Public Enforcement of Patent Law

Megan M. La Belle

The Catholic University of America, Columbus School of Law

Follow this and additional works at: https://scholarship.law.edu/scholar

Part of the Intellectual Property Law Commons

Recommended Citation

This Article is brought to you for free and open access by the Faculty Scholarship at CUA Law Scholarship Repository. It has been accepted for inclusion in Scholarly Articles and Other Contributions by an authorized administrator of CUA Law Scholarship Repository. For more information, please contact edinger@law.edu.
INTRODUCTION ............................................................................................. 1866
I. PUBLIC-PRIVATE ENFORCEMENT REGIMES ....................................... 1873
   A. Public Enforcement ................................................................... 1874
   B. Private Enforcement ................................................................. 1877
II. POLICING PATENT VALIDITY ............................................................. 1880
   A. Ex Ante Patent Examination ...................................................... 1881
   B. Judicial Review of Patent Validity ............................................. 1883
      1. 1836 Act and “Defensive” Patent Validity Challenges .......... 1884
      2. Declaratory Judgment Act .................................................... 1884
   C. Administrative Review of Patent Validity .................................. 1887
      1. Early Post-Grant Proceedings .............................................. 1887
      2. AIA and Post-Grant Proceedings ........................................ 1889
      3. Impact of PTAB Proceedings ............................................. 1891
III. THE PATENT ENFORCEMENT AGENCY .............................................. 1896
   A. The Current Lack of Public Enforcement of Patent Validity ....... 1896
   B. The Need for Public Enforcement of Patent Validity ............... 1898
   C. Patent Validity Challenges and Institutional Choice ............... 1903
      1. FTC ..................................................................................... 1903
      2. DOJ: Antitrust Division ....................................................... 1911
      3. DOJ: IP Section ................................................................... 1914
   D. PTO as Patent Enforcement Agency ......................................... 1916

* Associate Professor, Catholic University of America, Columbus School of Law. Earlier versions of this paper were presented at the University of San Diego School of Law Fifth Annual Patent Law Conference, the 2015 Works-in-Progress Intellectual Property Colloquium, the 2015 University of Houston Law Center Administrative Law Workshop, the 2015 Junior Federal Courts Conference, the 2015 Mid-Atlantic Patent Works-in-Progress Conference, and the 2016 Junior Scholars in Intellectual Property Workshop. The author would like to thank the participants for their extremely helpful comments and suggestions, particularly Jonas Anderson, Jack Beermann, Bernard Chao, Christi Guerrini, Paul Gugliuzza, Kristin Hickman, Will Hubbard, Jay Keser, Sapna Kumar, Tom Lee, Jonathan Masur, Michael Meurer, Arti Rai, Sarah Rajec, Greg Reilly, Josh Sarnoff, Andres Sawicki, Christopher Seaman, Ted Sichelman, Brenda Simon, Saurabh Vishnubhat, and Melissa Wasserman. The author is also grateful to her research assistants, Emily Black, Daniel Kane, Monika Ledlova, and Michael Marusak, for their excellent research and editorial assistance.
Law enforcement in the modern regulatory state is largely a joint enterprise. In areas such as securities, antitrust, civil rights, and environmental law, enforcement responsibilities are allocated between public and private actors. Patent law, on the other hand, is enforced almost exclusively through private lawsuits. Considering patent law’s constitutionally mandated public purpose—“to promote the Progress of Science and useful Arts”—this privatization of patent enforcement is troubling.

In recent years, there has been some movement away from this purely private enforcement scheme for patent law. The Department of Justice and the Federal Trade Commission, for example, have involved themselves in certain patent matters that implicate antitrust law. Although this is a step in the right direction, these regulators alone cannot adequately enforce patent law due to their limited jurisdiction, resources, and expertise.

This Article thus proposes a robust public enforcement regime for patent law. It argues that Congress should arm the U.S. Patent and Trademark Office (“PTO”), the agency responsible for reviewing patents ex ante, with broad powers to police patent validity ex post. The PTO is best situated to lead this effort because of the agency’s expertise, institutional resources, and enhanced powers under the America Invents Act. Moreover, charging the PTO with the responsibility for policing patents should serve to dispel allegations of agency capture and institutional bias toward patent owners.

INTRODUCTION

Not long ago, the standing of the Court of Appeals for the Federal Circuit as the most powerful and influential institution in patent law was indubitable. These days, however, it seems like everyone wants a piece of the patent action. In recent years, the Supreme Court, Congress, the U.S. Patent and Trademark Office (“PTO”), the Federal Trade Commission (“FTC”), the Department of Justice (“DOJ”), state attorneys general, federal district courts, state courts, and even the Advisory Committee on the Federal Rules have all asserted power over patent-related matters to some degree. The result is a new era in patent law’s
history marked by power struggles and political wrangling among these lawmaking bodies.

Many factors have contributed to this move toward decentralization—and, arguably, destabilization—of the patent system. First, as patent rights have become increasingly important to the economy, stakeholder groups have expanded causing a broad array of institutional actors to engage with patent issues. Second, while acknowledging the importance of high-quality patents, accused infringers have been complaining about the impact of bad patents, patent trolls, and frivolous infringement suits for more than a decade now. When efforts to reform the system met resistance at the Federal Circuit, accused infringers turned elsewhere for help. Finally, and perhaps most importantly, when Congress passed the 2011 America Invents Act (“AIA”), it radically altered the power dynamic in patent law by providing the PTO with a host of new responsibilities and powers.

Prior to the AIA, the Federal Circuit dominated patent policy vis-à-vis the PTO. This was due in large part to the Federal Circuit’s determination that the PTO lacked substantive rulemaking authority and its refusal to afford deference to PTO legal interpretations. A number of commentators criticized the Federal

---


4 Long, supra note 2, at 1966 (“The more prominent role played by the PTO is both a cause and an effect of dissatisfaction with the state of patent law.”).


6 See Sarah Tran, Patent Powers, 25 Harv. J.L. & Tech. 609, 647-50 (2012) (“By granting the Patent Office the power to set standards, prioritize technologies, and set its own fees, Congress has pumped up the [PTO]’s rulemaking muscles and invited it to flex them.”); Melissa F. Wasserman, The Changing Guard of Patent Law: Chevron Deference for the PTO, 54 WM. & MARY L. Rev. 1959, 1964 (2013) (“The AIA . . . undeniably increased the stature of the PTO by granting the Agency a host of new responsibilities, such as fee-setting authority and the ability to conduct new adjudicatory proceedings in which patent rights may be obtained or challenged.” (footnote omitted)).

7 Rai, supra note 1, at 1238 (“Congress has . . . delegated responsibility for interpreting the [Patent Act of 1952] to the [PTO] and the courts—with a historical emphasis on the courts.”).

8 See, e.g., Merck & Co. v. Kessler, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) (“[T]he broadest of the PTO’s rulemaking powers—35 U.S.C. § 6(a)—authorizes the Commissioner to promulgate regulations directed only to ‘the conduct of proceedings in the [PTO]’; it does NOT grant the Commissioner the authority to issue substantive rules.” (quoting Animal Legal Def. Fund v. Quigg, 932 F.2d 920, 930 (Fed. Cir. 1991))).
Circuit’s approach, arguing that it contradicts mainstream administrative law principles, marginalizes the PTO, and undermines the development of sound patent policy.\(^9\) Moreover, in the years leading up to the passage of the AIA, the executive branch urged Congress to grant the PTO substantive rulemaking authority.\(^10\) Indeed, such a provision made its way into at least one early version of the legislation.\(^11\)

In the end, the AIA did not include an explicit provision regarding the PTO’s substantive rulemaking authority.\(^12\) Yet, the legislation has effected a major power shift in the patent system nonetheless. Not only does the AIA endow the PTO with fee-setting authority,\(^13\) it also empowers the agency to decide matters of patent validity in various post-grant adjudicatory proceedings.\(^14\) These


\(^10\) Letter from Gary Locke, Sec’y of Commerce, U.S. Dep’t of Commerce, to Senators Patrick J. Leahy, Chairman, Comm. on the Judiciary, and Jefferson B. Sessions, III, Ranking Member, Comm. on the Judiciary 2-3 (Oct. 5, 2009) (on file with author) (“Current law limits the USPTO Director’s ability to implement needed reforms through the promulgation of administrative regulations. . . . At a minimum, USPTO should have procedural rulemaking authority over proceedings in the agency.”).

\(^11\) Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 11 (2007) (“[T]he Director may promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions of this title or any other law applicable to the United States Patent and Trademark Office or that the Director determines necessary to govern the operation and organization of the Office.”).

\(^12\) Rai, *supra* note 1, at 1239 (“Although the AIA did not give the agency the expansive rulemaking authority over questions of substantive patent law that had been proposed in earlier versions of the legislation, the AIA did confer upon the PTO the ability to conduct post-grant review proceedings that resemble formal adjudications.”). Notably, however, the Supreme Court recently held in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016), that the AIA grants the PTO substantive rulemaking authority, at least with respect to post-grant proceedings, and that such rules are entitled to deference under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843-44 (1984).


\(^14\) Id. §§ 311-319, 321-329 (describing inter partes review and post-grant review proceedings); id. § 321 (describing transitional program for covered business-method patents). Melissa Wasserman has argued that the AIA indirectly granted the PTO substantive rulemaking authority through these proceedings. Wasserman, *supra* note 6, at 1967. She believes that the Patent Trial and Appeal Board’s validity decisions will be entitled to *Chevron* deference because of the formal adjudicatory nature of the proceedings. Id. If correct, this means that the PTO, not the Federal Circuit, is now the “chief expositor of substantive patent law standards.” Id. at 1965. So far, however, the PTO has failed to ask for *Chevron* deference on legal determinations made in adjudication. See Stuart Minor Benjamin & Arti K. Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 DUKE L.J. 1563, 1581-90 (2016)
proceedings, conducted by the newly created Patent Trial and Appeal Board (“PTAB”), have begun to redefine the PTO.

The PTO, which is responsible for granting patents, has long been plagued with a reputation as a weak and ineffectual agency. Critics claim, among other things, that the PTO’s fee structures and internal operating procedures bias the agency toward granting patents. More pointedly, the agency has been accused of kowtowing to the patent bar—the group that the PTO is supposed to be regulating—and blamed for flooding the marketplace with bad patents. Indeed, these concerns about agency capture and incompetence helped spur the reform efforts that culminated in the AIA.

The AIA, and its creation of the PTAB in particular, have ushered in a new era in the PTO’s history. Where the PTO was once viewed as a weak, captured agency whose sole purpose was to serve its “customers”—i.e., patent applicants—today’s PTO, like so many modern federal agencies, is multifunctional. Agencies such as the Securities and Exchange Commission (“SEC”), the Environmental Protection Agency (“EPA”), and the FTC consist of various offices or arms that perform wide-ranging functions in furtherance of the agency’s mission. With the creation of the PTAB and formal adjudicatory proceedings, the PTO is beginning to look more like these other agencies. From an institutional choice perspective, this is a positive development that better positions the PTO to effectuate patent law’s constitutionally mandated purpose: the promotion of innovation for the public good.

(“[T]he PTO has sought to assert significant authority under the auspices of the AIA. This assertion of authority has sometimes included taking a leadership position on the legal standards that determine patent validity. So it might seem obvious that the PTO would argue for Chevron deference on these positions. But it has not so argued.”).

15 E.g., Michael D. Frakes & Melissa F. Wasserman, Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO’s Granting Patterns, 66 VAND. L. REV. 67, 124 (2013) (“Our findings suggest that the PTO’s current fee schedule likely biases the Agency to grant patents.”); Long, supra note 2, at 1990-91 (“At the level of substantive patent policy, the PTO’s budgetary structure creates a bias in favor of granting patents and encouraging inventors to apply for patents.”).

16 Frakes & Wasserman, supra note 15, at 74 (noting “a general perception in the literature that the PTO is routinely granting bad patents”); Jonathan S. Masur, Response, The PTO’s Future: Reform or Abolition?, 158 U. PA. L. REV. PENNUMBRA 1, 2 (2009) (“Through a combination of poorly designed incentives, a lack of necessary funding, and a type of capture by the patent bar, the PTO has come to be viewed as inept and inefficient.”).


Yet, one fundamental way that the PTO stands apart from these other agencies is that it lacks an enforcement—or prosecutorial—arm to police patents ex post.20 While the PTO enforces patent validity ex ante, no federal agency monitors, investigates, and polices already-issued patents. Outside of the antitrust context,21 there simply are no public enforcement actions concerning patents. The government has instead delegated to private parties the authority to enforce patent validity. Such wholesale reliance on private litigation raises a host of problems.

As I have argued in earlier work, patent validity is a matter of public law.22 Of course, it is common for public law regimes to rely on private enforcement.23 But in the areas of securities, environmental, and antitrust law, private enforcement is merely a supplement to agency enforcement.24 In the patent

New Deal administrative law system . . . is that the administrative agency as the delegate of congressional authority, rather than the Article III courts, is the primary policymaker under the statute.”); Rai, supra note 1, at 1265-72 (discussing “the comparative competence of particular patent institutions,” namely Congress, the federal courts, and the PTO); Wasserman, supra note 6, at 2007-18 (noting that “the principal goal of the patent system” is “the promotion of innovation,” and comparing “the relative strengths and weaknesses of the Federal Circuit and the PTO”).

20 See infra Section II.A (discussing the development of the United States patent review system).

21 See, e.g., Susan E. Foster, Intellectual Property Antitrust: The Pendulum Swings, in RECENT DEVELOPMENTS IN ANTITRUST LAW (ASPATORE 2013), 2013 WL 3773857, at *5 (“In the context of intellectual property antitrust, both the FTC and the DOJ have been fairly active in assessing antitrust settlement activities, patent portfolio acquisitions, and the activities of patent assertion entities (PAEs).”).

22 Megan M. La Belle, Patent Law as Public Law, 20 GEO. MASON L. REV. 41, 52 (2012) (“[P]atent validity disputes bear little resemblance to private law litigation.”). Some scholars contend that patent infringement is also a public law right. See Ted Sichelman, Purging Patent Law of “Private Law” Remedies, 92 TEX. L. REV. 517, 531 (2014) (arguing that all patent rights, including the right to sue for infringement, “stand in stark contrast to traditional private law rights”). The question of whether infringement is a public offense that should be subject to government enforcement is an excellent one. It is beyond the scope of this Article, which focuses on validity, but has been addressed in other work. See Caroline M. Turner, A Path Toward an Increased Role for the United States in Patent Infringement Litigation, 14 CHI.-KENT J. INTELL. PROP. 485, 489 (2015) (discussing the ways in which government could bring infringement suits on behalf of certain private parties).

23 See Abram Chayes, The Role of the Judge in Public Law Litigation, 89 HARV. L. REV. 1281, 1284 (1976) (“Perhaps the dominating characteristic of modern federal litigation is that lawsuits do not arise out of disputes between private parties about private rights. Instead, the object of litigation is the vindication of constitutional or statutory policies. . . . For this reason . . . I shall call the emerging model ‘public law litigation.’”).

24 See, e.g., Piper v. Chris-Craft Indus., Inc., 430 U.S. 1, 25 (1977) (explaining that in securities law, private enforcement is a “necessary supplement” to SEC actions “because of practical limitations upon the [agency’s] enforcement capabilities” (quoting J. I. Case Co. v. Borak, 377 U.S. 426, 432 (1964))).
context, by contrast, the public is wholly reliant on private actors to police invalid patents, either through declaratory judgment actions in federal court or administrative review at the PTO.25 Unfortunately for the public, private actors are generally disinclined to challenge bad patents.26

The disincentives for private validity challenges are well documented in the literature. Often private parties are discouraged from challenging a patent because of the “free rider problem,”27 whereby the patent challenger bears all the cost of litigation, but the benefit—invalidation of the patent—is enjoyed by all, including the challenger’s competitors.28 Additionally, competitors are usually best situated to contest patents, but they may worry about putting their own, similar intellectual property at risk.29 Finally, whenever a private party launches a validity challenge, there’s a real risk that the patent owner will countersue for infringement.30 Private parties, therefore, are loath to initiate patent challenges in most situations.

For a time, it appeared that public interest organizations might help fill this enforcement gap in the patent system. The ACLU, the Public Patent Foundation, and Consumer Watchdog have all attempted to intervene on the public’s behalf to challenge suspect patents in recent years.31 These efforts have mostly been unsuccessful, however, because of the Federal Circuit’s overly restrictive standing doctrine in patent cases.32 And while public interest groups may challenge patents at the PTO, the Federal Circuit recently dismissed Consumer

25 See infra Part II (discussing private enforcement of patent validity).
26 See, e.g., La Belle, supra note 22, at 64-68.
28 See, e.g., Jay P. Kesan, Carrots and Sticks to Create a Better Patent System, 17 BERKELEY TECH. L.J. 763, 793-97 (2002) (advocating for one-way fee shifting because the current rule “might deter private litigants from bringing a costly [patent validity challenge] . . . even though the total benefits to society outweighs the cost to the individual”).
29 La Belle, supra note 22, at 64.
32 Michael J. Burstein, Rethinking Standing in Patent Challenges, 83 GEO. WASH. L. REV. 498, 500 (2015) (“[I]n recent years the Federal Circuit has developed a set of standing rules that prevents most developers of intellectual property, rather than real property, from bringing [quiet title] action[s].”).
Watchdog’s appeal from an unfavorable PTO decision for lack of Article III standing. So even though public interest organizations may have the incentive to challenge bad patents, they face serious legal and practical constraints.

This Article thus argues for a robust public enforcement regime for patent law. The recent tumult within our patent system suggests the need for sound policymaking, and the ability to police already-issued patents is an important part of that effort. Not only should there be public enforcement of patent validity for pragmatic reasons (i.e., because private parties and public interest groups are unwilling or unable to successfully challenge bad patents), but public enforcement is also normatively justified because enforcement decisions shape innovation policy for the future. The relatively recent decision in Alice Corp. v. CLS Bank International demonstrates this point well. Alice, which addressed the patentability of software inventions, has undoubtedly impacted innovation policy. Yet, neither the PTO nor any other agency decided to challenge the patent at issue in Alice. Rather, it was CLS Bank—a private party that is much more concerned with its personal interests than national innovation policy—that made the decision.

So, if a public agency should be policing patents ex post, which agency should it be? The FTC is one contender given its consumer protection mission and experience with antitrust-related patent matters. The DOJ’s Antitrust Division and Intellectual Property Section have also weighed in on patent issues, so they could be in the running too. While these possibilities have some theoretical appeal, the PTO nevertheless emerges as the most realistic candidate to lead this effort. The PTO, first and foremost, possesses the necessary expertise due to its technological acumen and fluency in substantive patent law. The PTO also has certain mechanisms in place that would facilitate sound enforcement decision-making, including the Offices of the Chief Economist and Solicitor. Moreover, the PTO already has the power, albeit limited and rarely exercised, to challenge patents ex post in the form of director-initiated reexaminations. And finally,

---

33 Consumer Watchdog, 753 F.3d at 1259-60 (“Because Consumer Watchdog has not established an injury in fact sufficient to confer Article III standing, however, this court dismisses the appeal.”).
34 134 S. Ct. 2347, 2352 (2014).
35 See Thomas M. Mengler, Consent Decree Paradigms: Models Without Meaning, 29 B.C. L. REV. 291, 341 (1988) (“Because private litigants pursue their own interests, even when litigating a public law suit, courts have not presumed that private litigants adequately represent others similarly situated.”).
36 See Daniel A. Crane, Technocracy and Antitrust, 86 TEX. L. REV. 1159, 1206 (2008) (discussing “recent requirements for notification of patent settlements to the FTC”).
38 35 U.S.C. § 303 (2012) (“On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302.”).
granting the PTO enforcement power will facilitate the agency’s transformation into a legitimate patent policymaker.

This Article proceeds in three Parts. Part I discusses public and private enforcement regimes, and weighs the costs and benefits of both. Part II turns to patents and our system for enforcing patent validity ex ante and ex post, meaning before and after patents are granted, respectively. Part II then outlines some of the patent-specific problems associated with private enforcement actions. Part III explores why there is no ex post public enforcement of patent validity, and argues that such a mechanism is both theoretically and practically important to innovation policy. Part III therefore proposes that Congress grant the PTO robust powers to regulate patent validity for already-issued patents.

I. PUBLIC-PRIVATE ENFORCEMENT REGIMES

Law enforcement in the modern regulatory state is largely a joint enterprise. In areas such as securities, antitrust, civil rights, and environmental law, enforcement responsibilities are allocated between public and private actors. A rich scholarly literature has developed over the past several decades regarding the costs and benefits of public and private enforcement regimes, and more recent scholarship focuses on the intersection and coordination of the two. This

C.F.R. § 1.520 (2016) (“The Director may initiate ex parte reexamination without a request for reexamination . . . .”).

39 See, e.g., MARTIN H. REDISH, WHOLESALE JUSTICE: CONSTITUTIONAL DEMOCRACY AND THE PROBLEM OF THE CLASS ACTION LAWSUIT 20 (2009) (arguing that “[o]nce one critically examines the modern class action . . . one is forced to recognize the substantial need for dramatic alteration in the procedure’s underlying theory, modern format, and current doctrinal structure”); Gary S. Becker & George J. Stigler, Law Enforcement, Malfeasance, and Compensation of Enforcers, 3 J. LEGAL STUD. 1, 14 (1974) (discussing the possibility of “let[ting] anyone enforce statutes and receive as compensation for performance the fines levied against convicted violators”); Myriam E. Gilles, Reinventing Structural Reform Litigation: Deputizing Private Citizens in the Enforcement of Civil Rights, 100 COLUM. L. REV. 1384, 1387 (2000) (discussing “the possibility of constructing a constitutionally sound model that harnesses the power of private citizens to reform unconstitutional practices”); Amanda M. Rose, The Multienforcer Approach to Securities Fraud Deterrence: A Critical Analysis, 158 U. PA. L. REV. 2173, 2176 (2010) (suggesting that it “would be [beneficial] to consolidate the enforcement authority now shared between federal regulators, state regulators, and class action lawyers in a federal agency, such as the SEC, and to grant that agency exclusive authority to prosecute national securities frauds”).

debate about institutional design informs how effective regulation—including
the regulation of patents—is best achieved.

A. Public Enforcement

One of the most fundamental tenets of our constitutional system is that the
President “shall take Care that the Laws be faithfully executed.”41 It is the
executive branch’s job, in other words, to enforce the laws that Congress
makes.42 The Executive generally carries out this responsibility through the DOJ
and other administrative agencies.43 These agencies bring enforcement actions
against violators on the public’s behalf and seek criminal sanctions, injunctive
relief, or monetary damages.44 Examples include the SEC’s enforcement action
against Bernard Madoff,45 the DOJ Antitrust Division’s suit against Microsoft,46
and the EPA’s punishment of British Petroleum for the oil spill in the Gulf of
Mexico.47

This constitutional ideal of regulatory enforcement is normatively attractive
for many reasons. Public enforcement actions can simultaneously
“vindicate . . . broadly dispersed rights . . . and . . . exert a measure of deterrence
for the future.”48 Agencies have specialized knowledge and experience that
inform and guide enforcement decisions.49 Regulators are well positioned to

private model”); Matthew C. Stephenson, Public Regulation of Private Enforcement: The
Case for Expanding the Role of Administrative Agencies, 91 VA. L. REV. 93, 95 (2005).

41 U.S. CONST. art. II, § 3.

42 See, e.g., Nicholas Quinn Rosenkranz, Executing the Treaty Power, 118 HARV. L. REV.
1867, 1895 (2005) (“[T]he executive branch subsequently ‘execute[s]’ the laws made by
Congress . . . .”).

43 See Kate Andrias, The President’s Enforcement Power, 88 N.Y.U. L. REV. 1031, 1033
(2013) (describing “[t]he growth of the administrative state and the expansion of presidential
power” in the twentieth century); Elena Kagan, Presidential Administration, 114 HARV. L.
REV. 2245, 2246 (2001) (“We live today in an era of presidential administration.”); Michael
(“Most public enforcement officials are essentially administrative agencies.”).

44 See Edward D. Cavanagh, Detrebling Antitrust Damages: An Idea Whose Time Has
sanctions for violations of the Sherman Act; (2) actual damages for injury sustained by reason
of any violation of the antitrust laws; and (3) injunctive relief.” (footnotes omitted)).

45 Diana B. Henriques & Zachery Kouwe, U.S. Arrests a Top Trader in Vast Fraud, N.Y.

46 Steve Lohr, Microsoft Case May Be Prelude to a Wider Antitrust Battle, N.Y. TIMES,

47 See Clifford Krauss, U.S. Agrees to Allow BP Back into Gulf Waters to Seek Oil, N.Y.

48 Richard A. Nagareda, Class Actions in the Administrative State: Kalven and Rosenfield

decisions are “peculiarly within [the agency’s] expertise”); Richard B. Stewart & Cass R.
plan for coordinated enforcement efforts when necessary.\textsuperscript{50} And perhaps most importantly, administrative actors are politically accountable for their enforcement decisions. More precisely, the public will hold the President and Congress responsible for how agencies exercise their delegated powers, including choices about enforcement.\textsuperscript{51} Dissatisfied voters will consequently refuse to re-elect those officials, or so the theory goes.\textsuperscript{52}

Unfortunately, there are considerable gaps between the ideal of regulatory enforcement and the reality. Resource-stapped agencies must set priorities, including with respect to enforcement decisions.\textsuperscript{53} Limited resources might force regulators to choose between legitimate tasks, say rulemaking and enforcement, because they cannot afford to undertake both.\textsuperscript{54} In short, “[t]he budget and manpower of federal regulatory agencies are” finite, which means that some violations will go unenforced.\textsuperscript{55}

Then there’s the problem of “agency slack”—the tendency of government regulators to eschew the public interest by underenforcing or overenforcing certain laws.\textsuperscript{56} The cause of agency slack varies, but regulatory capture is the main culprit. Capture is a complicated phenomenon that has been discussed at length in the literature.\textsuperscript{57} In simplest terms, it refers to the situation where

---

\textsuperscript{50} See Stewart & Sunstein, \textit{supra} note 49, at 1211.

\textsuperscript{51} Id. at 1199 (“[A]gency choices about enforcement are subject to legislative oversight . . . .”); see also Katherine Pratt, \textit{Lessons from the Demise of the Sugary Drink Portion Cap Rule}, 5 \textit{Wake Forest J.L. \\ & Pol’Y} 39, 87 (2015) (“Permitting administrative agencies to make difficult policy judgments is permissible because the executive branch is politically accountable.”); Kevin M. Stack, \textit{The President’s Statutory Powers to Administer the Laws}, 106 \textit{Colum. L. Rev.} 263, 264 (2006) (“[P]residents are held politically accountable for how the federal government as a whole functions, and in particular for how administrative agencies exercise their vast delegated powers.”).


\textsuperscript{54} Id. at 158-59 (“The number of potential rulemakings is extraordinarily high—as is the number of adjudications—and agencies must necessarily defer numerous decisions until a later time.”).

\textsuperscript{55} See Stephenson, \textit{supra} note 40, at 107 (“The budget and manpower of federal regulatory agencies are generally quite limited, and many agencies simply lack the capacity to enforce the law adequately.”).

\textsuperscript{56} Id. at 110; Waterstone, \textit{supra} note 43, at 451.

\textsuperscript{57} See, e.g., Steven P. Croley, \textit{Theories of Regulation: Incorporating the Administrative Process}, 98 \textit{Colum. L. Rev.} 1, 4 (1998) (describing the theory that “agencies serve not to correct but to exacerbate market failures by delivering illicit regulatory favors to those who already enjoy excessive market power”); Michael A. Livermore \\ & Richard L. Revesz,
agencies favor the interests of regulated groups at the expense of the public at large. Agencies are considered vulnerable to capture when certain interest groups have a disproportionate stake in the work of the agency. So, for instance, “Corporate America” might have captured the SEC, or perhaps media firms have captured the Federal Communications Commission (“FCC”).

Even if not captured, regulators may be concerned with self-promotion rather than the public interest—another example of agency slack. Agencies, after all, are made up of people with personal interests, objectives, and motivations. Individual government actors may have career aspirations that influence enforcement decisions. For example, public employees who aspire to land a job within the regulated industry may take deregulatory positions to curry favor with prospective employers. Alternatively, those who are looking to move up the bureaucratic ladder may succumb to political pressure. Others might pursue easier cases to ensure a higher win rate, or be overzealous in high-profile cases to garner attention.

---

58 See Croley, supra note 57, at 5; Saule T. Omarova, Bankers, Bureaucrats, and Guardians: Toward Tripartism in Financial Services Regulation, 37 J. CORP. L. 621, 630 (2012) (referring to capture as “the misalignment of incentives of government actors who pursue narrow private interests that may conflict with the public interest they purport to serve”).

59 See, e.g., Arthur Levitt & Paula Dwyer, Take on the Street 106-15 (2002) (citing the former SEC chairwoman on how “the business lobby” and “CEOs” successfully used Congress and the SEC to thwart reform efforts); Amy Borus, SEC Reforms: Big Biz Says Enough Already, BUSINESSWEEK, Feb. 2, 2004, at 43 (detailing the efforts of corporate managers to stifle proxy reform).

60 See Bruce L. Benson, Understanding Bureaucratic Behavior: Implications from the Public Choice Literature, 2-3 ECONOMIA DELLE SCELTE PUBBLICHE [J. PUB. FIN. & PUB. CHOICE] 89, 89 (1995) (It.) (“[G]overnment programs are . . . implemented by people who have their own concerns, their own interests, and their own views of what is right and wrong.”).

61 Lemos & Minzner, supra note 40, at 859 (“Individual government attorneys may pull their punches in enforcement because they hope to secure a job in the regulated industry . . . .”).

62 Id.
Other bureaucrats may be less self-absorbed and focused instead on bringing prestige to their agency, office, or division. Some enforcement agencies, for example, are allowed to keep a portion of any monetary damages they recover.\(^65\) This could very well incentivize regulators to pursue certain enforcement actions at the expense of more-deserving cases that lack the same potential for profit.\(^66\) And even if not receiving direct financial benefits, “agencies may have reputational interests in [pursuing suits that reap substantial] financial awards.”\(^67\)

It is difficult to measure the extent to which each of these various causes contributes to regulatory enforcement failure. Solving the problem is therefore problematic, and so alternatives to public enforcement—namely, private enforcement through litigation—have emerged.

B. Private Enforcement

The United States has a long history of enforcing public rights through private actors. Guided by the maxim *ubi jus ibi remedium*—for every right there is a remedy—common law courts recognized what we now call “implied right[s] of action.”\(^68\) The Supreme Court embraced the practice during the Warren era, permitting individuals to sue for violations of the Securities and Exchange Act of 1934\(^69\) and the Voting Rights Act of 1965,\(^70\) even though Congress was silent as to private entities’ rights under these statutes.\(^71\) Moreover, Congress has explicitly created private rights of action in certain legislation, the Endangered Species Act\(^72\) and the Clean Water Act being prime examples.\(^73\) These different

\(^{65}\) Id. at 856 (noting that arrangements “allow[ing] enforcement agencies to retain a portion of any financial awards they win . . . are common at the state level and beginning to crop up in federal law as well” (footnote omitted)).

\(^{66}\) See id.

\(^{67}\) Id. at 856-57.


\(^{71}\) See, e.g., Allen v. State Bd. of Elections, 393 U.S. 544, 554-55, 557 (1969) (“The Voting Rights Act does not explicitly grant or deny private parties authorization to seek a declaratory judgment . . . . [However,] [t]he guarantee of § 5 [of the Act] that no person shall be denied the right to vote . . . might well prove an empty promise unless the private citizen were allowed to seek judicial enforcement of the prohibition.”); J. I. Case Co. v. Borak, 377 U.S. 426, 430-31 (1964) (stating that “[i]t appears clear that private parties have a right under § 27 to bring suit for violation of § 14 (a) of the [Securities Exchange] Act” even though “petitioners . . . emphasize[e] that Congress made no specific reference to a private right of action in § 14 (a)”).


types of private actions brought to vindicate public harms are generically referred to as “citizen” or “private attorney general” suits.

Procedural innovations have played an important role in facilitating this private enforcement scheme in the United States. The class action, a uniquely American procedural device until recently, allows plaintiffs to sue on behalf of a large group of similarly situated individuals to provide redress for widespread wrongs. As the Supreme Court once put it, “[t]he aggregation of individual claims in the context of a class-wide suit is an evolutionary response to the existence of injuries unremedied by the regulatory action of government.”

Private attorney general suits may have emerged out of necessity, but they have flourished at least in part because of certain advantages they enjoy over government action. Most importantly, private parties often have greater resources and better access to information than public law enforcers. They also tend to be less risk averse and nimbler than regulators, so they can advance novel legal theories and make quicker decisions. Private litigation also provides injured parties with direct compensation in a way that public enforcement cannot. Finally, private litigants are insulated from political pressure and bureaucratic pathologies, thus granting them latitude to sue powerful players that agencies are simply unwilling to confront. In short, private enforcement serves as an important “check” on regulatory capture.

74 FED. R. CIV. P. 23 (listing the prerequisites of a class action, types of class actions, and other formalities associated with class actions).

75 Linda S. Mullenix, Ending Class Actions as We Know Them: Rethinking the American Class Action, 64 EMORY L.J. 399, 401 (2014) (explaining that most foreign legal systems have resisted class action lawsuits).


77 See Pamela H. Bucy, Private Justice, 76 S. CAL. L. REV. 1, 6 (2002) (contending that public regulatory systems will always lack a private party’s access to inside information in economic wrongdoings); Seth Davis, Implied Public Rights of Action, 114 COLUM. L. REV. 1, 25 n.120 (2014) (“Injured parties will often have better information than public regulators about the source and scope of legal violations.”).

78 See Davis, supra note 77, at 84. Importantly, the lawyers representing plaintiffs in citizen suits, who work on a contingency fee basis, may very well be more risk averse than their clients. See John C. Coffee, Jr., Rescuing the Private Attorney General: Why The Model of the Lawyer as Bounty Hunter Is Not Working, 42 Md. L. REV. 215, 230-31 (1983).

79 See Davis, supra note 77, at 84.

80 See Engstrom, supra note 40, at 619 (“[P]rivate enforcement leverages private information, expertise, and resources while serving to check ‘capture’ of public enforcement agencies by regulated parties.”); Margaret H. Lemos, State Enforcement of Federal Law, 86 N.Y.U. L. REV. 698, 702-03 (2011) (drawing comparisons between state enforcement and
Naturally, there are downsides to private litigation as well. A common criticism regards private enforcement’s duplicative and overzealous nature, due to private parties simply “piggybacking” on regulatory enforcement efforts.\(^{81}\) In this way, private enforcement can waste social resources, stymie governmental efforts to establish coherent enforcement policy, and lead to overdeterrence.\(^{82}\) Another critique is that private enforcers are purely profit driven with little regard for the public good.\(^{83}\) Unlike the ideal regulator who weighs the social costs and benefits of enforcement and exercises prosecutorial discretion, private litigants sue as long as they will make money.\(^{84}\) Taking this to the extreme, private enforcers will use the threat of litigation, and more specifically discovery costs, to extort settlements from defendants for non-meritorious claims.\(^{85}\) Private litigation, whether initiated by public or private parties, is imperfect. There are costs and benefits to both systems, which perhaps explains why a mixed model has emerged and persisted in most areas of the law. As David Freeman Engstrom has said: “The institutional design challenge in this new regulatory landscape is not choosing between public and private enforcement. Rather, it is how to coordinate multiple, overlapping, and


\(^{83}\) See, e.g., Engstrom, supra note 40, at 634; Stephenson, supra note 40, at 114 (“[P]rivate rights of action can lead to inefficiently high levels of enforcement, causing waste of judicial resources and leading to excessive deterrence of socially beneficial activity.”).

\(^{84}\) See, e.g., Engstrom, supra note 40, at 634 (discussing common critiques of private enforcement as opposed to public enforcement efforts); Stephenson, supra note 40, at 128-29 (explaining different ways in which public enforcement is superior to private enforcement, including in identifying important statutory violations).

\(^{85}\) See, e.g., Engstrom, supra note 40, at 634 (discussing various “litigation reforms” designed to counteract the common issues with private enforcement, including limits on discovery and heightened pleading standards).

\(^{86}\) See id. at 619 (noting that private enforcers are “democratically unaccountable”).

\(^{87}\) U.S. CONST. art. II, § 3; see also Stephenson, supra note 40, at 120 (“Though private enforcement suits have been upheld as constitutional . . . many proponents of a unitary executive nonetheless perceive a constitutional problem with allowing private citizens to determine the stringency with which the law will be enforced . . . ”).
interdependent enforcement mechanisms. For patent law, however, the institutional design challenge is different because patent validity is enforced almost exclusively through private litigation.

II. POLICING PATENT VALIDITY

The constitutionally mandated goal of our patent system is to promote innovation to benefit the public. Inventors who introduce new technologies into the public domain are rewarded with patents: time-limited exclusive rights to their inventions. Although patents come at a price, the hope is that their innovation incentives will outweigh any anticompetitive effect. To this end, Congress has established conditions of patentability in an attempt to “draw[] a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not.” Specifically, a patent is valid if the invention is of proper subject matter and is useful, novel, nonobvious, and adequately described. Poor quality patents, meaning patents that fail to satisfy these requirements, impose significant societal costs, including discouraging competition, driving up the cost of innovation, and eroding confidence in the patent system.

Of course, laws and regulations are meaningless if unenforced, so designing appropriate enforcement mechanisms is crucial. Policymakers must decide

88 Engstrom, supra note 40, at 623.
89 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.”).
92 35 U.S.C. §§ 101, 102, 103, 112 (describing the subject matter for which patents may be obtained and other conditions for patentability).
94 See, e.g., Clopton, supra note 40, at 306 (“[T]he benefits of redundant enforcement will not spring up without careful husbandry in the form of institutional design.”); Glover, supra note 76, at 1142 (“[O]ur system of regulation is only as good as the enforcement mechanisms
whether to regulate conduct through ex ante regulation, ex post policing, or a combination of the two.\footnote{Glover, supra note 76, at 1140 (“Whereas European nations regulate the conduct of their citizens largely using ex ante regulations promulgated by a centralized bureaucracy, we frequently rely on ex post law enforcement, much of which results from private suits rather than from governmental actions.”) (footnote omitted)).} Moreover, if the institutional design calls for ex post policing, then the question becomes who should enforce the laws—the government, private parties, or both? Throughout history, lawmakers have searched for the most effective means of enforcing patent validity requirements to ensure that only deserving inventions are protected.

A. \textit{Ex Ante Patent Examination}

After the original Patent Act was passed in 1790, the First Congress immediately had to determine how to enforce the new law. The United States initially adopted an ex ante examination system, modeled after the French system, with the exception that the United States elected to use high-level government officials, rather than private individuals, to conduct the examination.\footnote{John F. Duffy, \textit{Harmony and Diversity in Global Patent Law}, 17 BERKELEY TECH. L.J. 685, 714 (2002).} The examination system was soon abandoned, however, because the government officials involved found the system to be too time consuming.\footnote{Daniel Preston, \textit{The Administration and Reform of the U.S. Patent Office, 1790-1836}, 5 J. EARLY REPUBLIC 331, 332 (1995) (“More important duties, however, kept the [patent] board from devoting sufficient time to patent matters . . . .”). The government officials included the Secretary of State, Secretary of War, and Attorney General. \textit{Id}.} The United States then moved in 1793 to an English-style registration system, where the technical merits of inventions were only reviewed ex post during an infringement suit.\footnote{Duffy, \textit{ supra note 96, at 714-15.}

The country ultimately returned to an examination system with the Patent Act of 1836, which marks the beginning of the modern patent system.\footnote{Mark A. Lemley, \textit{Why Do Juries Decide if Patents Are Valid?}, 99 Va. L. Rev. 1673, 1697-98 (2013) (“[T]he 1836 Act established what we know today as the Patent and Trademark Office, an administrative agency devoted to examining and issuing patents.”).} The 1836 Act established a specialized office, or administrative agency, devoted to examining and issuing patents.\footnote{\textit{Id}; Duffy, \textit{ supra note 96, at 714-15 (“When the U.S. returned to an examination system in 1836, the development drew upon earlier experiences but also created a specialized bureaucracy to perform the task.”).} This office—which evolved over time into the PTO—was staffed with highly talented scientists who rigorously examined, and
frequently rejected, patent applications. By the 1850s, however, the office succumbed to pressure from the patent bar and liberalized the examination process, resulting in higher grant rates.

The PTO’s approach to patent examination has continued to ebb and flow over the years. There have been periods when the examination process was generally more rigorous or more lax. There have also been times when the PTO has subjected certain types of patent applications to varying levels of review. In 2000, for instance, the PTO established a “second pair of eyes” program to enhance the quality of business method patents. The agency also developed a program called the Sensitive Application Warning System (“SAWS”), which allowed examiners to alert PTO leadership when a “sensitive” patent might issue. Although SAWS dates back to 1994, it garnered significant negative attention recently, causing the PTO to terminate the program last year. Whatever the value of these special procedures, the fact remains that ex ante review alone is insufficient to police patent validity.


102 Id. (stating that inventors and patent solicitors “repeatedly sought ‘to induce key politicians and administrators to seek out those examiners who’ took too strict a view of the patentability requirements” (quoting Robert C. Post, “Liberalizers” Versus “Scientific Men” in the Antebellum Patent Office, 17 TECH. & CULTURE 24, 26 (1976))).


105 Id.


107 See Sensitive Application Warning System, supra note 104 (“As the USPTO notified the public in January, the Agency has conducted a review of the SAWS program. After completing that review, the USPTO has decided to retire this program.”).
B. Judicial Review of Patent Validity

Since the 1836 Act, applications have been examined by an expert agency before patents are granted. But the ability to police patents post-issuance remains important for a number of reasons. For one, the PTO sometimes makes mistakes and grants bad patents. Moreover, as the legal standards for patentability change—as many have in recent years—inventions that were once subject to a valid patent are no longer worthy of protection. Finally, although hundreds of thousands of patent applications are filed each year, only a very small percentage of those applications evolve into “valuable” patents, meaning patents that are practiced, licensed, or enforced. Thus, lenient ex ante examination arguably makes sense, as long as those patents that prove valuable in the long term are subject to some sort of ex post review.

One option is for courts to review the validity of issued patents. This idea of judicial review of agency decision-making, though routine in today’s administrative state, was unmapped territory in the early 1800s when administrative agencies were just emerging. Therefore, it should come as no surprise that the opportunities for ex post judicial review under the 1836 Act were fairly limited.

---

108 See, e.g., Mark Lemley, Doug Lichtman & Bhaven Sampat, What to Do About Bad Patents?, REGULATION, Winter 2005-2006, at 10, 10-13 (“Bad patents are everywhere: covering obvious inventions like the crustless peanut butter and jelly sandwich, ridiculous ideas like a method of exercising a cat with a laser pointer, and impossible concepts like traveling faster than the speed of light.”).

109 See David L. Schwartz, Retroactivity at the Federal Circuit, 89 IND. L.J. 1547, 1548 (2014) (stating that the Federal Circuit “has frequently startled the patent law community with apparently run-of-the-mill rulings that substantially alter the value of previously issued patents”).

110 See Mark A. Lemley, Essay, Rational Ignorance at the Patent Office, 95 NW. U. L. REV. 1495, 1497 (2001) (“The essential insight of this Essay stems from the little-acknowledged fact that the overwhelming majority of patents are never litigated or even licensed.”).

111 Id. at 1531 (“For the PTO to gather all the information it needs to make real validity decisions would take an enormous investment of time and resources. Those decisions can be made much more efficiently in litigation . . . .”); Andres Sawicki, Better Mistakes in Patent Law, 39 FL. ST. U. L. REV. 735, 745 (2012) (“Whenever the costs of avoiding the mistake are greater than the costs of making it, we will be better off making the mistake.”).

112 Lemley, supra note 99, at 1697-98, 1707; see also William J. Novak, The People’s Welfare: Law and Regulation in Nineteenth-Century America 202 (1996) (explaining that the earliest administrative agencies in the United States were state and local boards of health founded in the late eighteenth and early nineteenth centuries); Ann Woolhandler, Demodeling Habeas, 45 STAN. L. REV. 575, 608 (1993) (referring to the early nineteenth century as the “prebureaucratic era”).
1. 1836 Act and “Defensive” Patent Validity Challenges

The 1836 Act provided for what I refer to as “defensive” validity challenges. Because only a valid patent can be infringed, the Act permitted accused infringers to raise invalidity of the patent-in-suit as a defense to an infringement claim. More specifically, defendants might argue that the patent owner was not the “original and first inventor.” Or perhaps defendants could defeat the patent by proving that the invention was “described in some public work” or “in public use, or on sale . . . before . . . [the] application for a patent.” Consequently, in most patent cases, the court (or jury) must adjudicate both infringement and validity.

That Congress had the foresight in 1836 to provide for any sort of judicial review of patent validity is remarkable given how rare administrative agencies—like the PTO—were at the time. Indeed, for a long time, already-issued patents could only be reviewed through defensive validity challenges, and to this day, defensive challenges remain the primary way patent validity is tested ex post. The problem with defensive validity challenges is that potential infringers must wait to be sued for infringement in order to prove a patent invalid. Eventually, almost a century after the 1836 Act passed, Congress recognized this limitation and began expanding the means for challenging patents in federal court.

2. Declaratory Judgment Act

In the early twentieth century, Congress considered legislation that would allow for anticipatory, or preventive, adjudication for potential patent infringers and other would-be defendants. After years of debate, the Declaratory Judgment Act was finally passed in 1934. The Declaratory Judgment Act provides that, “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such

---

114 Id.
115 Id.
117 See Lemley, supra note 99, at 1697-98.
118 See, e.g., Samuel L. Bray, Preventive Adjudication, 77 U. CHI. L. REV. 1275, 1276 (2010); La Belle, supra note 22, at 59.
119 La Belle, supra note 22, at 59 (“Congress actively considered legislation for fifteen years before the Declaratory Judgment Act passed . . . .”).
The legislative history makes clear that one reason Congress passed the Act was to expand the opportunities for ex post patent challenges:

I assert that I have a right to use a certain patent. You claim that you have a patent. What am I going to do about it? There is no way that I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you [the patent owner] can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.

Thus, the Act intended to improve the plight of accused infringers by allowing them to bring “offensive” patent validity challenges.

While the Declaratory Judgment Act was no doubt a step in the right direction, its ability to effectively police patent validity is curbed by various factors. Specifically, there are both legal and pragmatic barriers that make it difficult—if not impossible—for many plaintiffs to pursue patent declaratory judgment actions. Because I have written about the shortcomings of private validity challenges at length in earlier works, I will mention them only briefly here.

Starting with the legal hurdles, the Federal Circuit has interpreted patent standing doctrine restrictively, so that only a narrow class of plaintiffs may seek declaratory relief in federal court. Standing doctrine, consequently, has thwarted operating companies and public interest organizations alike from

---

121 Dr. William Henry Gates, House Doc. No. 5623 Before the S. Comm. on the Judiciary, 70th Cong. 35 (1928).
122 See La Belle, supra note 22, at 68-69 (“In patent declaratory judgment actions, the defendant patent owner often responds to the complaint with two concurrent motions... If the plaintiff is unable to demonstrate either of these threshold requirements, the court will grant the motion(s) to dismiss...”); Megan M. La Belle, Patent Litigation, Personal Jurisdiction, and the Public Good, 18 GEO. MASON L. REV. 43, 46 (2010) (“With respect to alleged patent infringers, however, there are also certain jurisdictional hurdles that must be overcome before declaratory relief may be sought.”).
123 See La Belle, supra note 22, at 64-67 (documenting a number of “pragmatic disincentives facing plaintiffs considering a patent declaratory judgment,” including the remedy, the opportunity for the defendant to countersue, and the plaintiff’s concerns about putting their own intellectual property at risk); Megan M. La Belle, Standing to Sue in the Myriad Genetics Case, 2 CALIF. L. REV. 68, 85-86 (2011) (“In the context of patent declaratory judgment actions, the Federal Circuit consistently seems more concerned with the plight of patent owners than with the threat that potentially bad patents pose to the public.”).
challenging patents that offer low social value. A further hindrance is the Federal Circuit’s distorted personal jurisdiction jurisprudence, which often precludes plaintiffs from filing patent declaratory judgment actions in convenient venues.

Yet, even plaintiffs who overcome these legal obstacles face pragmatic difficulties when challenging a patent. First, patent litigation is extremely expensive and time consuming. Second, filing a patent declaratory judgment action is almost guaranteed to trigger a counterclaim for infringement, thus exposing the patent challenger to an injunction, treble damages, or possibly attorney’s fees. Third, challenging patents is particularly risky for competitors because it may put their own patents in jeopardy (e.g., when a patent is scrutinized under § 101). Fourth, there is no direct monetary reward for winning a patent challenge, unlike in securities and antitrust cases. Finally, the benefit the challenger reaps—the free use of the patented invention—is shared by everyone, including competitors, even though the challenger alone bore the cost of invalidating the patent.

Recognizing that patent validity is underenforced, scholars have proposed various ways to encourage patent challenges in federal court, such as fee

125 See, e.g., Cisco Sys., Inc. v. Alberta Telecomm. Research Ctr., 538 F. App’x 894, 898 (Fed. Cir. 2013) (“In the circumstances presented here, that interest is simply insufficient to give rise to a current, justiciable case or controversy upon which federal declaratory judgment jurisdiction may be predicated.”); Organic Seed Growers & Trade Ass’n v. Monsanto Co., 718 F.3d 1350, 1361 (Fed. Cir. 2013) (“The appellants have alleged no concrete plans or activities to use or sell greater than trace amounts of modified seed, and accordingly fail to show any risk of suit on that basis.”).

126 See Colleen V. Chien, Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents, 87 N.C. L. REV. 1571, 1573 (2009) (“Patent litigation has alternatively been called the sport of kings and the business of sharks.” (footnote omitted)).

127 See, e.g., Ewing & Feldman, supra note 30, at 10 (providing an example of a counterclaim from a patent infringement suit when TiVo sued Verizon).

128 See Mark A. Lemley, Patenting Nanotechnology, 58 STAN. L. REV. 601, 623-24 (2005) (“If core patents are distributed roughly evenly among firms participating in a market . . . , those firms will have a strong incentive to enter into cross-licenses, since their interests are symmetrical: they need their competitors’ patents just as much as the competitors need their patents.”).


shifting,132 bounties,133 and joint defense agreements.134 Others have urged a more fundamental shift for validity challenges away from federal court towards administrative adjudication at the PTO.135 This suggestion to dejudicialize patent validity challenges gained some traction in the 1980s, but did not take hold and begin to revolutionize the patent litigation landscape until the passage of the AIA in 2011.

C. Administrative Review of Patent Validity

For the first 150 years in its history, the PTO’s role in policing patent validity was limited. The agency reviewed patents ex ante and decided whether or not a patent should issue. If the patent was rejected, the applicant could appeal to a board of examiners.136 But once a patent was granted, it was the courts—not the PTO—that evaluated a patent’s validity. That began to change in the early 1980s as Congress incrementally expanded the PTO’s jurisdiction over various proceedings for challenging already-issued patents.

1. Early Post-Grant Proceedings

Congress introduced the first post-grant administrative proceedings, ex parte reexamination (or “reexam”), in 1980.137 Ex parte reexam allows either the patent owner or a third party to ask the PTO to take a second look at “doubtful patents.”138 This procedure was intended “to strengthen investor confidence in

---

132 See, e.g., Gaia Bernstein, supra note 3, at 1449 (“[F]ee shifting is applicable to the diverse array of end user cases and can contribute toward leveling the footing of end users in all type of end user-patentee disputes.”).

133 See Miller, supra note 27, at 704-05 (proposing a bounty system in patent litigation that would reward a patent challenger with cash after a successful suit).


135 See Michael A. Carrier, Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act, 45 U.C. DAVIS L. REV. 103, 122-24 (2011); Farrell & Merges, supra note 27, at 960-64 (postulating numerous ways to improve PTO examination in lieu of litigation).

136 See Burstein, supra note 9, at 1762-63 (explaining the establishment of the modern system of patent examination and the processes by which a defendant could appeal). Three years after passing the 1836 Act, Congress passed the Act to Promote the Progress of the Useful Arts, which allowed applicants who were dissatisfied with the board’s decision to appeal to federal court. Id. at 1763 n.69.


the certainty of patent rights . . . without recourse to expensive and lengthy infringement litigation.”

To ensure that ex parte reexam remained affordable and efficient, certain provisions restricted its scope. For instance, a third party requesting reexam was not permitted to participate in the proceeding, and the substantive grounds for reexam were limited to a few validity defenses based on certain types of prior art. The impact of reexam was further dampened by the fact that the PTO’s decisions were not binding on courts. Even if the PTO upheld a patent during reexam, in other words, validity could be relitigated in federal court. Due to these limitations, third parties rarely availed themselves of ex parte reexam.

Over the next two decades, the federal judiciary’s patent docket steadily grew and the costs of litigation continued to rise. Congress again attempted to alleviate these problems by creating administrative avenues for patent validity challenges. In 1999, Congress enacted the American Inventors Protection Act (“AIPA”), which created a new post-grant review proceeding called inter partes reexam that allowed for greater participation by third-party patent challengers. For example, third-party challengers could comment on the patent owner’s

---

139 Id.
140 See U.S. PATENT & TRADEMARK OFFICE, REPORT TO CONGRESS ON INTER PARTES REEXAMINATION 1-2 (2004) [hereinafter INTER PARTES REPORT] https://www.uspto.gov/web/offices/dcom/olia/reports/reexamreport.pdf [https://perma.cc/9NMF-4M9S] (finding that ex parte reexam procedure was established “to serve as an expedited, low-cost alternative to patent litigation for reviewing only certain aspects of patent validity”).
141 Id. at 2 (“Congressional review indicated infrequent use of ex parte reexamination, primarily because a third party who requested reexamination was unable to participate in the examination stage of the reexamination after initiating the reexamination proceeding.”); Mark D. Janis, Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law, 11 HARV. J.L. & TECH. 1, 53 (1997) (“During reexamination, the PTO examines the patent claims on the basis of prior art patents or printed publications only.”).
142 DONALD S. CHISUM, CHISUM ON PATENTS § 6.3.4.5 (2013) (“An ex parte reexamination carries no threat of an estoppel against an unsuccessful third-party requester. The requester can continue to contest validity in a judicial action although a PTO confirmation will tend to make that contest more difficult.”).
143 Id.
144 Between 2000 and 2004, over 835,000 patents issued, but only 1719 ex parte reexams were filed. Eric Williams, Remembering the Public’s Interest in the Patent System - A Post-Grant Opposition Designed to Benefit the Public, 2006 B.C. INTELL. PROP. & TECH. F. 110702, at 3.
responses to PTO actions and could appeal the PTO’s ultimate validity decision to the Federal Circuit.147

Notwithstanding these additional safeguards, third parties’ reliance on ex parte reexam remained sporadic. This initial hesitancy may have been due to various shortcomings in the proceedings, including: the lack of discovery and cross-examination; the inability to challenge patents issued before 1999; the narrow scope of validity defenses available; and the preclusive effect of the reexam determination in subsequent patent litigation.148 With time, however, the use of inter partes reexam began to pick up, at least in part because the costs were much lower than federal court litigation. Between 2009 and 2011, for instance, more than 900 inter partes reexams were initiated.149 But as these proceedings grew in popularity, the longer it took the PTO to issue decisions. By 2011, the average pendency for inter partes reexam was over three years.150 Thus, Congress was called upon once again to reform the system.

2. AIA and Post-Grant Proceedings

Many factors contributed to the call for patent reform that culminated in the AIA’s passage in 2011, including the growing concern over patent quality and the need for international harmonization. The AIA—the most comprehensive patent reform legislation in over fifty years—revamped the patent system by switching to first-to-file priority,151 redefining novelty and prior art,152 and expanding prior user rights.153 Perhaps even more fundamentally, however, the AIA includes numerous provisions that have reshaped the PTO’s institutional identity. For one, the AIA delegates fee-setting authority to the PTO,154 which allows the agency to adjust fees based on its costs. The AIA also empowers the agency to decide matters of patent validity through various post-grant

---

147 Congress did not provide the right to appeal to the Federal Circuit in the initial legislation, but amended the AIPA in 2002 to provide for this and other rights to try to promote the use of inter partes reexam. See INTER PARTES REPORT, supra note 140, at 2-3.

148 Id. at 4, 6-7.


151 35 U.S.C. § 102(a) (2012) (providing that inventions cannot be patented if “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention”).

152 Id. (eliminating the geographic restrictions on prior art).

153 Id. § 273.

154 Id. § 41.
adjudicatory proceedings. Much like reexam, these proceedings—which include post-grant review (“PGR”), inter partes review (“IPR”), and review for covered business method patents (“CBM”)—are intended to provide a more efficient and less expensive alternative for challenging already-issued patents.

A comprehensive discussion of the nature of these new AIA proceedings and how they differ from their predecessors (e.g., reexam) is beyond the scope of this Article. There are a few highlights worth mentioning, though. One is that the PTAB—a panel of PTO judges—rather than the examining corps conducts the review. Another major change is that PGR, IPR, and CBM proceedings must be completed within a limited amount of time. The PTO will generally issue a written decision within eighteen months of the initial petition, although it could take as long as twenty-four months in rare circumstances. Either way, the review process under the AIA is substantially faster than inter partes reexam.

Parties involved in IPR, PGR, and CBM proceedings are also afforded additional procedural protections, including the right to conduct discovery and to have an oral hearing. These safeguards were supposed to help make administrative review a realistic alternative to federal court litigation. In a similar vein, Congress made the preclusive effects of the new AIA proceedings more robust than reexam. Specifically, estoppel attaches as soon as the PTAB issues a written decision, and parties are precluded from relitigating issues that were or could have been raised before the PTO. Moreover, at least with respect to PGR, a broader range of defenses is available to patent challengers than in the past. The challenger, for instance, may contest the patent for lack of adequate written description or improper subject matter, and may raise prior art other than patents and printed publications in challenging the patent on

---

155 Id. §§ 311-319 (codifying the procedure for inter partes review); id. §§ 321-329 (codifying the procedure for PGR, including the transitional program for covered business-method patents).


157 For a detailed discussion see, for example, Gregory Dolin, Dubious Patent Reform, 56 B.C. L. REV. 881, 909-23 (2015) (arguing that the new AIA proceedings are “not a replacement, but rather an addition to” the earlier version of ex parte reexam); Wasserman, supra note 6, at 1993 (comparing PGR to reexam).

158 35 U.S.C. § 6 (establishing the PTAB, which is composed of judges who review rejected patent applications and reexam appeals, and conduct derivation proceedings, IPR, and PGR).

159 37 C.F.R. §§ 42.100(c), 42.200(c), 42.300(c) (2016) (requiring that IPR, PGR, and CBM proceedings be administered such that pendency before the PTAB is no more than one year with an extension lasting no more than six months with good cause or in case of joinder).


161 Id. § 315(e) (prohibiting petitioners from raising a claim before the PTO, district court, or ITC if they raised or reasonably could have raised the claim in IPR); id. § 325(e) (same with respect to PGR).
anticipation or obviousness grounds. Finally, parties dissatisfied with the PTO’s decision in IPR, PGR, or CBM may appeal directly to the Federal Circuit. The goal for these changes was to encourage patent challenges by making it quicker and cheaper to invalidate bad patents. As Judge Newman recently explained, “[t]he premise [was] that an adversarial evidentiary proceeding in the PTO [would] reliably resolve most issues of patent validity, without the expense and delay of district court litigation, and sometimes even before infringement has occurred.” While the full impact of these new laws remains to be seen, what’s already clear is that these PTAB proceedings are further reaching than anticipated.

3. Impact of PTAB Proceedings

Between September 16, 2012 (when the AIA became effective) and September 30, 2016, a total of 5656 IPR, PGR, and CBM petitions were filed. The vast majority of these petitions are IPRs (5143) with CBMs coming in a distant second (476). Only thirty-seven PGRs have been filed because that proceeding applies exclusively to recently granted patents, but those numbers are sure to increase. At this pace, the PTAB will soon be deciding patent validity ex post far more often than federal courts.

Yet it’s not just the volume of petitions that has caught many off guard, but the substance of the PTAB’s decisions as well. Early studies indicate that patent challengers are enjoying high rates of success with these new proceedings. 

162 Id. § 321(b) (allowing petitioner to “request to cancel as unpatentable 1 or more claims of a patent on any ground” that could be raised in federal court litigation).
163 Id. § 329 (explaining that any party has the right to appeal a decision by the PTAB).
164 See Matal, supra note 156, at 653 (exploring the legislative history of these provisions, including Congress’s intention to provide a cheaper and more efficient alternative to litigation); Sarah Tran, Policy Tailors and the Patent Office, 46 U.C. DAVIS L. REV. 487, 498-99 (2012) (detailing the discretion the AIA affords to the PTO to prioritize and expedite patents and “weed out low quality patents”).
167 Id. (stating the number of PGR petitions filed since the AIA’s inception).
168 See infra notes 187-90 and accompanying text (discussing the downward trend in patent litigation).
169 See Brian J. Love & Shawn Ambwani, Inter Parties Review: An Early Look at the Numbers, 81 U. CHI. L. REV. DIALOGUE 93, 93 (2014) (“As partial data on IPR has trickled out via the blogosphere, interest from patent practitioners and judges has grown to a fever (and sometimes fevered) pitch.” (footnote omitted)).
proceedings. In IPRs, petitioners have won complete victories almost two-thirds of the time when pursuing their petitions to a final decision. And even when not securing a total win, petitioners have managed to persuade the PTAB to institute IPR on at least one challenged claim in eighty-four percent of proceedings.

Based on these high rates of invalidation, critics have referred to the PTAB alternatively as a “death squad” and a “killing field.” Former Chief Judge Rader stated at an intellectual property conference that the PTO “was in tension with itself, with thousand[s] of examiners ‘giving birth’ to patents and hundreds of judges on the PTAB ‘acting as death squads, kind of killing property rights.’” A former high-level PTO official similarly criticized the agency for “creating” and then “destroying” patents, wondered how long such a “business model” can last, and warned that “if the PTAB continues on this path, the raison d’etre of the Patent Office and the entire patent system will be called into question.”

The PTO’s initial reaction to this criticism was somewhat defensive. During an AIA roundtable in April 2014, a panel of judges denied that the PTAB is a “death squad.” Erich Spangenberg, Patent Predictions for 2015, IPNAV: BLOG (Dec. 31, 2014), http://www.ipnav.com/blog/erich-spangenbergs-patent-predictions-for-2015/ [https://perma.cc/XsN4-XQRG].

170 See id. at 101 (finding that the PTAB invalidated all instituted IPR claims almost 78% of the time).

171 Id.

172 Id. at 100. A more recent study finds that the rate at which the PTAB is instituting IPRs has been slowly and consistently declining since 2012. See Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, Strategic Decision Making in Dual PTAB and District Court Proceedings, 31 BERKELEY TECH. L.J. 45, 78, 107 (2016).


176 Sterne & Quinn, supra note 173. While Rob Sterne and Gene Quinn do not identify the “former top USPTO official,” I heard John Whealan (former Deputy General Counsel for Intellectual Property Law and Solicitor at the PTO) make these same observations at the Center for American and International Law’s 52nd Annual Conference on Intellectual Property Law on November 10, 2014 in Plano, Texas.

177 Erica Teichert, PTAB Says It’s Not a “Death Squad” for Patents, LAW360 (Apr. 15, 2014), http://www.law360.com/articles/528519/ptab-says-it-s-not-a-death-squad-for-patents [https://perma.cc/ZM56-QZ6L] (citing the panel as saying “only a small fraction of patents under inter IPR end up being completely invalidated”).
invalidate patent claims, but instead “approaches its decisions in a very neutral manner.”178 Just a few months later, though, Judge Smith seemed to embrace the label explaining that if the PTAB was not “doing some ‘death squadding,’ [it] would not be doing what the [AIA] calls on [the PTAB] to do.”179 In other words, words, Judge Smith proclaimed, the PTAB is simply doing what Congress intended.

Whether the PTAB is functioning as hoped is hard to say at this point. On the one hand, the PTAB is canceling a high percentage of challenged patent claims.180 On the other hand, the patents being invalidated may not be those targeted by the AIA. At least one study shows, for example, that most challenged patents are owned by operating companies, not Patent Assertion Entities (“PAEs”) or trolls.181 What is more, anecdotal evidence suggests that some PTAB proceedings are initiated purely as a negotiation tactic or, even worse, to harass patent owners.182 The open question, then, is not whether enough but whether the “right” patent claims are being cancelled as a result of administrative review.

Nor is it clear if these new procedures are providing an efficient and inexpensive alternative to litigation as Congress intended. Thus far, the vast majority of PTAB proceedings have been initiated after an infringement suit was already filed.183 Critics claim, therefore, that PTAB proceedings are complicating patent litigation, not streamlining it.184 Although this argument has

---

178 Id.

179 Davis, supra note 175.

180 See Love & Ambwani, supra note 169, at 100-01.

181 See Gregory J. Gonsalves, T.C. Beckett & Barry Leff, Trends in Inter Partes Review and Covered Business Method Review, INTELL. ASSET MGMT., Mar.-Apr. 2014, at 20, 20 (stating that sixty percent of IPR and CBM proceedings have been filed against patents owned by operating companies, while only twenty-five percent have been filed against those owned by PAEs).


183 See Love & Ambwani, supra note 169, at 103 (finding that in eighty percent of IPRs the challenged patent was also asserted in litigation between petitioner and respondent); Vishnubhakat, Rai & Kesan, supra note 172, at 69 (“[A]bout 86.8% of IPR- or CBM-challenged patents are also being litigated in federal courts.”). Notably, current data focuses on IPRs and CBMs because only patents issued under the first-to-file system are subject to PGR. To date, only thirty-seven PGRs have been initiated. See U.S. PATENT & TRADEMARK OFFICE, supra note 166, 8-9 (citing the PTAB’s trial statistics). With PGRs, however, it is less likely that the patent will be the subject of co-pending litigation since a PGR must be initiated within nine months of the patent’s issuance. See 35 U.S.C. § 321 (2012).

184 See, e.g., Dolin, supra note 157, at 947.
initial appeal, it is not that simple. The data indicate that courts usually stay litigation pending the outcome of PTAB review. If the PTAB cancels one or more patent claims, the litigation will be simplified or even mooted. And even if the court denies a stay, the PTAB’s decision could still influence co-pending litigation by narrowing the issues, encouraging settlement, or ending the litigation if the patents-in-suit are invalidated.

The bottom line is that it is too early to draw conclusions about either the merit or full implications of these new proceedings. While PTAB review may complicate patent litigation in the short term, perhaps the long-term effects will be different. There is some evidence, albeit speculative, that the mere possibility of PTAB review is discouraging patent owners from filing infringement suits in the first place. Recent studies show that patent infringement suits are on the decline; there was a thirteen percent decline in patent litigation in 2014 compared to the previous year, and an additional two percent decline in 2015. Several factors are likely contributing to this trend, but the threat of PTAB review may be key to this patent litigation decline. If that proves true,

---

185 See Love & Ambwani, supra note 169, at 94 (“Litigation proceeding in parallel with an instituted IPR is stayed about 82 percent of the time.”).

186 Meaghan Hemmings Kent et al., United States: 10 Reasons Every Defendant in Patent Litigation Should Consider Inter Parties Review, MONDAQ (Apr. 26, 2014), http://www.mondaq.com/unitedstates/x/309504/Patent/10+Reasons+Every+Defendant+in+Patent+Litigation+Should+Consider+Inter+Parties+Review [https://perma.cc/KLL8-Z9PG] (“The longer the patent owner waits to settle, the greater the risk that the PTAB will not terminate the proceeding, and may cancel the claims despite a request to terminate. Petitioners can use this time crunch to pressure the patent owner into earlier settlement in order to save the patent from IPR.”).


188 CHRI S BERRY ET AL., PWC, 2015 PATENT LITIGATION STUDY 3 (2015) [hereinafter PWC STUDY 2015] (concluding that patent litigation declined in 2014 for the first time in five years). This decline, while significant, is not as steep as studies conducted earlier in the year indicated. See Brian Howard, September 2014 New Patent Case Filings Down 40% from September 2013, LEXMACHINA (Oct. 8, 2014), https://lexmachina.com/2014/10/september-2014-new-patent-case-filings-40-september-2013/ [https://perma.cc/76S4-9EJ3] (finding that, as of September 2014, there were forty percent fewer new patent suits filed in federal court compared to 2013).

then the PTAB proceedings would seem to be fulfilling at least one the AIA’s aims: the reduction of patent litigation in federal court.\textsuperscript{190}

Whatever future data may reveal, the fact is that administrative review—like district court litigation—has limited capacity to police patent validity. IPR, CBM, and PGR may cost less than traditional litigation, but they are still expensive and the “free rider” problem remains.\textsuperscript{191} A petitioner who offensively challenges a patent at the PTO also runs the risk of being sued for infringement in federal court.\textsuperscript{192} And while there are fewer procedural hurdles at the PTAB than in federal court, public interest organizations continue to be stymied in their efforts to challenge patents. In Consumer Watchdog v. Wisconsin Alumni Research Foundation,\textsuperscript{193} for example, a public interest organization initiated an IPR on patents related to human stem cells.\textsuperscript{194} After losing at the PTAB, Consumer Watchdog appealed to the Federal Circuit, as expressly permitted by statute.\textsuperscript{195} The Federal Circuit then raised the question of Article III standing sua sponte,\textsuperscript{196} and ultimately dismissed Consumer Watchdog’s appeal, allowing the patent to survive.\textsuperscript{197}

Since 1836, Congress has recognized the need to test the validity of already-issued patents. The means for challenging patents ex post have expanded over time, so that patent validity can now be challenged defensively or offensively, in federal court or at the PTO. Some critics believe that it’s too easy now to challenge patents,\textsuperscript{198} while others argue an underenforcement problem persists. Without wading too deeply into that debate, this Article makes the point that all of those validity challenges—all of those enforcement decisions—are being made by private parties. Considering the substantial policy implications of patent validity challenges, at least some of those enforcement decisions should be made by regulators.

\textsuperscript{190} See David O. Taylor, Patent Misjoinder, 88 N.Y.U. L. Rev. 652, 702 (2013) (identifying the reduction of patent litigation abuse as a goal of the AIA).

\textsuperscript{191} See Kent, et al., supra note 186 (estimating that PTAB proceedings cost between $200,000 and $750,000).

\textsuperscript{192} Indeed, only about thirteen percent of patents challenged at the PTAB are not already subject to litigation in federal court. See Vishnubhakat, Rai & Kesan, supra note 172, at 71. This suggests that private parties are equally reluctant to launch offensive validity challenges at the PTAB as they are through declaratory judgment actions in federal court. See La Belle, supra note 122, at 53 n.59 (citing studies finding that only between nine to fourteen percent of patent suits are declaratory judgment actions filed by accused infringers).

\textsuperscript{193} 753 F.3d 1258 (Fed. Cir. 2014).

\textsuperscript{194} Id. at 1260.


\textsuperscript{196} Consumer Watchdog, 753 F.3d at 1260.

\textsuperscript{197} Id. (“Because Consumer Watchdog has not established an injury in fact sufficient to confer Article III standing, however, this court dismisses the appeal.”).

\textsuperscript{198} See generally Dolin, supra note 157.
III. THE PATENT ENFORCEMENT AGENCY

A commonly stated goal of private enforcement is to supplement the public resources available for discovering, deterring, and vindicating social harms. Whatever its deficiencies, private litigation is merely a gap-filler or a backstop in areas such as antitrust, securities, environmental, and civil rights, where robust public enforcement regimes exist. Yet private suits are the lone mechanism for policing validity of already-issued patents. There is no equivalent of the antitrust or civil rights division within the DOJ for patents. Nor does the PTO have an enforcement arm like the SEC or the EPA. Though agencies do play some role in patent litigation, it is limited and peripheral. Thus, this Part of the Article sets out to explain the lack of—but need for—agency enforcement of patent validity, why the PTO is the right agency for the job, and how it could be implemented effectively.

A. The Current Lack of Public Enforcement of Patent Validity

There are several potential explanations for why our patent system currently lacks a public mechanism for enforcing patent validity ex post. First, the patent system and the PTO emerged at a different point in history than most other administrative agencies. The SEC, FTC, and many other agencies were created in the 1930s during the New Deal Era, and the EPA was established even later in the 1970s. The PTO, on the other hand, is a relic of the nineteenth century, a period before lawmakers had conceptualized the modern, multifunctional agency imbued with rulemaking, enforcement, and adjudicatory powers. Stated differently, the powers held by these agencies—or the lack thereof—may simply be “a product of the time they came into existence.”

Another explanation for the lack of public validity enforcement is that courts mistakenly believed the government could only challenge patents based on fraud. This mistaken belief dates back to two late-nineteenth century decisions from the Supreme Court in disputes between the United States and the American Bell Telephone Company. In the first suit (American Bell I), the United States

199 See, e.g., Bucy, supra note 77, at 12-13 (providing a brief overview of private justice in the United States).

200 See, e.g., Tejas N. Narechania, Patent Conflicts, 103 GEO. L.J. 1483, 1484-85 (2015) (discussing the image of the PTO as “removed from the practical uses” of the new inventions and discoveries they regulate); Jacob S. Sherkow, Administering Patent Litigation, 90 WASH. L. REV. 205, 206-07 (2015) (arguing that the PTO has “largely disclaimed a role in reforming patent litigation” and that patent reform efforts have “largely ignored the variety of roles administrative agencies—especially agencies other than the PTO—play in patent litigation”).

201 See Masur, supra note 9, at 302-03 (explaining that the PTO was created during a period when the United States was “much smaller and economically less complex” and “regulatory agencies (as we understand them today) were essentially unknown”).

202 Id. at 303.

sought to cancel two of American Bell’s patents on the ground that defendants had defrauded the PTO.\textsuperscript{204} American Bell countered that the U.S. lacked the authority to bring such a suit, but the Supreme Court rejected that argument.\textsuperscript{205} In so doing, the Court relied on land patent cases holding that the government had the power not only to cancel patents based on fraud, but patents issued by mistake or error as well.\textsuperscript{206} The Supreme Court then remanded the case for a decision on the merits as to whether the patents-in-suit were in fact obtained through fraud.\textsuperscript{207}

Almost a decade later, the Supreme Court decided another case in which the U.S. again sought to cancel one of American Bell’s patents for fraud (\textit{American Bell II}).\textsuperscript{208} The Court began its opinion by acknowledging that \textit{American Bell I} established the government’s right to maintain such a suit.\textsuperscript{209} The Court went on to explain:

\begin{quote}
[Suits] may be maintained by the Government in its own courts to set aside one of its patents, not only when it has a proprietary and pecuniary interest in the result, but also when it is necessary in order to enable it to discharge its obligations to the public . . . .\textsuperscript{210}
\end{quote}

Ultimately, however, the government lost on the merits in \textit{American Bell II} because it adduced insufficient evidence to prove the patent was obtained fraudulently.\textsuperscript{211}

Though both the \textit{American Bell I} and \textit{American Bell II} decisions involved allegations of fraud, neither decision held that the government could only cancel patents when there was fraud. Still, for decades to come, that is how courts and commentators interpreted those two cases.\textsuperscript{212} Seemingly, this confusion should

\begin{itemize}
\item \textsuperscript{204} \textit{Am. Bell I}, 128 U.S. at 353. The patents were issued to Alexander Graham Bell and assigned to American Bell Telephone Co. The government sued both Bell and his company. \textit{Id.} at 350.
\item \textsuperscript{205} \textit{Id.} at 358 (“[Prior precedent] establish[es] the right of the United States to bring suits in its own courts to be relieved against fraud committed in cases of that class exactly similar to that charged in the present case.”).
\item \textsuperscript{206} \textit{Id.} at 365-68.
\item \textsuperscript{207} \textit{Id.} at 373.
\item \textsuperscript{208} \textit{Am. Bell II}, 167 U.S. at 242.
\item \textsuperscript{209} \textit{Id.} at 237-38.
\item \textsuperscript{210} \textit{Id.} at 264.
\item \textsuperscript{211} \textit{Id.} at 251-52.
\item \textsuperscript{212} See, e.g., United States v. Glaxo Grp. Ltd., 302 F. Supp. 1, 12-14 (D.D.C. 1969) (refusing to recognize a “dormant” power of the government to invalidate a patent on grounds other than fraud or deceit when defendant in an antitrust action has not asserted its patent as a defense to antitrust claims), rev’d, 410 U.S. 52 (1973); United States v. U.S. Gypsum Co., 53 F. Supp. 889, 895 (D.D.C. 1943), rev’d, 333 U.S. 364 (1948); \textit{Improperly Procured Patents: FTC Jurisdiction and Remedial Power}, 77 HARV. L. REV. 1505, 1509 (1964) (“[T]he government has long been held that the Justice Department has no standing to sue for cancellation of an invalid patent. Although it can procure cancellation of a patent fraudulently procured . . . .”)
\end{itemize}
have ended in 1948 when the Supreme Court rejected such an interpretation in United States v. U.S. Gypsum Co. and allowed the government to attack a patent’s validity.213 In Gypsum, an antitrust suit, the Court reversed the lower court’s decision that American Bell I and American Bell II precluded the government from attacking patents absent fraud.214 The Court explained that the government should be able to challenge patent validity “because of the public interest in free competition,” and stated that “it seems inadvisable to leave the [American Bell decisions] as a precedent.”215

Yet, even two decades after Gypsum, courts continued to bar the government from suing to cancel invalid patents. In United States v. Glaxo Group Ltd., for example, the district court narrowly construed Gypsum to hold that the U.S. may only attack validity where the patent is raised in defense of an antitrust suit.216 Thus, the district court reasoned, there are two exceptions to the general rule that the government cannot cancel patents: (1) fraud (American Bell I and II) and (2) to defend antitrust suits (Gypsum).217 Because neither exception applied in Glaxo, the court rejected the government’s attempt to invalidate the patents.218

Although the Supreme Court reversed the district court’s holding in Glaxo on appeal,219 the point remains that public challenges to patent validity were prohibited—or confined to a small subset of cases—for the better part of a century. Today, our patent system looks dramatically different than it did fifty years ago, except that we still lack a robust system for publicly policing already-issued patents.

B. The Need for Public Enforcement of Patent Validity

There was a time in the not-too-distant past when a consensus had been reached that patent validity was underenforced. Critics claimed there were too many bad patents, yet private parties were generally unwilling to invalidate them.220 With the changes that the AIA wrought and the creation of the PTAB, however, some commentators argue that we now have an overenforcement (footnote omitted); Wm. Redin Woodward, A Reconsideration of the Patent System as a Problem of Administrative Law, 55 Harv. L. Rev. 950, 956 (1942) (“[T]he public authority . . . cannot attack a patent on behalf of the public except in cases of fraud.”); Note, Vulnerability of Patents to Attack in Anti-Trust Suits, 53 Yale L.J. 579, 579, 581-85 (1944) (discussing cases that held the government may not attack patent validity except for fraud).

213 Gypsum, 333 U.S. at 388.
214 Id. at 386-87.
215 Id. at 387.
217 Id. at 11-12, 15.
218 Id. at 15.
220 See La Belle, supra note 22, at 64-67 (explaining disincentives that face private parties seeking to challenge a patent’s validity in federal court).
Indeed, although the PTAB has been operational for just over four years,222 legislation has been introduced to amend the AIA and to make it more difficult to challenge already-issued patents at the PTO.223

When the dust settles and the trends become clear again, I believe we will see that very little has actually changed as a result of these administrative proceedings. First, whether in federal court or at the PTO, parties are disincentivized from challenging patents because there is no monetary recovery and because the “free rider” problem remains.224 Patent validity enforcement, therefore, is insulated from overdeterrence in a way that securities and antitrust enforcement are not.225 Second, although there have been a higher-than-expected number of petitions for PTAB review, the vast majority of those have come in cases with parallel litigation.226 In other words, there are not substantially more patents being challenged, they are simply being challenged in multiple venues. Finally, despite the high volume of petitions, a substantial portion of IPRs will settle or be dismissed without the PTAB making a validity determination, allowing those patents to remain intact.227

But even assuming for argument’s sake that there are too many private validity challenges, there remains an acute need for regulatory action in this area. Enforcement decisions are an integral part of agency policymaking.228 Agencies


224 See supra Part II (discussing how parties are reluctant to launch patent challenges because competitors get a “free ride” if the patent is invalidated).

225 See, e.g., Stephenson, supra note 40, at 127-43 (discussing the overenforcement problem in other private litigation regimes).

226 Love & Ambwani, supra note 169, at 103-05 (“In 80 percent of IPRs, the challenged patent was also asserted in litigation between the petitioner and respondent.”).

227 See id. at 97 n.19 (“An IPR can terminate in one of four ways: settlement, a decision not to institute the petition, a final written decision from the PTAB, or a request for adverse judgment from the patentee.”).

set policies and then carry them out, at least in part, through enforcement actions. By exercising enforcement discretion in some circumstances, but refraining in others, agencies can shape the law and move it in a particular direction.229 In the patent context, there are agencies tasked with establishing innovation policy—primarily the PTO—but no agency implements that policy through ex post enforcement.230 While the PTO’s ex ante review reflects the agency’s policies to some degree,231 given how long patents remain in force, and that validity requirements change, the agency’s lack of involvement post-issuance is troubling.

Several recent cases illustrate why public enforcement of patent validity is normatively justified. The Supreme Court has been very active in patent law in the past decade. As had been its practice historically, the Court reviewed many patent cases involving difficult procedural questions, including standing, subject matter jurisdiction, and burdens of proof.232 Yet the Court has also weighed in on several matters that go to the heart of patent law, including § 101’s standard

[https://perma.cc/3UNT-NC7C] (“Agencies . . . possess a range of policymaking tools at their disposal—including rulemaking, the issuance of guidance documents, and the strategic exercise of enforcement discretion . . . .”).

229 See, e.g., Adam B. Cox & Cristina M. Rodriguez, The President and Immigration Law Redux, 125 YALE L.J. 104, 126 (2015) (describing the interplay between enforcement strategies and congressional momentum towards more finely-tuned legal regimes); Sachin S. Pandya & Peter Siegelman, Underclaiming and Overclaiming, 38 LAW & SOC. INQUIRY 836, 850 (2013) (discussing an enforcement strategy that emphasizes efforts to clarify or overturn a legal decision standard).

230 Several commentators have noted that the Federal Circuit is the primary expositor of patent law, and in that way acts more like an agency than an Article III court. See, e.g., Burstein, supra note 9, at 1756-57 (“From the perspective of administration, . . . the two most salient features of the patent system are its reliance on case-by-case adjudication to resolve policy questions in the interstices of the Patent Act and the delegation of that responsibility primarily to the courts rather than to an agency.”); Sapna Kumar, The Accidental Agency?, 65 FLA. L. REV. 229, 231-32 (2013) (“By reviewing patent agency decisions heavy-handedly, the Federal Circuit has acted like the head of an agency reining in wayward administrative law judges.”); Jonathan Masur, Patent Inflation, 121 YALE L.J. 470, 500-02 (2011) (describing the unique stake the Federal Circuit has in decisions regarding patent policy); Ryan Vacca, Acting Like an Administrative Agency: The Federal Circuit En Banc, 76 MO. L. REV. 733, 733 (2011) (arguing that certain Federal Circuit practices are akin to the substantive rulemaking undertaken by administrative agencies).

231 See supra Part II (discussing special review programs the PTO has put into place with respect to certain types of patents).

for patentable subject matter, obviousness under § 103, and definiteness of claim scope as set forth in § 112.

There is no doubt that these cases have critically impacted innovation policy in general, and the PTO’s policy in particular. Ass’n for Molecular Pathology v. Myriad Genetics, Inc. and Alice Corp. v. CLS Bank International are prime examples. In Myriad, the Supreme Court held that isolated DNA sequences fell outside the scope of patentable subject matter. This was a major shift away from the PTO’s long-standing policy of granting patents for such inventions. The Myriad decision, and the PTO’s response to it, has upended the biotechnology industry. Beginning only hours after the Court issued the opinion in Myriad, the PTO published guidance on how patent-eligibility would be assessed, and has provided several different iterations since then. Biotechnology companies have complained about the guidance, claiming that it goes beyond what the Court decided in Myriad and is causing the PTO to reject biotech patents “left and right.” The agency has continued to tweak its

233 See, e.g., Alice Corp. v. CLS Bank Int’l, 134 S. Ct. 2347, 2352 (2014) (“We hold that the claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a patent-eligible invention.”); Ass’n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2111, 2114 (2013) (“[W]e hold that a naturally occurring DNA segment is a product of nature and not patent eligible merely because it has been isolated . . . .”); Mayo Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289, 1294 (2012) (holding that a process for determining proper drug dosage levels did not “transform[ ] . . . unpatentable natural laws into patent-eligible applications of those laws”); Bilski v. Kappos, 561 U.S. 593, 609 (2010) (rejecting for alternative reasons a patent claim for a process used to hedge transaction risk).


236 See Myriad, 133 S. Ct. at 2111 (justifying the rejection of the patent claim based on prior precedent limiting the granting of patent rights for products of nature).

237 Ass’n of Molecular Pathology v. U.S. Patent & Trademark Office, 689 F.3d 1303, 1343 (Fed. Cir. 2012) (Moore, J., concurring) (“I believe we must be particularly wary of expanding the judicial exception to patentable subject matter where both settled expectations and extensive property rights are involved.”), aff’d in part, rev’d in part sub nom. Ass’n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107 (2013).


guidance in response to court decisions and comments from stakeholders, but there is still substantial uncertainty in this area.240

Turning to Alice, the Supreme Court held that the computer-implemented method at issue in that case was not patent-eligible subject matter.241 Alice’s impact is far reaching, as Judge Moore predicted it would be in the decision below.242 Since the Court issued its decision in June 2014, lower courts have invalidated numerous software patents.243 And many courts are striking down these patents very early in the proceedings (i.e., on a motion to dismiss or a motion for judgment on the pleadings) before the court conducts claim construction.244 Indeed, some have speculated that Alice and the threat of early invalidation are partly responsible for the recent drop in patent litigation.245 Only time will tell the full implications of this decision.

Whatever one thinks about the merits of Myriad and Alice, their significance to innovation policy is beyond dispute. Yet, no government agency participated in the decision to challenge these patents. Nor were regulators consulted about enforcement strategy, at least not in the early stages of the suit.246


242 CLS Bank Int’l v. Alice Corp., 717 F.3d 1269, 1313 (Fed. Cir. 2013) (Moore, J., dissenting) (“[I]f all of these claims, including the system claims, are not patent-eligible, this case is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunications patents.”), aff’d, 134 S. Ct. 2347 (2014).


244 McCall, supra note 243 (presenting figures on judgments rendered at various procedural postures).

245 See PWC STUDY 2015, supra note 188, at 2 (stating that the thirteen percent fall in the number of patent lawsuits filed in 2014 was “[d]riven by Alice Corp. v. CLS Bank, which raised the bar for patentability and enforcement of software patents”); Dennis Crouch, A Major Drop in Patent Infringement Litigation?, PATENTLY-O (Oct. 9, 2014), http://patentlyo.com/patent/2014/10/patent-infringement-litigation.html [https://perma.cc/S9BM-NFAQ] (suggesting that Alice is one factor in the recent decline in infringement complaints filed).

246 The PTO and other agencies are involved in patent litigation, generally through amicus briefs or Call for Views of the Solicitor General, but that usually happens when the case is on appeal to the Federal Circuit or the Supreme Court. See, e.g., Brief for United States as Amicus Curiae Supporting Neither Party at 11, Ass’n for Molecular Pathology v. Myriad
Administrators, who should be the ones setting patent law policy, instead find themselves reacting and responding to policies created by private parties and the courts. The recent turmoil within our patent system suggests the need for sound policymaking, and putting a well-designed public enforcement mechanism in place is an important part of that effort.

C. Patent Validity Challenges and Institutional Choice

If we need a public patent enforcer, which agency should it be? This Article has focused primarily on the PTO and, at the end of the day, I believe the PTO is best situated to lead this effort. That said, there are other agencies that operate in the patent space—namely the FTC and the DOJ—that deserve consideration.

1. FTC

The FTC, which celebrated its 100th anniversary last year, is an independent agency with a dual mission of protecting consumers and promoting competition. Specifically, Section 5 of the Federal Trade Commission Act (“FTC Act”) proscribes “[u]nfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.” The FTC wields various tools to carry out this charge, including the power to conduct investigations, initiate enforcement actions, adjudicate violations, and educate consumers and businesses about their rights and responsibilities. Although the FTC’s power is strongest when antitrust laws
are implicated, the definition of unfair trade practices is broad and extends beyond the contours of the Sherman and Clayton Acts.\(^{251}\)

In light of the fact that invalid patents hamper competition and harm consumers,\(^{252}\) the FTC seems a natural choice for a patent enforcement agency. The FTC has played an active role in patent litigation for the past fifteen or so years, particularly in the pharmaceutical area.\(^{253}\) For starters, the FTC has published multiple studies on the anti-competitive effects of “reverse payment” or “pay-for-delay” settlements, whereby branded pharmaceutical companies pay generics to keep their drugs off the market.\(^{254}\) More to the point, the FTC has been suing firms that enter into these types of agreements since the early 2000s, arguing that they unreasonably restrain trade and harm the public by reducing the availability of generic drugs.\(^{255}\) While suffering some early setbacks, the


\(^{252}\) See, e.g., Shubha Ghosh, Beyond Hatch-Waxman, 67 Rutgers U. L. Rev. 779, 801 (2015) (outlining the negative consequences of invalid patents); Leslie, supra note 93, at 103-04 (arguing that invalid patents create barriers to entry, engender a fear of litigation, stymie consumption and business partnerships, and distort innovation).

\(^{253}\) See Roundtable Conference with Enforcement Officials, ANTITRUST SOURCE, June 2015, at 1, 22 [hereinafter Roundtable Conference] (statement of Edith Ramirez, Chairwoman, Fed. Trade Comm’n) (stating that the FTC has been focused on the pay-for-delay problem “for a very long time”); see also Sherkow, supra note 200, at 220-27 (detailing instances in which the FTC has been involved in patent enforcement actions in federal courts).


\(^{255}\) See, e.g., Decision and Order, Abbott Labs., No. C-3945 (May 22, 2000),
FTC earned a huge victory in 2013 when the Supreme Court decided in \textit{FTC v. Actavis, Inc.}\textsuperscript{256} that reverse payment settlements are not immune from antitrust attack.\textsuperscript{257} Even after \textit{Actavis}, the FTC has continued its efforts in this area, for example by challenging agreements where the branded company makes a noncash payment in exchange for the generic to stay off the market.\textsuperscript{258}

Though the FTC has focused on pharmaceutical patents and reverse payment settlements, it has been involved in other aspects of patent law policy too. With the Internet boom came complaints from technology companies about the difficulty of identifying and assessing the validity of potentially relevant patents.\textsuperscript{259} In the late 1990s, the FTC held hearings and issued a report addressing the relationship among competition, innovation, and patents.\textsuperscript{260} The Commission followed up with a later report concluding that poor quality patents can impede innovation.\textsuperscript{261} These studies made recommendations—such as the creation of a post-grant review system—that ultimately became law with the AIA.\textsuperscript{262} Even after the AIA, the FTC’s concern with patent quality has persisted.

\textsuperscript{256} 133 S. Ct. 2223 (2013).
\textsuperscript{257} \textit{Id.} at 2227.
\textsuperscript{258} \textit{See Roundtable Conference, supra} note 253, at 22 (discussing the FTC’s case against AbbVie, Inc.).
\textsuperscript{259} \textit{See Mozelle W. Thompson & Susan Stark DeSanti, Foreword, 19 BERKELEY TECH. L.J. 857, 859 (2004) (calling attention to 2001 FTC hearings in which consensus was reached that reducing the number of “questionable” patents would be beneficial).}
\textsuperscript{262} Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 7, § 6, 125 Stat. 284, 313
In 2015, for instance, the Commission submitted joint comments with DOJ regarding the PTO’s Enhanced Patent Quality Initiative, making specific recommendations on how to improve the process for granting patents.263

The FTC has also taken an interest in standard-essential patents (“SEPs”) because of their arguably anticompetitive and unfair effects on the market. SEPs are patents that have been declared “essential” to implementing some technological standard, and therefore must be licensed on fair, reasonable and nondiscriminatory (“FRAND”) terms.264 In many cases, however, there is a dispute between the patent owner and potential licensees about what FRAND means.265 The FTC closely monitors SEPs and FRAND-based licensing, which potentially eliminate competition between market rivals.266 The FTC has likewise weighed in on the topic of “patent hold up”—a situation in which a patent owner uses the threat of an injunction as “a club to . . . enhance his negotiating stance.”267 The FTC is particularly troubled by this practice arising in the SEP context where patent owners have committed to FRAND licenses. Just a few years ago, for example, the FTC brought enforcement actions against companies that attempted to obtain injunctive relief for infringement of SEPs, including Google and its subsidiary, Motorola.268

---


266 See Edith Ramirez, Chairwoman, Fed. Trade Comm’n, Standard-Essential Patents and Licensing: An Antitrust Enforcement Perspective, Address at the 8th Annual Georgetown University Law Center Global Antitrust Enforcement Symposium 4 (Sept. 10, 2014), https://www.ftc.gov/system/files/documents/public_statements/582451/140915georgetownlaw.pdf [https://perma.cc/8C5D-ZRHV] (“Where a licensing agreement harms competition by, for example, eliminating close competition between product or technology market rivals, or harming the incentives of licensees to develop complementary technologies without legitimate justification, the FTC will act.”).


268 Motorola Mobility LLC, 156 F.T.C. 147, 148 (July 23, 2013) (asserting that respondents violated FRAND commitments and predicting harm to consumers by way of
Last but not least, the FTC has been involved in the debate over PAEs and demand letters.\(^{269}\) The FTC indicated initial interest in these topics when it published a report in 2011 titled *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*.\(^{270}\) The FTC is currently conducting a follow-up study “to develop a better understanding of how PAEs may impact innovation and competition.”\(^{271}\) In a similar vein, the FTC has focused attention on patent owners who send demand letters to large numbers of alleged infringers threatening to sue if they are not paid.\(^{272}\) The Commission launched an investigation against MPHJ Technology, an infamous patent troll that sent out 9000 demand letters to small businesses throughout the country for allegedly infringing its patent on scanning technology.\(^{273}\) And though unlikely to pass anytime soon, legislation has been introduced that would make the FTC’s power to regulate demand letters explicit.\(^{274}\)


In short, the FTC has gained substantial expertise over the past two decades that would serve it well as a patent enforcement agency. Where the Commission’s efforts in the patent arena were once rebuffed due to lack of experience, it is now a key player in innovation policy. Another factor favoring the FTC is that, as an independent agency, it should be more insulated from political pressure. The decision to challenge a patent (or a class of patents) may have serious implications for certain industries, and thus will be politically charged. Because the purpose of such enforcement actions would be to promote social welfare—much like proceedings under Section 5 of the FTC Act—the less outside influence on the decisionmaker, the better. Not only is the FTC designed to withstand political pressure, but it has also already proven a willingness to take some “heat” by confronting major players in both the pharmaceutical and high technology sectors regarding their patent practices. Finally, the FTC has deep investigatory and prosecutorial expertise on which it could rely if tasked with policing invalid patents.

Despite its many strengths, there are potential downsides to selecting the FTC for this role. First and foremost, the FTC lacks the right type of patent law experience. While the Commission has participated in myriad patent litigation matters in recent years, it simply does not practice substantive patent law.


277 FCC v. Fox Television Stations, Inc., 556 U.S. 502, 547 (2009) (Breyer, J., dissenting) (stating that independent agencies are designed to be insulated from political oversight); see also William E. Kovacic & Marc Winerman, The Federal Trade Commission as an Independent Agency: Autonomy, Legitimacy, and Effectiveness, 100 IOWA L. REV. 2085, 2086-87 (2015) (explaining that the FTC’s commissioners have “fixed, seven-year terms and that a commissioner could be removed during his or her term only for cause”).


279 See supra Section III.C (discussing the FTC’s enforcement actions against Abbott Labs, Schering-Plough, and Google, among others).

280 See Gregory Dolin, Reverse Settlements as Patent Invalidity Signals, 24 HARV. J.L. & TECH. 281, 304 (2011) (stating that the FTC has “little understanding of—or interest in—the
FTC is not well versed in doctrines like patentable subject matter, novelty, obviousness, and indefiniteness—any of which could be the grounds for an invalidity challenge. Its focus, instead, has been on narrow categories of patents: pharmaceutical patents that are the subject of reverse payment agreements; SEPs that are the subject of requests for injunctive relief; and patents asserted by PAEs against a large number of alleged infringers. While the FTC’s efforts with respect to these patents are laudable, there are other problematic patents threatening consumers.

The FTC has also been criticized for painting with too broad a brush and not appreciating the nuances among industries in how they view, procure, utilize, and commercialize patents. The FTC’s approach to standard setting organizations (“SSOs”) and patent hold-up is a good example. The Telecommunications Industry Association (“TIA”), a leading standards organization for wireless technologies, pronounced that it has never received complaints about patent hold-up, and believes “the FTC is presuming that ‘patent hold-up’ is a widespread and fundamental problem, without considering the practical experiences of SSOs such as TIA.”

The American National Standards Institute similarly stated that it has received very few reports of patent hold-up problems. More recently, skeptics—including former FTC Commissioner Joshua Wright—claim that the empirical studies conducted so far suggest that patent hold-up with SSOs is simply not a systematic problem.

This provides a good segue into a discussion of another factor that should give pause about the FTC: it is not as politically insulated as one might hope. Like other independent agencies, the FTC has never been completely isolated from the political process. But as an agency’s power grows, so does the potential intricacies of patent law”); John M. Golden, Patentable Subject Matter and Institutional Choice, 89 Tex. L. Rev. 1041, 1098 (2011) (“Although the FTC has shown a capacity to influence patent-law developments by holding hearings or issuing reports, the FTC has not sought to demonstrate expertise in crafting specific patent-law doctrine.” (footnote omitted)).


See Kovacic & Winerman, supra note 277, at 2091 (“The notion that any competition agency is so isolated from the political process is a fiction.”).

Id. at 2090 (observing that “independence . . . cannot mean complete isolation from the political process” and describing the FTC’s accountability to courts and the public).
for political influence. Stated otherwise, “[f]eeble public institutions generally generally attract tepid interest among politicians.” Recent events suggest that, as the FTC’s power has expanded, politicians—or the special interest groups they represent—may be pressuring the agency to change its ways.

First, as alluded to above, there has been dissension among the FTC Commissioners regarding SEPs, patent hold-up, and injunctive relief. This debate, which pits the three Democratic Commissioners against the two Republicans, was aired publicly last year when the two groups submitted competing comments to the ITC on these topics. Second, until recently, all of the FTC’s reverse settlement suits had been brought on a unanimous, bi-partisan basis. But the Commission appears split on this issue too, as evidenced by the fact that the September 2014 decision to file a complaint against AbbVie, Inc. and several other pharmaceutical companies was divided 3-2 along political lines. Finally, moving beyond patents, there appears to be disagreement among the commissioners about the agency’s core powers. More specifically, the commissioners sparred over the agency’s authority to police unfair competition under Section 5 of the FTC Act. The Republicans—led by former Commissioner Joshua Wright—argued that the FTC should define (i.e., limit) the scope of its authority, while the Democrats—led by Chairwoman Edith Ramirez—argued that the FTC’s scope of authority should continue to be

---

286 Id. at 2091.
287 Id. at 2091-92.
288 See, e.g., Darren Tucker, Interview with Joshua D. Wright, Commissioner, Federal Trade Commission, 13 ANTITRUST SOURCE, Aug. 2014, at 1, 8-9 (quoting Commissioner Wright’s disagreement with the FTC’s findings that breaching FRAND commitments and increasing royalty rates to FRAND rates violate the Sherman Act).
290 See Seth Silber, Jonathan Lutinski & Ryan Maddock, “Good Luck” Post-Actavis: Current State of Play on “Pay-for-Delay” Settlements, CPI ANTITRUST CHRON., Nov. 2014, at 1, 6 (“All prior FTC ‘pay-for-delay’ consents and suits since the late 1990s were brought on a bi-partisan basis . . . .”).
291 Id.
defined by common law. And while some consensus was reached on this issue in 2015 with the FTC announcing a new policy statement on Section 5, it is noteworthy that this policy was not adopted unanimously. Republican Commissioner Maureen Ohlhausen dissented because, among other reasons, the policy is “exceedingly brief, highly general,” and was adopted without soliciting comments from the public.

In short, there are pros and cons of charging the FTC with the responsibility of policing already-issued patents. But when all is said and done, the FTC does not appear to be the best agency to lead this effort. Perhaps the other competition agency—the Antitrust Division of the DOJ—would be a better candidate.

2. DOJ: Antitrust Division

The DOJ, the federal government’s primary law enforcement agency, also has some experience with patent law. The DOJ—or, more precisely, the Antitrust Division of the DOJ—has inserted itself in the patent arena in much the same way as the FTC, though to a lesser degree. Together with the FTC, the DOJ has issued joint guidelines regarding the licensing and acquisition of intellectual property, and submitted joint comments to the PTO on patent quality. The DOJ also published a joint report with the PTO supporting the FTC’s position regarding injunctions and FRAND-encumbered patents, and


295 Id. (“[A] bipartisan majority of the Commission has adopted a statement of principles concerning how we will exercise our standalone Section 5 authority.”).


297 Michael Herz & Neal Devins, The Consequences of DOJ Control of Litigation on Agencies’ Programs, 52 ADMIN. L. REV. 1345, 1345 (2000) (“Congress has designated DOJ as the litigator for the United States and its administrative agencies.”).


299 See, e.g., Interview with Renata Hesse, Deputy Assistant Attorney General, Antitrust Division, U.S. Department of Justice, 14 ANTITRUST SOURCE, Apr. 2015, at 1, 1 (“I should first note that the FTC typically takes the lead in antitrust enforcement in the pharmaceutical industry . . . .”).

300 See supra note 298.

301 See supra note 262.

issued a business letter in 2015 regarding a major SSO’s proposed update to its patent policy.303 And though not initially aligning itself with the FTC on reverse payment settlements in pharmaceutical cases, the DOJ switched gears with the change of administration in 2008.304 Since then, the DOJ has submitted amicus briefs and taken other actions to curb the anticompetitive effect of these agreements.305

At times over the past five years, the DOJ has appeared quite committed to and invested in patent law matters. Each spring, the Antitrust Division publishes an update on its competition advocacy efforts during the previous year. The 2013 and 2014 reports focused heavily on patent law, noting that intellectual property “is a key area for competition policy,”306 and that “[t]he relationship between IP rights and competition law remains a central focus for the Division.”307 Reports from other years, however, demonstrate that the DOJ cannot always devote so much time to patents because other important competition matters (e.g., cybersecurity and health care) demand attention.308

But even assuming the Antitrust Division’s interest in intellectual property law remains high, its enforcement power is nevertheless limited. Like the FTC,


304 See Jacqueline Bell, DOJ Shift on Pay-for-Delay Puts Focus on Courts, LAW360 (Apr. 14, 2009, 12:00 AM), http://www.law360.com/articles/96772/doj-shift-on-pay-for-delay-puts-focus-on-courts [https://perma.cc/E5PT-ZELT] (reporting that DOJ filed a brief with the U.S. Court of Appeals for the Second Circuit agreeing with the FTC’s stance against reverse payment settlements).


306 Id.


the Division is a competition agency, not an intellectual property or innovation agency; thus, its experience with patents is restricted to their intersection with competition law.309 Also like the FTC, the DOJ lacks substantial knowledge of substantive patent law—a crucial area of expertise for an agency assigned to police patent validity.310 What is worse, the Antitrust Division’s ability to police patents is even more constrained than the FTC’s. Whereas the FTC can regulate “unfair trade practices” even in the absence of antitrust violations, the DOJ’s authority is cabined by the Sherman and Clayton Acts.311 Under current law, circumstances where the use of patents amounts to an antitrust violation are extremely narrow,312 so the Division’s hands would be tied unless Congress expanded its powers.

Another potential downside of the Antitrust Division—at least as compared to the FTC—is that it is not an independent agency. The Division is part of an executive branch department, and the Assistant Attorney General for Antitrust serves at the will of the President.313 Thus, the DOJ’s decision to challenge (or not to challenge) certain patents may be subject to significant political influence from the executive branch.314 Yet, some scholars have argued that this assumption about the DOJ is not borne out in reality, pointing out that the Antitrust Division has pursued cases in the face of strong opposition from other executive branch ministries.315 Myriad provides one such example, where the

309 See, e.g., Letter from Renata B. Hesse, supra note 303, at 1 (stating that the DOJ’s role is to “advise the requesting party of the Department’s present antitrust enforcement intentions regarding the proposed conduct,” not to “assess whether [the requesting party’s] policy choices are right”).

310 See supra note 280 and accompanying text.

311 See FTC v. Sperry & Hutchinson Co., 405 U.S. 233, 239 (1972) (granting FTC authority “to define and proscribe an unfair competitive practice, even though the practice does not infringe either the letter or the spirit of the antitrust laws”); Matthew Fagin, Frank Pasquale & Kim Weatherall, Beyond Napster: Using Antitrust Law to Advance and Enhance Online Music Distribution, 8 B.U. J. SCI. & TECH. L. 451, 550 (2002) (stating that the FTC “covers a somewhat broader area of market and consumer concerns” than the DOJ).

312 See, e.g., Letter from Renata B. Hesse, supra note 303, at 2 (“Think about the IP laws and the very narrow ways in which the use of IP can be found to be an antitrust violation. That list has been very, very small for a very long time.”); see also Robin C. Feldman, The Insufficiency of Antitrust Analysis for Patent Misuse, 55 HASTINGS L.J. 399, 439-43 (2003) (describing “Reach-Through Royalties as an example of the insufficiency of testing for patent misuse by applying antitrust rules” and stating “the need for clarification on whether Reach-Through Royalties create antitrust or patent misuse problems”).

313 See Kovacic & Winerman, supra note 277, at 2100.

314 See Herz & Devins, supra note 297, at 1352 (discussing failed efforts to make DOJ an independent agency).

315 See, e.g., Kovacic & Winerman, supra note 277, at 2100 (“[T]here are important instances in which the Antitrust Division has proceeded with major cases despite the vehement opposition of other executive branch ministries.”); Jonathan E. Nuechterlein, Antitrust Oversight of an Antitrust Dispute: An Institutional Perspective on the Net Neutrality
DOJ argued that isolated DNA sequences are not patentable subject matter, despite the PTO’s long history of protecting such inventions.316

Still, for all the reasons that the FTC is not the best agency to police patent validity (e.g., focus on competition policy, lack of the right type of expertise) the Antitrust Division isn’t either. But what about another division of the DOJ?

3. DOJ: IP Section

Another possibility is to put a DOJ division other than antitrust in charge of policing patent validity. The obvious choice would be the Intellectual Property Section, which is part of the Commercial Litigation Branch within the Civil Division.317 The IP Section has relatively broad experience with patent matters.318 Its lawyers represent the federal government in infringement actions, as well as suits under the Patent Secrecy Act,319 Federal Technology Transfer Act,320 and Bayh-Dole Act.321 Aside from litigation, the IP Section also prepares and prosecutes patent applications, and represents the government in interference proceedings before the PTO.322

In some ways, the IP Section seems better suited than either the Antitrust Division or the FTC to spearhead a patent enforcement effort. First, its focus is on intellectual property law (albeit not exclusively patents) rather than competition law.323 Second, IP Section lawyers have expertise in relevant patent law doctrines, namely patent validity. Not only does patent validity arise as an affirmative defense during infringement actions, the IP Section lawyers also grapple with validity questions (i.e., novelty, obviousness, patentable subject matter, and indefiniteness) when drafting and filing patent applications to secure
protection for government inventions. Third, all IP Section attorneys—unlike their counterparts in the Antitrust Division or the FTC—have a scientific or technical degree and are eligible for admission to practice before the PTO. This means that the IP Section should be well equipped to deal with the complex technologies implicated in patent matters.

What is not clear, however, is whether the IP Section has either the reputation or the resources to expand into a full patent enforcement agency. While the IP Section has been involved in formulating the government’s position in high profile patent cases, it has acted behind the scenes and taken a back seat to the FTC and Antitrust Division. Because the IP Section lacks a public reputation, stakeholders in the patent system may resist this agency playing such an important role in shaping innovation policy.

Even if the IP Section could overcome this reputational deficit, questions about resources remain. The IP Section is one of five sections in the Commercial Litigation branch, which is one of six branches within the Civil Division of the DOJ. Since there are only about 300 lawyers in the Commercial Litigation branch, that means relatively few (approximately sixty if they are divided equally among the sections) are focused on IP. More important than sheer numbers is the fact that the IP Section is not its own division, but merely a secondary subdivision of the DOJ with less autonomy and decision-making

---


325 See Intellectual Property Section, supra note 317 (“[A]ll attorneys assigned to the section have a degree in one of the physical sciences or in an engineering field and are eligible for admission to practice before the United States Patent and Trademark Office in patent matters.”).


327 See FRANCIS E. ROURKE, BUREAUCRATIC POWER IN NATIONAL POLITICS 2 (2d ed. 1972) (“Each agency must constantly create a climate of acceptance for its activities and negotiate alliances with powerful legislative and community groups to sustain its position.”).

328 Agencies, U.S. Dep’t Just., http://www.justice.gov/civil/civil-division-organization-chart [https://perma.cc/7VEV-VJW] (last visited Sept. 23, 2016) (displaying an organizational chart of the divisions governed by the Office of the Assistant Attorney General, Civil Division). The six branches in the Civil Division are: Appellate, Commercial Litigation, Federal Programs, Immigration Litigation, Consumer Protection, and Torts. Id. The sections in the Commercial Litigation branch include Corporate/Financial Litigation, Fraud, National Courts, Office of Foreign Litigation, and Intellectual Property. Id.

power than the Antitrust Division or, certainly, an independent agency like the FTC.  

As our nation’s principal law enforcement agency, there are good reasons why the DOJ should be charged with responsibility for policing patent validity. Indeed, Ward Bowman contemplated such an arrangement more than forty years ago when he recommended legislation that would “mak[e] it possible for the Department of Justice to bring an action for patent cancellation on validity grounds.” Yet, the proposal never warranted serious attention—perhaps because the DOJ does not have a division dedicated to patents (or even to intellectual property, for that matter). Or maybe the problem is that innovation policy is simply not the DOJ’s forte. The PTO, on the other hand, is our premiere innovation agency and therefore best positioned to carry out this mission.

D. PTO as Patent Enforcement Agency

When thinking about who should implement a proposal related to patents, the PTO is the first agency to come to mind. The mission of the PTO, which is housed in the Department of Commerce, is to “create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.” The primary way the PTO fulfills this mission is by granting patents and adjudicating validity challenges, but those are not the agency’s sole responsibilities. The PTO advises the President, other executive agencies, Congress, and the courts on IP policy. The agency also plays a key role in the international arena, for example by working “to secure strong IP provisions in free trade and other international agreements.” While the obvious choice is not always the best choice, in this case the PTO emerges as the frontrunner to lead the effort to police invalid patents.

---

330 See, e.g., Nuechterlein, supra note 315, at 64 (“Like the Solicitor General, the Antitrust Division reports to the Attorney General and enjoys a long tradition of professional autonomy.”); Pierre-Hugues Verdier, Transnational Regulatory Networks and Their Limits, 34 YALE J. INT’L L. 113, 127 (2009) (“While the degree of autonomy possessed by a specific regulator is hard to measure, important dimensions of autonomy include length and security of tenure for senior appointments, autonomous funding sources, judicial review standards, and the relative political strength of other domestic actors.”).


334 Id.
1. Why the PTO?

The PTO, first and foremost, possesses the necessary expertise to enforce patent validity ex post because of its technological acumen, fluency in substantive patent law, and position as a leader in innovation policy. Regulators at the PTO are intimately familiar with patent validity requirements. Not only do examiners decide validity questions on a daily basis when granting or rejecting patent applications, but the PTO also shapes validity policy by pursuing cases or filing amicus briefs in the Federal Circuit and Supreme Court, and then interpreting and issuing guidance on those cases once decided. Simply put, patent validity is the “bread and butter” of the PTO.

Another reason the PTO is well suited for this prosecutorial role is because—as the Supreme Court recently acknowledged—the agency already has some of the power it needs to challenge potentially invalid patents. It is well established that the PTO has the power to institute reexamination proceedings sua sponte. Although the grounds for reexamination are limited to patents and printed publications, and PTO guidelines say that sua sponte reexaminations should be rare, there is some precedent for the PTO policing patents ex post. For the most part, the PTO has exercised this power to invalidate “junk” patents. But in some cases, the PTO has initiated reexamination because of

---

335 See, e.g., Wagner, supra note 37, at 210.
336 Rai, supra note 1, at 1245 & n.29-30 (observing that the PTO’s policy-shaping activities frequently occur through its work with the DOJ’s Office of the Solicitor General).
338 See Cuozzo Speed Techs., LLC v. Lee, 136 S. Ct. 2131, 2137 (2016) (explaining that the PTO, on its own initiative, can trigger a reexam).
339 35 U.S.C. § 303(a) (2012) (providing that the PTO Director may, at any time and on his own initiative, “determine whether a substantial new question of patentability is raised by patents and publications discovered by him”); 37 C.F.R. § 1.520 (2015) (providing that the Director may commence an “ex parte reexamination without a request for reexamination” at any time during the period of enforceability for a patent).
340 35 U.S.C. §303(a); 37 C.F.R. § 1.520.
pressure from competitors or the public. In *NTP, Inc. v. Research in Motion, Ltd.*, for example, the PTO commenced a director-ordered reexamination after a $53.7 million jury verdict was entered against RIM, the manufacturer of the popular BlackBerry device, which resulted in a public outcry. Whether it was appropriate for the PTO to “flex its enforcement muscles” in these matters is beside the point. What’s important is that Congress has already acknowledged that the PTO should be enforcing patent validity ex post.

Moreover, the PTO already has certain mechanisms in place that would facilitate these validity challenges. Starting with the Office of the Chief Economist (“OCE”), it could prepare economic analyses and dispense other advice to ensure the agency’s enforcement decisions are sound. Since its creation in 2010, the OCE has significantly enhanced the PTO’s policymaking abilities. The OCE has conducted numerous studies and generated substantial data that has allowed (or will allow) the PTO, other agencies, and academics to undertake empirical research on patent initiatives. The PTO’s Office of the Solicitor, which serves as legal counsel to the PTO on intellectual property matters, would be instrumental in this effort too. The Solicitor’s Office has gained extensive patent litigation experience by defending decisions by the PTAB (and its pre-AIA predecessor) in federal court, representing the PTO in...
actions brought pursuant to the Administrative Procedure Act ("APA"), and preparing amicus briefs in numerous Federal Circuit and Supreme Court cases.\footnote{See id. (providing a list of the responsibilities of the Office of the Solicitor and access to amicus briefs it has prepared).} Therefore, the Solicitor could weigh in on litigation strategy and other issues that the enforcement arm would face.


Additionally, the administrative proceedings recently created by the AIA provide a convenient and expedient—yet still robust—way to adjudicate these validity challenges.\footnote{See Wasserman, supra note 6, at 1976-77 (describing the new post-grant review process). While these enforcement proceedings would generally proceed at the PTO, there may be times when it’s preferable or necessary to proceed in federal court, which should also
procedural requirements. Specifically, Congress was careful to afford parties involved in post-grant proceedings a host of protections, including the right to discovery, an oral hearing, cross-examination, and appeal.\textsuperscript{356} Congress also determined that the PTAB, a panel of impartial administrative judges with no involvement in the initial grant of the patent, would preside over PGR, IPR, and CBM proceedings.\textsuperscript{357} These additional safeguards ensure that patent owners are provided the process they deserve, and simultaneously allow the PTO to invalidate patents in a streamlined administrative proceeding.

Last, but certainly not least, granting enforcement power to the PTO will help the agency evolve into the nation’s primary innovation policymaker. A piecemeal evolution of the agency that began with the AIA, is already underway.\textsuperscript{358} In the past five years, the PTO’s identity and reputation have changed. Not only has the agency expanded in size and geographic scope,\textsuperscript{359} its influence is growing as well. For example, the PTAB has significantly overhauled the patent landscape by cancelling thousands of invalid claims, discouraging some patent owners from pursuing infringement suits, and forcing all stakeholders to rethink patent acquisition and litigation strategy.\textsuperscript{360} What is more, the Federal Circuit—and now the Supreme Court—have determined that the PTO’s regulations regarding post-grant proceedings warrant judicial

\textsuperscript{356} See supra Section II.C.2 (discussing the nature of post-grant proceedings under the AIA). But see Robert I. Reis, \textit{Smoke and Mirrors: America Invents Act 2011: A Chill in the Air}, 6 AKRON INTELL. PROP. J. 301, 325-27 (2012) (arguing that the new PTAB proceedings may violate both a patent owner’s constitutional right to a jury trial and the separation of powers doctrine).


\textsuperscript{358} See Sarah Tran, \textit{Policy Tailors and the Patent Office}, 46 U.C. DAVIS L. REV. 487, 497 (2012) (“[T]he America Invents Act requires the USPTO to set standards for the first time . . . , pushes it to expedite the review of technologies of national importance, and gives it more control over its finances.”).


\textsuperscript{360} See Amanda Ciccatelli, \textit{3 Years in, Where Do We Stand with Post-Grant Challenges of Patents Before the PTAB?}, INSIDE COUNS. (Feb. 16, 2016), http://www.insidecounsel.com/2016/02/16/3-years-in-where-do-we-stand-with-post-grant-challeng [https://perma.cc/8KLX-FD2X] (discussing how the PTAB process has removed “from the books many patent claims that should never have been granted”).
deference under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*. Each of these modifications has made the PTO look more and more like a typical federal agency. Establishing an enforcement arm within the PTO would be an important—perhaps even the final—step in this evolutionary process.

### 2. Enforcement Office of the PTO

Though the PTO is poised to meet this challenge, Congress should explicitly grant the agency robust powers to police the validity of already-issued patents. Unlike private parties, who are constrained in post-grant proceedings to challenging certain types patents (e.g., only recently-granted patents may be challenged in PGR) on certain grounds (e.g., only patents and printed publications can invalidate patents in IPR), Congress should permit the PTO to challenge any patent—old or new—for failure to meet any validity requirement. With such broad powers comes flexibility the PTO will need to effectively police patent validity. For example, the PTO will have the ability to react to changing standards of validity, such as those announced in *Myriad* and *Alice*. While private parties might abuse this flexibility to harass patent owners and promote their self-interest, such a result is far less of a concern with politically accountable government officials in the PTO.

To effectively execute these new powers, Congress should create a separate office within the PTO dedicated to this new task of validity enforcement. Because the Enforcement Office will engage in litigation, it could be housed

---

361 467 U.S. 837, 838 (1984); see also *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (analyzing the PTO’s IPR regulations promulgated pursuant to the AIA through the *Chevron* framework).

362 See supra Section II.C.3 (discussing the limitations of PGR, IPR, and CBM as currently constituted under the AIA).

363 I would include failure to disclose the best mode among these requirements. A patent applicant must disclose the best mode contemplated for carrying out his invention. See 35 U.S.C. § 112 (2012). Under the AIA, however, the failure to disclose best mode may no longer be the basis for challenging patent validity. See *id.* § 282(b)(3)(A). One reason Congress essentially eliminated the best mode requirement was because it was supposedly over-asserted in litigation. See Lee Petherbridge & Jason Rantanen, *In Memoriam Best Mode*, 64 STAN. L. REV. ONLINE 125, 126-27 (2012) (observing that both the “realities of the patent system” and the structure of foreign patent laws supported eliminating this requirement). But the best mode doctrine “plays a critical role in establishing the level of ‘inventiveness’ necessary for a patent that the American patent system has long considered optimal.” *Id.* at 127. Thus, a seemingly good compromise would be to allow the PTO to enforce the best mode requirement, even if private parties cannot.

364 See, e.g., Dolin, *supra* note 157, at 931-34 (discussing how some parties are abusing the post-grant review system).

365 See, e.g., *Town of Hallie v. City of Eau Claire*, 471 U.S. 34, 45 (1985) (“We may presume, absent a showing to the contrary, that the municipality acts in the public interest. A private party, on the other hand, may be presumed to be acting primarily on his or its own behalf.” (footnote omitted)).
with the Office of the Solicitor in the Office of General Counsel (“OGC”). At
the same time, the Enforcement Office will have to undertake extensive
investigations and work closely with OCE to identify potentially problematic
patents and determine which ones to proceed against, so perhaps locating it
within the Office of Policy and International Affairs makes sense. However, the
best case scenario would likely be for the Enforcement Office to stand on its
own and report directly to the Director or Deputy Director of the PTO. Wherever
the Enforcement Office is situated, what matters most is that the PTO
employees resolving validity challenges are insulated from those employees
prosecuting such challenges.

It is important that the Enforcement Office have robust powers to identify
potentially invalid patents, investigate, and decide whether to pursue
cancellation proceedings. That said, the PTO should exercise caution and
restraint in exercising these powers. In other words, as William Robinson
suggested over a century ago, government-initiated cancellation proceedings
should be rare. But this does not mean cancellation proceedings should only
be brought in the most extraordinary of circumstances, which is what has
happened with director-ordered reexam. Instead, for the Enforcement Office
to be effective, it must utilize these powers sparingly and in the right cases.

So, what are the right cases and how does the PTO identify them? This Article
does not endeavor to provide a full response to these questions, but offers a few
suggestions below. Of course, this is not an exhaustive list, as there are no doubt
other types of patents worthy of cancellation, but I leave that for future study.

366 The Office of General Law, which represents the PTO in non-intellectual property
matters, and the Office of Enrollment and Discipline, which oversees the regulation of
attorneys and agents who practice before the PTO, are also within OGC. See Office of the

367 See, e.g., Brian J. Serr, Turning Section 1983’s Protection of Civil Rights into an
Attractive Nuisance: Extra-Textual Barriers to Municipal Liability Under Monell, 35 GA. L.
REV. 881, 890 (2001) (discussing the problem of “layers of bureaucracy” and government
accountability in the context of § 1983 civil rights claims).

368 See infra Section III.D.4 (discussing the “separation of functions” doctrine).

369 2 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS 475 (1890)
(explaining that, at common law, once a patent was granted, it was revocable only when: (1)
a grant for the same subject matter had been given previously; (2) the grant was procured by
fraud; or (3) the subject matter could not legally be patented).

370 See, e.g., Director Initiated Order for Reexamination of U.S. Patent No. 5,838,906,
extraordinary circumstances).
3. Which Patents Should the PTO Pursue?

When considering this Article’s proposal—whether to grant the government the power to police patents ex post—one of the first questions that comes to mind is how the PTO would select the patents to challenge. This is an excellent question without a simple answer. The PTO cannot seek to cancel every invalid patent, nor should it. Instead, like other agencies, the PTO would be entrusted with enforcement discretion, and would be called upon to make difficult decisions based on a number of factors. While the exercise of enforcement discretion is far from a perfect process, there is no reason to believe the PTO is less capable of performing this task than other agencies.

Still, Congress should (and, in fact, must) provide the PTO with guidance on which patents to pursue. First, the PTO should focus on patents affected by a change in the law, like those precipitated by *Myriad* and *Alice*. In the wake of landmark cases like these, many questions remain. Let’s consider the current state of the law post-*Alice*. Since the Supreme Court handed down this decision in 2014, approximately seventy percent of business method and software patents challenged in federal district courts have been invalidated. Yet, some of these patents will survive *Alice*, so the question is, which ones? The PTO should help solve that puzzle by seeking to cancel patents it believes are invalid under *Alice*, particularly where § 101 eligibility is a close call. By selecting those patents, and then articulating reasons why the claims are invalid, the PTO will be shaping and moving innovation policy as agencies typically use enforcement actions to do.

---

371 See Price, *supra* note 228, at 683 (“[C]ourts and executive-branch lawyers have come to see prosecutorial discretion as a central constitutional function of the executive branch.”).
372 See Heckler v. Chaney, 470 U.S. 821, 831 (1985) (explaining that enforcement decisions “involve[] a complicated balancing of a number of factors which are peculiarly within [the agency’s] expertise”). Those factors include “whether agency resources are best spent on this violation or another, whether the agency is likely to succeed if it acts, whether the particular enforcement action requested best fits the agency’s overall policies, and . . . whether the agency has enough resources to undertake the action at all.” *Id.*
373 See, e.g., Robert R. Kuehn, *Remedying the Unequal Enforcement of Environmental Laws*, 9 ST. JOHN’S J. LEGAL COMMENT 625, 640 (1994) (“[F]ew areas of the law invest more discretion in agency employees or are more hidden from the public’s view and oversight than an agency’s enforcement actions.”).
374 Whitman v. Am. Trucking Ass’n, 531 U.S. 457, 472-75 (2001) (explaining that when Congress gives authority to an agency, it must also provide an “intelligible principle” directing the agency’s exercise of its authority to avoid nondelegation problems).
376 Price, *supra* note 228, at 687-88 (calling enforcement discretion an “attractive policy tool”). See generally Andrias, *supra* note 43, at 1039 (explaining that the Executive uses
Second, the PTO should take a hard look at patents that are the subject of extensive litigation and/or licensing campaigns.377 Because licensing campaigns are not publicly known, however, the Enforcement Office would have to hear about them from the targets, so it should put a tip line in place for such reporting.378 The PTO could also collect information from organizations focused on patent-related collective action. Public interest groups, such as EFF or Public Knowledge, and private coalitions like Unified Patents,379 would likely serve as good resources for the PTO. Furthermore, a recent study indicates that there is a trend at the PTAB of patent challengers engaging in collective action, particularly with respect to drug and medical patents, among others.380 Such trends could provide the PTO with important insight about potentially problematic patents.

Finally, the PTO should confer and collaborate with other agencies to identify patents it might wish to pursue. Patents and innovation policy impact the work done by many agencies.381 This Article has discussed some of these intersections, focusing on the FTC and DOJ.382 But agencies like the National Institutes of Health, Environmental Protection Agency, and Federal enforcement discretion to advance policy goals).

377 See John R. Allison, Mark A. Lemley & Joshua Walker, Patent Quality and Settlement Among Repeat Patent Litigants, 99 GEO. L.J. 677, 687 (2011) (finding that the most litigated patents are more likely to be invalidated upon the conclusion of litigation on the merits than patents litigated one time).


380 Vishnubhakat, Rai & Kesan, supra note 172, at 66, 74-75 (explaining that, in this process, “petitioners who are not prior defendants are joining petitions filed by prior defendants”).

381 See Narechania, supra note 200, at 1485 (“Patent rights and policies collide with regulatory goals in contexts as varied as biotechnology, border control, communications, environmental protection, and tax.”).

382 See supra Sections III.C.1, III.C.2 (discussing how the FTC and DOJ monitor certain pharmaceutical patents and SEPs because of their anticompetitive effect).
Communications Commission—just to name a few—regularly operate in the patent space too.383 Interagency cooperation would not only inform and improve the PTO’s enforcement decisions, but may further the non-patent agencies’ regulatory goals as well.384

4. Anticipating Critiques

Critics are likely to advance three arguments against the PTO assuming this prosecutorial role, all of which deserve attention when assessing the viability of this proposal. The most persuasive, at least at first blush, is that there is an inherent conflict in having the same agency that grants patents also trying to prove them invalid.385 In actuality, however, it may not be inconsistent at all for the PTO to grant a patent and then possibly demonstrate that the same patent is invalid a short time later.386 During initial examination, the burden is on the examiner to prove that the applicant is not entitled to a patent.387 However, the examiner could have been missing a key piece of prior art during examination that becomes available in the subsequent enforcement action.388 Or maybe the legal standards subsequently changed, so that even though the patent was valid when granted, it is no longer valid because of a decision like Myriad or Alice. In any event, agencies in other contexts both grant rights and take them away, so the PTO would not stand alone in this regard.389

383 Narechania, supra note 200, at 1486 (“Nonpatent agencies thereby wield important—but inconsistent—influence over the development of the patent regime.”).

384 See id. at 1487 (observing that interagency cooperation would ensure that patent policies are “responsive to outside regulatory programs”); see also Joseph Landau, Bureaucratic Administration: Experimentation and Immigration Law, 65 D UKE L.J. 1173, 1190 (2016) (arguing that immigration policy benefits from overlapping authority at both the agency and subagency level because it “creat[es] novel opportunities for dialogue and enhance[es] the potential for different actors—with their respective interests, perspectives, and pedigrees—to influence agency policy”).

385 See Davis, supra note 175 (discussing former Judge Rader’s remarks about this alleged inconsistency in IPRs).

386 This is somewhat similar to the FDA context where the agency grants approval for a drug or medical device, but can withdraw that approval if it discovers new information (e.g., the drug has dangerous side effects). See, e.g., Drug Approval Process, U.S. FOOD & DRUG ADMIN., http://www.fda.gov/downloads/Drugs/ResourcesForYou/Consumers/UCM284393.pdf [https://perma.cc/S8LH-EV2D] (last visited Sept. 22, 2016).

387 See In re Epstein, 32 F.3d 1559, 1570 (Fed. Cir. 1994) (Plager, J., concurring) (finding it odd that an individual seeking “a grant of property” from the government in the form of a patent does not, in fact, bear the burden of demonstrating an entitlement to that patent).

388 Perhaps the threat of a later enforcement action will deter the issuance of bad patents in the first place because applicants will be more forthcoming with the PTO and examiners more willing to reject weak applications.

389 Several agencies engage in licensing, a type of administrative adjudication, where the same agency grants and revokes the license. 5 U.S.C. § 551(9) (2012) (defining “licensing” to include “the grant, renewal, denial, revocation, suspension, annulment, withdrawal,
To be sure, many modern agencies are multifunctional with regulatory, prosecutorial, and adjudicatory arms. It’s critical in such an agency, however, to create barriers between these functions in order to maintain the integrity of the agency’s work.\textsuperscript{390} To this end, the Administrative Procedure Act mandates a “separation of functions,” meaning that agency employees involved in an investigatory or prosecutorial function are generally prohibited from communicating ex parte with agency employees in the adjudicatory function—i.e., the administrative judges.\textsuperscript{391} Nor may an investigatory or prosecutorial employee be in a position of authority over the administrative judges deciding a matter in which the employee is involved.\textsuperscript{392} While the separation of functions doctrine may require some restructuring of the PTO, and particularly the PTAB, the details of such a proposal are beyond the scope of this Article.

A second argument is that the PTO is too weak and too easily captured by external interests to effectively carry out these enforcement duties. Critics in this camp will claim that the PTO is more concerned with serving patent applicants (from whom the agency receives fees) than with invalidating patents causing social harms.\textsuperscript{393} Whether the PTO ever deserved this reputation is hard to say, but today’s PTO looks markedly different from past iterations. In recent years, the PTO has been emboldened by successfully challenging many Federal Circuit decisions, and playing a key role in securing passage of the AIA.\textsuperscript{394} Further, the creation of the PTAB, post-grant proceedings, and the OCE are some additional limitation, amendment, modification, or conditioning of a license”). Examples include a broadcast license from the FCC; an EPA permit to discharge pollutants into the water; and a license from the Nuclear Regulatory Commission to build a power plant. See Geraldine F. Baldwin, 

\textit{Section 558(c) of the Administrative Procedure Act: Is a Formal Hearing to Demonstrate Compliance Required Before License Revocation or Suspension?}, 51 FORDHAM L. REV. 1436, 1439 n.15 (1983) (providing various examples of federal laws that have delegated licensing authority to federal agencies and explaining the nature of that authority).


\textsuperscript{390} See, e.g., Masur, supra note 9, at 301-02, 312-15 (discussing the possibility of PTO capture by special interests, but concluding that the PTO may be less susceptible to capture than other similarly situated agencies).

\textsuperscript{391} Rai, supra note 1, at 1238-39 (concluding that, as a result of these actions by the PTO, it is beginning to be treated “as a full-fledged participant in the institutional debate”).
changes that have begun to reshape the PTO’s internal organization, procedures, and identity. Most recently, the Supreme Court held that the PTO’s rules regarding post-grant proceedings are entitled to *Chevron* deference—a sharp departure from the past when the PTO was branded as an agency with no substantive rulemaking authority. Charging the PTO with responsibility for policing already-issued patents would continue this evolution from an inept and politically feeble agency, to a respected, influential, and trusted institution that is dedicated to fostering innovation policy that promotes the public good.

The final critique relates to fees. The contention could be that the fees collected by the PTO (applicant fees and maintenance fees) should not be used to support the efforts of the enforcement (or prosecutorial) arm of the PTO. The strength of this argument varies depending on the facts of a particular case. If, for example, the patent owner withheld relevant prior art during prosecution, then there would be nothing unjust about forcing the patent owner to pay for the later validity challenge. In other circumstances, however, it would be inappropriate for patent applicants and owners to foot the bill (e.g., where the law changed, as after *Myriad* and *Alice*). Because PTO-initiated validity challenges will usually serve the social welfare, taxpayers should generally bear the cost.

---

395 See supra Section II.C.3 (discussing how the PTAB is impacting the PTO’s reputation).
396 See *Cuozzo* Speed Techs., LLC v. Lee, 136 S. Ct. 2131, 2142-45 (2016) (analyzing the PTO’s IPR regulations promulgated pursuant to the AIA through the *Chevron* framework); Chris Walker, *Some Thoughts on Chevron and Patent Exceptionalism from Today’s Supreme Court Decision in Cuozzo*, YALE J. ON REG.: NOTICE & COMMENT (June 20, 2016), http://yalejreg.com/nc/some-thoughts-on-chevron-and-patent-exceptionalism-from-today-s-supreme-court-decision-in-cuozzo-by/ [https://perma.cc/8UDV-G8BK] (“*Cuozzo* seems to signal that the Court is receptive to more aggressive arguments from the PTO for *Chevron* deference of substantive patent law, especially after the enactment of the America Invents Act.”).
397 See Masur, supra note 16, at 1-2 (conceding that the PTO has “come to be viewed as inept and inefficient” due to “poorly designed incentives, a lack of necessary funding, and a type of capture by the patent bar” that have produced delay, added expense, and unreliability in the patent process); Arti K. Rai, *Competing with the “Patent Court”: A Newly Robust Ecosystem*, 13 CHI.-KENT J. INTELL. PROP. 386, 388 (2014) (“Historically, the PTO’s position has been particularly weak because it has not been given *Chevron* deference on questions of substantive law.”).
399 See, e.g., Long, supra note 2, at 1984-85 (explaining that PTO has become entirely self-funded as a result of the patent application and issuance fees and surcharges that it collects).
400 Of course, under these circumstances, the patent might also be rendered unenforceable pursuant to the inequitable conduct doctrine. See, e.g., Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1282 (Fed. Cir. 2011).
**CONCLUSION**

Invalid patents, even if unenforced, are problematic. They dampen innovation, hamper competition, and harm consumers. Yet no public agency polices patents after they are issued. We rely instead on private parties, despite the fact that incentives for private validity challenges are seriously lacking. Even with the passage of the AIA and the creation of new and improved administrative proceedings, it is not clear that substantially more patents—or the right type of patents—are being challenged. The time has come (and arguably is long overdue) for a public agency to investigate and enforce patent validity ex post. While the FTC and DOJ have some expertise in patent cases, the newly invigorated PTO—as our nation’s top innovation agency—stands ready to lead this charge.

Wis. L. Rev. 1353, 1404 n.254 ("[A]lthough the PTO is self-funded, taxpayers still subsidize the administrative cost of the patent system, since patents also require taxpayer-funded courts to administer through adjudging infringement suits.").