

Patent Privateers
John M. Golden

Abstract

Commentators have long debated the relative merits of private and public enforcement of the law. Citizen suits, securities-law class actions, and *qui tam* litigation have been focal points for controversy about how and when to use private-enforcement rights to help execute government policy. U.S. patent law's recently abrogated *qui tam* provision provided one example of the potential benefits and pathologies of private enforcement. More fundamentally, patent law raises questions of private enforcement through debates over the extent to which third parties, including consumers, should have access to administrative or court proceedings to challenge others' patent rights. Moreover, patents themselves can be viewed as private rights to sue—i.e., private-enforcement rights—that are granted to advance the public interest in promoting innovation. Concerns about so-called “patent trolls” or other litigation-focused patentees bring to the forefront the fact that patent holders are private parties endowed with legal authority to appropriate value generated through the activities of others. Thus, in various respects, patentees might be more properly analogized to privateers bearing letters of marque than to real-property owners. Privateering, of course, can have benefits, particularly for governments relatively short on cash. But privateering can also lead to abuse or, at the very least, behavior not in line with overall social interests. By analogy with restrictions on citizen suits or *qui tam* suits under the False Claims Act, greater restriction or regulation of “patent privateering” might be worth considering.

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Précis

For decades, commentators have debated the relative merits of private and public enforcement of the law.¹ Citizen suits, securities-law class actions, and *qui tam* litigation have been focal points for controversy about how to structure and police relations between government policy and the populace it means to serve.² Partially privatizing law enforcement by authorizing such litigation can be a means for Congress to empower private citizens;³ to enable more efficient, innovative, and vigorous enforcement of the law;⁴ and to place an additional check or limitation on the administrative state's seemingly ever more powerful Executive.⁵ At

¹ Compare, e.g., Gary S. Becker & George J. Stigler, *Law Enforcement, Malfeasance, and Compensation of Enforcers*, 3 J. LEGAL STUD. 1, 16 (1974) (suggesting that enforcement might be improved by “paying private enforcers for performance, or on a piece-rate basis”), with William M. Landes & Richard A. Posner, *The Private Enforcement of Law*, 4 J. LEGAL STUD. 1, 3 (1975) (considering whether “the area in which private enforcement is in fact clearly preferable ... is more restricted than Becker and Stigler believe”).

² See, e.g., Richard A. Bales, *A Constitutional Defense of Qui Tam*, 2001 WIS. L. REV. 381, 390 (discussing how Congress deliberately strengthened *qui tam* enforcement of the False Claims Act through 1986 legislation); Frank B. Cross, *Rethinking Environmental Citizen Suits*, 8 TEMP. ENVTL. L. & TECH. J. 55, 55 (1989) (“[T]he 1980’s have witnessed dramatic growth in use of the citizen suit.”); Amanda M. Rose, *Reforming Securities Litigation Reform: Restructuring the Relationship Between Public and Private Enforcement of Rule 10b-5*, 108 COLUM. L. REV. 1301, 1314-17 (2008) (describing changes in attitudes toward “private Rule 10b-5 enforcement” in securities law).

³ See Bales, *supra* note 2, at 437 (observing that the False Claims Act’s *qui tam* provision “empowers citizens to enforce the [Act] directly”).

⁴ See Matthew C. Stephenson, *Public Regulation of Private Enforcement: The Case for Expanding the Role of Administrative Agencies*, 91 VA. L. REV. 93, 108 (2005) (noting various potential advantages of private enforcement); Danieli Evans, Note, *Concrete Private Interest in Regulatory Enforcement: Tradable Environmental Resource Rights as a Basis for Standing*, 29 YALE J. ON REG. (forthcoming 2011) (“Citizen suits have been recognized as effective means of supplementing agency enforcement ...”), available at <http://ssrn.com/abstract=1873518>.

⁵ See Stephenson, *supra* note 4, at 110 (observing that private enforcement “can correct for agency slack—that is, the tendency of government regulators to underenforce ... because of political pressure, lobbying ..., or the ... self-interest of the regulators”).

the same time, broad authorization of such litigation can generate increased litigation costs, outright abuse of the legal system for purposes of harassment or “hold-up,” overenforcement of overbroad laws,⁶ and possibly unconstitutional interference with the President’s constitutional charge to “take Care that the Laws be faithfully enforced.”⁷ Arguments over the constitutionality and social desirability of private enforcement rights have thus raged in relation to environmental laws,⁸ securities laws,⁹ civil rights laws,¹⁰ and the *qui tam* provision of the False Claims Act.¹¹

Perhaps it was only a matter of time before these arguments came to roost with U.S. administrative law’s oft-neglected stepchild,¹² the U.S. patent system. In the last decade, patent law has joined debates over private enforcement in at least three ways—two readily recognized and a third whose connection to private-enforcement debates is fundamental but perhaps more subtle.

Most obviously but also most trivially, the U.S. Patent Act’s now-abrogated *qui tam* provision generated controversy that the 2011 America Invents Act has substantially mooted.¹³

⁶ *See id.* at 114-17 (noting the possibilities of excessive private enforcement and abusive litigation).

⁷ U.S. CONST. art. II, § 3; *see also* Bales, *supra* note 2, at 384 (observing that the False Claims Act’s *qui tam* provision “raises separation of powers issues by effectively redistributing prosecution and enforcement powers from the executive branch to informers”).

⁸ Cross, *supra* note 2, at 56 (“I conclude ... that citizen suits create both practical and constitutional problems and should be discouraged.”); Evans, *supra* note 4, at 8-12 (describing arguments for and against citizen suits).

⁹ Rose, *supra* note 2, at 1303 (describing contrary positions on the effects of “Rule 10b-5 class actions”).

¹⁰ Michael Selmi, *Public vs. Private Enforcement of Civil Rights: The Case of Housing and Employment*, 45 UCLA L. REV. 1401, 1405 (1998) (“suggest[ing] that the government is an inherently weak enforcer of civil rights, and that it may be time to cede its role as a primary enforcement agency”).

¹¹ Bales, *supra* note 2, at 439 (concluding that current arguments “do not ... warrant the conclusion that the *qui tam* provisions of the [False Claims Act] are unconstitutional”).

¹² *Cf.* Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 270 (2007) (“[I]nattention to administrative law principles has long been a striking feature of the patent system.”).

¹³ The Leahy-Smith America Invents Act replaced the *qui tam* provision with one that empowers only “person[s] who ha[ve] suffered a competitive injury” to sue for “damages adequate to

The formerly operative *qui tam* provision had explicitly authorized “[a]ny person”—regardless of any plausible claim of personal injury—to sue to enforce the [Patent] Act’s prohibition of false patent marking.¹⁴ A successful *qui tam* plaintiff had a right to fifty percent of any fine that a court imposed.¹⁵ Although multiple district courts held the *qui tam* provision to be constitutional under the U.S. Constitution’s “Take Care” Clause, two district courts disagreed.¹⁶ More generally, the *qui tam* controversy involved debate over the wisdom of using private law-enforcement mechanisms to advance public goals.¹⁷

But there are other, more pressing questions about private enforcement in patent law for which the *qui tam* controversy serves merely as a now historic appetizer. A second prominent front in debates over private enforcement is that over private parties’ access to administrative or judicial proceedings to seek clarification of others’ rights or to enforce limits on patentability. Over the last few decades, U.S. patent law has witnessed multiple innovations designed to increase private parties’ capacity to challenge the patentability of others’ claimed inventions. In

compensate for the injury.” H.R. 1249, 112th Cong. § 16(b)(2) (2011) (internal quotation marks omitted).

¹⁴ 35 U.S.C. § 292(b) (prior to 2011 America Invents Act) (“Any person may sue for the penalty [for false patent marking], in which event one-half shall go to the person suing and the other to the use of the United States.”).

¹⁵ *Id.*

¹⁶ *Rogers v. TriStar Prods., Inc.*, 99 U.S.P.Q.2d 1438, 1445, 1448 (E.D. Pa. 2011) (joining the Northern District of Ohio in holding that the false marking statute violates Article II of the U.S. Constitution despite the fact that “every other court that has considered ... constitutionality under Article II has rejected the challenge”), *vacated*, – Fed. Appx. –, 2011 WL 5569438 (Fed. Cir. Nov. 16, 2011). *See generally* *Vt. Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 778 n.8 (2000) (“express[ing] no view on the question whether *qui tam* suits violate Article II”).

¹⁷ *Cf.* Thomas F. Cotter, *Optimal Fines for False Patent Marking*, 17 MICH. TELECOMM. TECH. L. REV. 181, 185-87 (2010) (discussing the positions of supporters and opponents of the *qui tam* provision); Nicholas W. Stephens, Note, *Forest Awakens a Sleeping Giant: Revival of the False Patent Marking Statute*, IOWA L. REV. (forthcoming) (arguing that “[r]ecent changes have moved in the right direction by encouraging greater enforcement” but that “further reform is necessary”), available at <http://ssrn.com/abstract=1813422>.

the early 1980s, third parties gained the capacity to request ex parte reexamination proceedings.¹⁸ In 1999, Congress added an inter partes variant of reexamination.¹⁹ Through the 2011 America Invents Act, Congress has restricted access to inter partes reexamination²⁰ while making available a new form of European-style opposition proceeding²¹ and while making special provision for “transitional post-grant review proceeding[s]” for certain business method patents.²²

On the other hand, while Congress has generally expanded third parties’ capacity to challenge patent claims in administrative proceedings, standing to seek direct judicial review of patent rights remains severely restricted. The U.S. Supreme Court has required some loosening of the approach to regulating such standing.²³ But a recent decision of the U.S. Court of Appeals for the Federal Circuit suggests that judicial standing to challenge another’s patent rights is still

¹⁸ ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 1092 (4th ed. 2007) (discussing the enactment and nature of ex parte reexamination provisions).

¹⁹ *Id.* (noting the enactment of provisions for inter partes reexamination).

²⁰ Compare H.R. 1249, 112th Cong. § 6(a) (for codification at 35 U.S.C. § 314(a)) (“The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition ... and any response ... shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged ...”), with 35 U.S.C. § 313(a) (abrogated) (“If ... the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for inter partes reexamination ...”).

²¹ See, e.g., H.R. 1249, 112th Cong. § 6(d) (providing for post-grant review under which a petitioner “may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised” as a defense to a charge of patent infringement (internal quotation marks omitted)).

²² *Id.* § 18(a)(1).

²³ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (reversing a judgment of the U.S. Court of Appeals for the Federal Circuit after concluding “that petitioner was not required, insofar as Article III is concerned, to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed”).

tightly constrained.²⁴ Under the Federal Circuit’s view, judicial standing generally requires that a challenger “allege both (1) an affirmative act by the patentee related to the enforcement of his patent rights [against the challenger] ... and (2) meaningful preparation [by the challenger] to conduct potentially infringing activity.”²⁵ Those who cannot meet such requirements—for example, generic consumers who claim solely that they pay higher prices for patented products or processes than they would if associated patent rights were found invalid—must find a way to initiate an administrative challenge first. Only later can they seek judicial review of an adverse administrative decision. Such limits on third-party standing to challenge patent rights apparently contrast with the capacity of consumers to bring a suit alleging antitrust violations.²⁶ Should there be a form of consumer standing to challenge the validity of patents that might reasonably be alleged to cause serious consumer harm?

Whatever the role of third parties in policing patent rights’ limits, there is an even more fundamental way in which the proper extent of private enforcement is a relevant issue for patent law. Concerns about the potential for overly aggressive enforcement of patent rights by so-called “patent trolls” or other, less dehumanized forms of patentees²⁷ highlight that patent law is in fact a long-established means of using private-enforcement rights to advance a public goal—promotion of scientific and technologic progress.²⁸ Because of the generally nonexcludable

²⁴ *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1348 (Fed. Cir. 2011) (holding that the district court erred in “fail[ing] to limit its jurisdictional holding to affirmative acts by the patentee directed at specific Plaintiffs”).

²⁵ *Id.* at 1343.

²⁶ See Robert G. Bone, *Procedure, Participation, Rights*, 90 B.U. L. REV. 1011, 1021 (2010) (describing “an antitrust suit in which consumers sue for damages” as a “class action enlist[ing] private enforcement to protect market competition”).

²⁷ See, e.g., John M. Golden, “*Patent Trolls*” and *Patent Remedies*, 85 TEX. L. REV. 2111, 2111 (2007) (discussing recent “concern that the United States’ patent system is out of balance” (internal quotation marks omitted)).

²⁸ *Cf.* U.S. CONST. art. I, § 8, cl. 8 (empowering Congress “[t]o promote the Progress of Science and useful Arts, by securing ... to ... Inventors exclusive Right to their ... Discoveries”); Ted Sichelman, *Purging Patent Law of ‘Private Law’ Remedies* 8 (2011) (observing “nearly universal agreement that the patent system’s primary goal is to promote innovation, rather than to vindicate individual, private rights”), available at <http://ssrn.com/abstract=1932834>.

nature of information that has been publicly disclosed in an issued patent, the key practical entitlement that a patent provides is not so much a truly effective “right to exclude”²⁹ but, instead, a power to sue. Just as with other private causes of action, the private causes of action provided by patent rights can be used or abused in a way that runs contrary to the public interest. Consequently, analysis of patent law’s pros and cons can be enriched by comparison to the balances of pros and cons that have been identified and debated with respect to private-enforcement provisions in other contexts. Does this comparison suggest that Congress should adopt mechanisms for public enforcement of patent rights or, at least, for greater public regulation of private enforcement?

Recent growth in *qui tam* litigation to enforce the False Claims Act and continuing barrages of citizen suits and securities-law class actions have caused commentators and policymakers to debate the advantages and disadvantages of private-enforcement rights and the regulation of their exercise. The paper described here will bring focused attention to this debate in the patent context. By so doing, the paper will likely weaken the grip of a tangible-property metaphor for the rights relating to information that patents convey. For certain purposes a better metaphor might be citizen-suit or *qui tam* provisions, with patent holders being viewed not so predominantly as property owners but more dynamically as “patent privateers.”

²⁹ 35 U.S.C. § 154(a)(1) (“Every patent shall contain ... a grant ... of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States”).