PATENT LAW'S LATENT SCHISM

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UTILITARIAN DOMINANCE VS. MORAL MARGINALIZATION

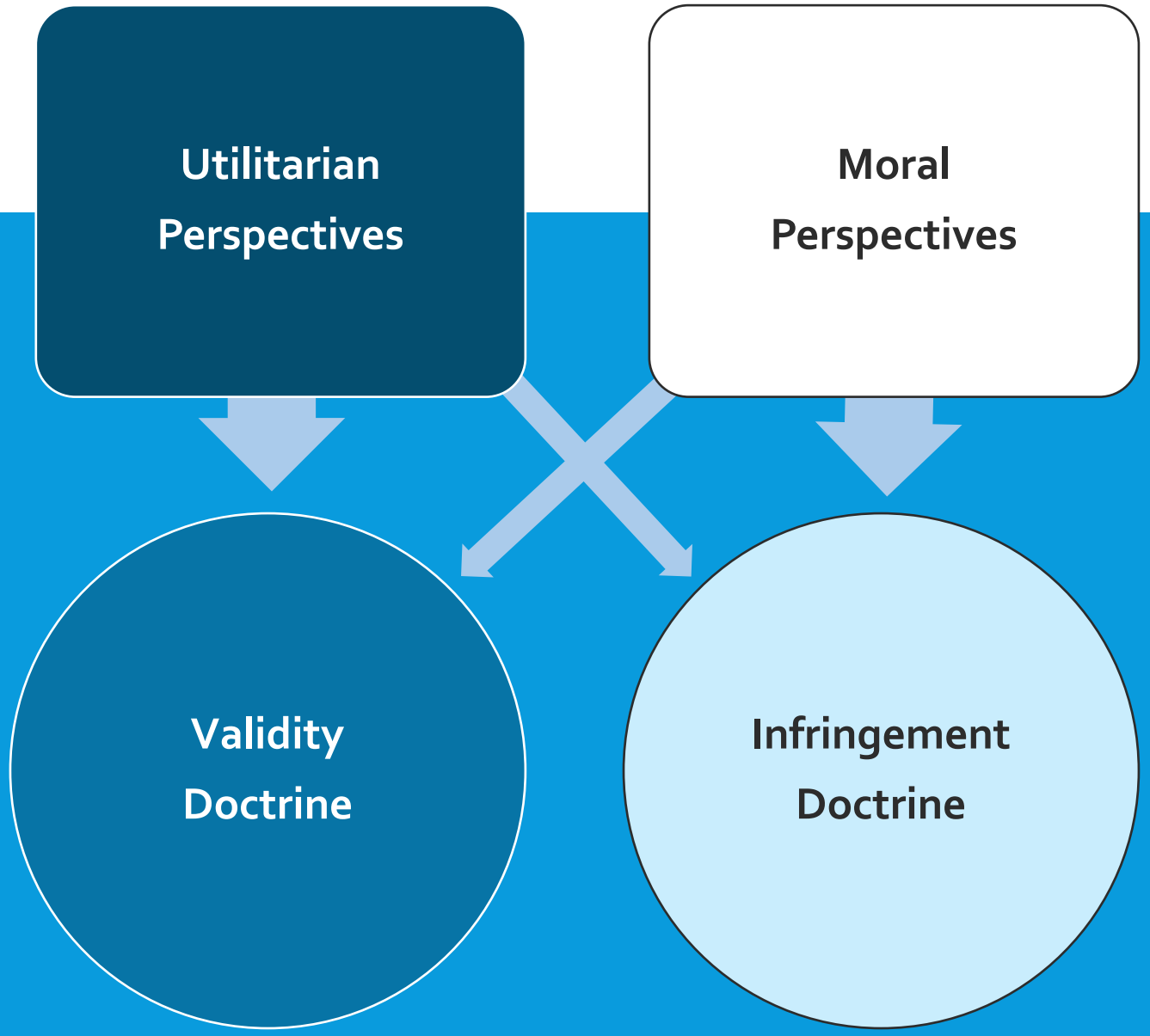
- "Patent law is the classic example of an intellectual property regime modeled on the utilitarian framework." – Menell, Lemley, & Merges Casebook
- "The economic philosophy behind the clause empowering Congress to grant patents . . . is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare." – *Mazer v. Stein*, 347 U.S. 201, 219 (1954)
- "The utility of this power will scarcely be questioned. The public good fully coincides . . . With the claims of individuals." – Federalist No. 43
- "Here in America, our creativity has always set us apart, and in order to continue to grow our economy, we need to encourage that spirit." – President Barack Obama, signing the America Invents Act

UTILITARIAN DOMINANCE VS. MORAL MARGINALIZATION

- Natural Law & Labor Theory – John Locke
- Autonomy & Personhood – Immanuel Kant, G.W.F. Hegel
- Distributive & Social Justice – John Rawls

- Shared Characteristics:
  - Greater focus on individuals
  - More attention paid to questions of distribution
  - Increased recognition of non-economic values
  - Emphasis on deontology over consequentialism

A NEW PERSPECTIVE:



EXAMINING THE SCHISM

PATENT VALIDITY:
THE INFLUENCE OF UTILITARIANISM

- Novelty
- ***Nonobviousness***
- Subject-Matter Eligibility
- Utility
- Written Description & Enablement
- ***Inventorship***

PATENT VALIDITY: THE INFLUENCE OF UTILITARIANISM

- ***Nonobviousness***
  - An invention must be *new* to receive patent protection
  - Where the prior art explicitly covers an invention, patentability is rejected under novelty (§ 102)
  - Even if an invention has not been explicitly disclosed in the prior art, it may still be unpatentably "obvious" to a person of ordinary skill in the relevant field
  - For example: trivial modifications or combinations of prior art

PATENT VALIDITY: THE INFLUENCE OF UTILITARIANISM

- "The patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new knowledge. . . . The inherent problem [is] to develop some means of weeding out those inventions which would not be disclosed or devised ***but for the inducement of a patent***." –*Graham v. John Deere Co.*, 383 U.S. 1, 8-11 (1966) (emphasis added)
- Guiding principle: the "inducement standard" of obviousness
- Practical takeaway: "secondary considerations" (or, "objective indicia")
  - Commercial success
  - Long-felt, unsolved need
  - Failure of others
  - Skepticism
  - Copying

PATENT VALIDITY:
THE INFLUENCE OF UTILITARIANISM

- ***Inventorship***
  - Patent applications must disclose the name of the actual inventor(s), separate and apart from the assignee/owner
  - Resonance with personhood
    - Must be a natural person or persons
    - Independent of economic interests

PATENT VALIDITY:
THE INFLUENCE OF UTILITARIANISM

- Consistent weakening over time:
  - Pre-1952 – no post-issuance corrections allowed for inventorship
  - 1952-1982 – good-faith and incomplete errors can be corrected
  - 1982-2011 – good-faith errors can be corrected, even if complete
  - 2011-present – all errors can be corrected (for a fee)

PATENT INFRINGEMENT: THE INFLUENCE OF MORALITY

- ***Damage Enhancement & Attorney's Fees***
- Injunctive Relief
- Doctrine of Equivalents
- ***Inequitable Conduct***
- Prior Use

PATENT INFRINGEMENT: THE INFLUENCE OF MORALITY

- ***Damage Enhancement & Attorney's Fees***
  - With the 1836 overhaul of the patent statute, enhanced damages go from automatic to discretionary, "according to the circumstances of the case"
  - Broad, discretionary nature is carried through with each new iteration, up to the present
  - Courts consistently describe enhancement as a matter of moral approbation

PATENT INFRINGEMENT: THE INFLUENCE OF MORALITY

- Damage enhancement requires a guilty mind
  - 2007 – Federal Circuit states that *objective* recklessness is all that is required for damage enhancement (*In re Seagate*, 479 F.3d 1360)
  - 2016 – Supreme Court overrules, holding that subjective intent is the relevant standard
  - Present – Lower courts look for actual prior knowledge of the infringed patent

- Efficient incentives vs. moral differentiation
- Undercutting the benefits of disclosure
- Deviation from other tort regimes

PATENT INFRINGEMENT: THE INFLUENCE OF MORALITY

- ***Inequitable Conduct***
  - Defense against infringement, based on unclean hands
    - Moral language
    - Harsh remedy
  - Components:
    - (1) Intent to deceive
    - (2) Materiality

PATENT INFRINGEMENT: THE INFLUENCE OF MORALITY

- (1) Intent to deceive
  - Similar arc as enhanced damages—objective to subjective
  - Pre-2011: "gross negligence," or "should have known" (*J.P. Stevens & Co., Inc. v. LexTex Ltd., Inc.*, 747 F.2d 1553 (Fed. Cir. 1984))
  - 2011-present: "specific intent to deceive the PTO" (*Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc))

- (2) Materiality
  - Nominally, "but-for" materiality
  - But a moral backdoor persists

HOW DID WE GET HERE?

CAUSES AND INFLUENCES

1. *Dichotomous Adjudication*
2. *Influence of Property Law*
3. *Private-Public Law Mixture*

CAUSES AND INFLUENCES

1. ***Dichotomous Adjudication***

- Validity: PTO
  - Fundamentally technocratic
  - Resistant to moralizing
- Infringement: District Courts and Juries
  - Lack of technical expertise
  - Biases across perceived moral classes of defendants and plaintiffs

CAUSES AND INFLUENCES

2. ***Influence of Property Law***

- The "thingness" of patent law
  - Distance between rightholder-subject and object-referent
  - Merrill & Smith – the *in rem* problem
- Moral trespass, efficient ownership

CAUSES AND INFLUENCES

3. ***Private-Public Law Mixture***

- Infringement disputes: private law
- Validity disputes: public law
- *Oil States* acknowledges and relies upon the mixture

PRACTICAL IMPLICATIONS

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