated.

H.R. 5418, if it were to become law, would punish the local patent-reform movement. Under the bill, the Southern District of New York will be qualified to receive the funding. Why should the Southern District of New York be monetarily

Id.

243. Id. at 5.

According to Kimberly A. Moore, . . . the author of an article entitled, "Are District Court Judges Equipped to Resolve Patent Cases?," "district court judges improperly construe patent claim terms in 33 percent of the cases appealed to the Federal Circuit." This national reversal rate contrasts dramatically with the less than 10 percent overall reversal rate for all other types of cases, both civil and criminal, which are reviewed by the regional Courts of Appeals.

Further, Professor Moore has reported that her "data show that errors in district court claim constructions require reversing or vacating judgments in 81 percent of these cases." She goes on to suggest that the adjudication system would be improved if an expedited appeal of claim construction issues could be provided to the CAFC rather than requiring district judges to proceed with a lengthy and expensive patent litigation that is premised on a "frequently erroneous claim construction."

Id.

244. See id. But see Improving Federal Court Adjudication of Patent Cases: Oversight Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 49–51 (2005) [hereinafter Improving Adjudication Hearing] (statement of T.S. Ellis, III, J., United States District Court, Eastern District of Virginia) (explaining that based on his experience as a federal judge and litigator, the reversal rate in patent cases actually is substantially smaller than the rates presented at the oversight hearing).

245. See Paul M. Schoenhard, Judging Trial Judges: Despite What Professor Kimberly Moore Told Congress in October, There Is No Need for Specialized Patent Judges, INTELL. PROP. L. & BUS., Mar. 2006, at 22–24 ("The establishment of a specialized patent judiciary at the federal district court level would be an inefficient solution to a nonexistent problem . . . . On appeal, federal district court judges fare no worse in patent cases than in nonpatent cases . . . . Moore offered no evidence that specialized patent judges in the United States would perform any better."). There is a pervasive perception that the Court of Appeals for the Federal Circuit reverses district court rulings in patent cases at an inordinately high rate. This view has led to a mounting cry for specialized patent judges in each of this nation's ninety-four federal district courts. See Improving Adjudication Hearing, supra note 244, at 49–51 (statement of T.S. Ellis, III, J.); Donna M. Gitter, Should the United States Designate Specialist Patent Trial Judges? An Empirical Analysis of H.R. 628 in Light of The English Experience and the Work of Professor Moore, 10 COLUM. SCI. & TECH L. REV. 169, 170 (2009), http://www.stlr.org/volumes/volume-x-2008-2009/gitter.

246. The Northern District of California, the Central District of California, the Southern District of New York, the Northern District of Illinois, and the District of New Jersey will be qualified under H.R. 5418's requirements because they are among the top districts with high patent cases and each of the districts has more than ten judges. See FAQs About Judges Procedure's and Schedules, http://www.cacd.uscourts.gov/CACD/JudgeReq.nsf/FAQs+about+Judges+Procedures+and+Schedules?OpenView (Central District of California with thirty-four
rewarded under H.R. 5418 when the judges and local patent bar association in that
district have not worked together to adopt a comprehensive set of local patent rules? Why should districts with strong participation in the local patent-reform movement,
such as the Western District of Pennsylvania, the District of Minnesota, the District of
Georgia, and Eastern District of Texas, be excluded? It seems that the bill does not
recognize the local efforts of judges and bar associations in regions that have adopted
the local patent rules. The judges and local bar associations in these districts have
taken proactive steps to inform the nation that they welcome patent cases and that they
have sound methods to manage patent cases, reduce litigation abuses, reduce length of
disposition, and reduce litigation costs. For example, the judges of the Western District
of Pennsylvania worked together with the practicing bar to adopt a set of local patent
rules because that district strongly desired to become an adjudicate center for patent
cases.247 Similarly, the District of Massachusetts and the District of Minnesota have
adopted similar local patent rules to signal litigants that they welcomed patent cases,
and that the judges are not afraid of the complexities of patent litigation. The
designation requirements of the Pilot Program essentially ignore these district courts
for taking initiative in adopting new local rules for case management, predictability,
and efficiency. Their efforts are not being recognized under H.R. 5418.248

Additionally, H.R. 5418 punishes local patent reform across the United States,
because the bill, with the exception of the Northern District of Illinois, selectively
rewards districts located on the East Coast (New York and New Jersey) and West
Coast (California). The bill ignores the local efforts in other regions. The bill
perpetuates the concentration of judicial expertise in the large districts along the coasts,
forgetting that judges in the rest of the nation should have an opportunity to develop
their expertise in patent cases.

Lastly, the Pilot Program selectively excludes district courts already possessing
patent-law expertise. Based on the 2006 fiscal year report for the number of patent
cases filed in district courts, the top five districts were the Eastern District of Texas, the
District of Delaware, the District of New Jersey, the Northern District of California,
and the Central District of California.249 Except for the Eastern District of Texas and

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and Cost Control, 73 DEF. COUNS. J. 201, 201 (2006) (stating that the Western District
of Pennsylvania is among the district courts with new local patent rules to make their districts
"patent friendly" and to "draw, over time, a larger share of the regional and national patent
litigation claims").

248. Of the five top districts, only the Eastern District of Texas and Northern District of
California have fully adopted local patent rules. See supra Part IV.A.

249. See supra note 211; see also Nguyen, supra note 217, at 131 (listing the top ten districts
the District of Delaware, each district contained more than ten district judges. The Eastern District of Texas has only eight judges and the District of Delaware has only five judges. That means both the Eastern District of Texas and the District of Delaware would not be designated district courts under H.R. 5418 even though they were among the five district courts with the largest number of patent cases filed in 2006.

The Eastern District of Texas, having judges with expertise for patent cases, expertise in patent law, enthusiasm for patent law, and special local rules for managing patent cases efficiently, would be excluded. The imposition of the ten-judge requirement, and the requirement of having the most patent cases filed in the most recent calendar year, is arbitrary and overflowing with interest group influence. The imposition of the ten-judge requirement was not in the original version of H.R. 5418. The various interest groups' lobbying efforts blamed the Eastern District of Texas for the ills of the patent system and exerted their influence to change the original version of H.R. 5418 to exclude the Eastern District of Texas by adding the ten-judge requirement. The Eastern District will remain a popular district for litigants to file their patent cases because the judges in the district have strong patent expertise and the desire and aptitude to hear patent cases.

250. See supra note 246.


252. See Nguyen, supra note 217 (explaining how the Eastern District of Texas has innovatively transformed itself into a destination for patent expertise with knowledgeable judges welcoming patent cases and efficient management calendar system especially for patent litigation to deliver swift results, avoid cost, and reduce delay tactics employed by lawyers).


(b) Designation- The Director of the Administrative Office of the United States Courts shall, not later than 6 months after the date of the enactment of this Act, designate not less than 5 United States district courts, in at least 3 different judicial circuits, in which the program established under subsection (a) will be carried out. The Director shall make such designation from among the 15 district courts in which the largest number of patent and plant variety protection cases was filed in the most recent calendar year that has ended.

Id.

254. Recent Federal Circuit decisions, such as In re Volkswagen of America, Inc., 566 F.3d 1349 (Fed. Cir. 2009) and In re TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008), on change of venue and forum non conveniens, directed the Eastern District to transfer patent cases out of the district. These decisions, however, will not have much impact in reality. Cf. Erin Coe, Texas Hang-Ups May Boost Patent Suits in Delaware, Law360, May 29, 2009, http://www.ropesgray.com/files/Publication/20e9221d-6d32-48e9-9dec-03bdab3558b/Presentation/PublicationAttachment/e66aa66-177b-4b8b-b7e5062f22935f93/IPLaw360_PatentSuits.pdf (noting that despite the recent rulings on patent litigation transfers, some "practitioners said the Eastern District of Texas would continue to be a leader in handling patent infringement cases because it has a number of judges experienced in hearing patent cases and its patent local rules provide parties with a predictable schedule"). Furthermore, to reduce the chance for transfer,
These congressional efforts to quash and dispirit successful local patent reform are an example of politicization and failure. Congress should encourage, not discourage and punish, maverick districts and judges that are central to patent-law reform in regions across the United States.

CONCLUSION

The successful local patent-law-reform movement highlights the role of localities as laboratories and agents for change that impacts both local and national levels. The successful results from judges and local bar associations working together to control patent litigation, curb tactical abuses, reduce costs, deliver swift justice, and enhance judicial expertise in patent cases demonstrates why true patent reformers should recognize the positive steps taken by the local level forge a major national overhaul of the patent system. Reform at the local level is even more important given that Congress has not been able to revamp the patent system in the last couple of years, and the Supreme Court is unpredictable in its injection into patent reform. Local patent reform is an example of dynamic federalism at work.

"patent owners are already employing certain strategies to keep their cases in the Eastern District of Texas from getting transferred. Over the law few months, multiple defendants have been rounded up in infringement suits filed in the Eastern District of Texas by Hospital Systems Corp., Actus LLC, Cityhub.com Inc., Fractus SA, Phoenix Licensing LLC, Web Telephony LLC and Sepracor Inc., among others." Id.