IS THERE A NEW “NEW NARRATIVE” TO BE TOLD ABOUT PATENTS?

BY CHARLES W. SHIFLEY

In the middle of the Twentieth Century, and before the existence of the Court of Appeals for the Federal Circuit, there was a “narrative” about patents—that wasn’t good. With more time and the creation of the Court, and for about 25 years, a new narrative reversed the old one—patents were good! Then an even newer narrative switched back—patents were bad! These days, the U.S. Patent and Trademark Office (PTO) has a new Director, and reflecting only on the recent “bad,” he calls for a “new narrative” about patents, one that emphasizes their benefit to society.

Is a new “new narrative” possible, at this time, and for the foreseeable future? One in which patents are good?

BEFORE THE FEDERAL CIRCUIT, THE NARRATIVE WASN’T GOOD

The law firm of Banner & Witcoff, Ltd. is pleased to carry the name “Banner,” choosing the name of its past partner, Donald W. Banner, for its first name. Don Banner was, before being with us, a Commissioner of the “Patent Office,” in 1978-79, a co-founder and President of the Intellectual Property Owners Association (IPO) (among many other IP groups), from 1972-1981, and “[a] key player in the development of the international IP system.” He and others founded IPO because of the state of patent law at the time. As IPO’s Executive Director Herb Wamsley said on retirement, patents “experienced a terribly difficult period starting from before World War II and continuing through the 1970s. Government antitrust policies and judicial hostility toward patents reduced the value of patents and restricted the ability to license.”

As a participant in a conference of the Department of Commerce in 1973, Don Banner (and others) agreed that one of the main concerns at the time was the “deterioration of the regard held for the patent system.” An infamous vignette of the disregard was revealed in the Underwater Devices case. A corporate counsel wrote a corporate manager in 1974 that he should refuse to even discuss a royalty for needed patent rights, in part, because, “Courts, in recent years, have—in patent infringement cases—found the patents claimed to be infringed ... invalid in approximately 80% of the cases.” Patents were particularly disrespected in regional federal courts of appeal. As written by an early Federal Circuit Senior Judge, Marion Bennett, “[s]ome of the regional circuit courts, expressing strong feelings about the dangers of monopoly and having a low regard for the expertise of the Patent Office, tended not to give any deference to the administrative examination process and invalidated many patents.” This generated a “high-risk game of forum shopping.” The Department of Justice called it “a crisis for the courts ..., litigants who seek justice ... the rule of law, and ... the Nation.”
WITH THE FEDERAL CIRCUIT AND
NEW CIRCUMSTANCES, THE PATENT
NARRATIVE WAS GOOD, FOR
MANY YEARS
The country changed. The Federal Circuit
became operational as a court of nationwide
jurisdiction in 1982. President Reagan took
office just earlier, in 1981; it was “morning
again in America.” The personal computer
market was spinning up; the Apple II
crcomputer, one of the first mass-produced
personal computers, had started sales five years
earlier. Mass-market use of mobile cellular
telephones was just ahead; the Motorola
DynaTAC received Federal Communications
Commission approval in 1983. Broad uses of
genetic engineering were ahead; Genentech
microbes produced synthetic human insulin by
1978. In 1980, the Supreme Court decided in
Chakrabarty (a Banner & Witcoff lawyers’ case)
that living things were patentable. Across a
broader period, China opened to foreign
manufacturing investment. Wal-Mart was
greatly expanding.

In the first ever Federal Circuit case, the first
chief judge, Howard Markey, wrote for the
Court and adopted an established body of law
as precedent, to jump start its appeals
processes. Gone was the jurisdiction of
regional courts, and any of those courts’
hostility to patents. In less than a year, the
Federal Circuit heard Underwater Devices, with
its notorious vignette. The Court placed
potential patent infringers who knew of
patents an affirmative duty to exercise due care
to determine whether or not they were
infringing. The duty included a need to seek
and obtain competent legal advice before
starting any possible infringing activity.

Economic confidence rose, including
confidence in inventing and patenting—
whether by virtue of Reagan rhetoric and tax
and regulation cutting, the blossoming of
technologies that had already budded, Chinese
manufacturing and container shipment of new,
inexpensive products to Wal-Mart and the
United States, national uniformity in patent
law, required due care for patents, or juries in
patent infringement cases (or all of this
combined). Relatively stagnant patent filing
volumes rose and continued rising. Patent
damages awards also rose in size.

WITH FURTHER DEVELOPMENTS,
THE PATENT NARRATIVE WENT
BACK TO BAD
Twenty years passed with the Federal Circuit,
along with some economic downturns such as
the Savings and Loan Crisis in 1989, factories
and jobs leaving for China, and a variety of
new happenings in patent law. The narrative
surrounding patents swung back to bad.

Not to call it out as most problematic, the U. S.
District Court for the Eastern District of Texas
decided to jump into handling IP cases.
Depending on point of view, with its patent-
friendly juries, and overheated, “rocket docket”
patent infringement cases, it became too easy
for patent owners to win—and win big. About
the same time, the Federal Circuit reached a
significant decision, In re Alappat. On the
strength of the Supreme Court’s statement that
patenting extended to “anything under the sun that is made by man” in Chakrabarty.\(^{23}\) Alapatt resolved that those patents with means-plus-function limitations directed to digital electrical circuits, that performed mathematical calculations, had patent-eligible subject matter. To the Electronic Frontier Foundation (EFF), the Court had held that an algorithm implemented on a general purpose computer was patentable.\(^{24}\) That, it said—to much dispute from others—“opened the floodgates for software patents,” patents of “very low” quality, with claims “often vague and overbroad—giving unscrupulous patent owners the ability to claim that their patent covers a wide range of technology.”\(^{25}\) The EFF also thought that “patent trolls” rose, their number of patent infringement lawsuits “skyrocket[ing],” starting in 2005.\(^{26}\) To many companies reliant on software, pleased with Alapatt, its wide scope of patentability, and of the opinion that software patents were no part of “floodgates,” “low” quality, vagueness or overbreadth, only positive came with Alapatt. But with strong opinions such as those of the EFF, patents gained a new, bad reputation.

CAN THERE BE A NEW “NEW NARRATIVE”?

So back to the introduction. With a whipsawing through bad-to-good and good-to-bad again, and with a new PTO Director calling for a “new narrative” about patents, is a new “new narrative” possible? Can there be a new “morning in America” for patents?

Of course, only time will tell. But consider what caused the earlier change from bad-to-good. First, bad led to the adoption of new law, the law that created the Federal Circuit, and the law it created of due care for patent rights. Fast-forward, in the period since the rise of patent enforcement entities, there has certainly been new law. The prime example is the America Invents Act (AIA), with its creation of inter partes reviews (IPRs), and similar post-grant proceedings, to reconsider issued patents. The AIA and IPRs passed a major test in recent months, surviving a constitutional challenge in the Oil States case.\(^{27}\)

Companion changes of law are abundant, and more are on the horizon. The Supreme Court has taken something like 30 patent cases since about year 2000. It has upended patent law, with a much greater restriction on patents, toward fewer patents, confined in scope, more susceptible to challenge, in less patent-friendly venues, with more confined remedies for infringement.\(^{28}\) By cases including Alice, the Court confined patent-eligibility.\(^{29}\) It confined non-obviousness against more obvious inventions in KSR.\(^{30}\) It limited good patents to only those more definite than indefinite, in Nautilus.\(^{31}\) It made understanding patent claim scope more structured, in Markman.\(^{32}\) It narrowed inducement law in Limelight.\(^{33}\) It changed venue law in TC Heartland, moving suits away from the Eastern District of Texas.\(^{34}\) It reduced the prospects of injunctions against infringement in eBay.\(^{35}\) It curbed design patent damages in Samsung.\(^{36}\) It clipped off post-sale limits on product uses through patent law, in Impression.\(^{37}\) It bucketed IPRs in Cuozzo.\(^{38}\) As well, legislative proposals to work on patent eligibility are abundant.\(^{39}\)
Second, and beyond second, the earliest bad narrative ended in the surroundings of tax and government regulation cuts. We have a new tax cut, and new cuts to regulations. Now as in the early 1980s, technologies already budded are blossoming, or already blossomed. We live on wireless devices and the Internet. Shopping is by Internet and home delivery. New business models such as app-based ride sharing services are disrupting industries. We get our news from social media. Cars are going electric, and driverless. Solar cells are moving us all at least partially off the electric grid. Wind farms are abundant. GPS location and satellite imaging are getting remarkable new uses in locating vehicles, people, exploring, and finding resources. Virtual reality is letting us travel without leaving home. Robots and drones are on their way. Animals are cloned. Rockets are privately owned and land themselves on recovery pads. Patent law is arguably as uniform as it has ever been. Loose standards for awards of enhanced damages and attorneys’ fees impose and heighten, over and above past risks, the need to take due care for patents. Juries remain in cases.

A “flying geese” theory holds that as leading countries have their factories move to follower countries, the managements of the businesses of the countries “move up the technology curve,” to more complex products and inventions.40 China is gearing up Africa to be the world’s next great manufacturing center.41 China has also moved up. We have moved up, through Apple, Google, and all our inventive tech industry giants and others.

Trolls are much less a scourge. The Supreme Court and Federal Circuit case lessons over patent eligibility are being applied at the PTO with increasingly refined directions for examiners to follow, to grant patents on wheat, while denying them, more carefully, on chaff.

We are experiencing U.S. patent filings at incredibly high levels from inventors all over the world. The “fuel of interest” continues to drive “the fire of genius.”42

It seems, perhaps more to optimists than others, that on reflection over the example of bad-to-good in the 1980s, and our great recent progress, we can go from bad-to-good again. Perhaps for reasons he did not even have in mind, our new Director may be on to something.

6. Id.
7. Id.
9. https://www.youtube.com/watch?v=EU-IBF8nwSY
The North Shore Corporate IP Roundtable will soon complete its first successful year of bringing in-house intellectual property counsel who live or work in the North Shore suburbs together to share ideas and best practices. The group meets every other month in Northbrook and discusses such topics as building and monetizing patent assets, setting IP budgets, and extracting IP value.

“We provide relevant, meaningful CLE content with practical takeaways for in-house counsel in an environment that encourages discussion and sharing of best practices,” said Binal J. Patel, a principal shareholder at Banner & Witcoff and the organizer of the group. “We are excited to have created a program that resonates so well with its members and look forward to seeing it grow in the future.”

For more information on the North Shore Corporate IP Roundtable, please e-mail info@bannerwitcoff.com.

20. See the article of endnote xiii at 15.
22. 33 F.3d 1526 (Fed. Cir. 1994).
25. Id.
26. Id.
40. Id.
41. https://hbr.org/2017/05/the-worlds-next-great-manufacturing-center
42. Attributed to Abraham Lincoln.