
Paul Gugliuzza

Boston University School of Law

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INTRODUCTION

Many observers believe the American patent system is in crisis. Complainants are often aimed at the U.S. Patent and Trademark Office ("PTO"), which, by many accounts, issues too many "bad patents," that is, patents on inventions that represent only marginal improvements in the state of the art and that

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therefore do not warrant the exclusive rights a patent confers. Moreover, many patents, particularly in the information technology sector, do not clearly articulate their exclusionary scope and can be read very broadly. The availability of these broad patents has contributed to the rise of so-called patent trolls—patent owners whose primary business is not manufacturing a product or providing a service but instead collecting money from alleged infringers. Because patent litigation is expensive, it often makes more sense for a defendant to purchase a license than to fight an infringement claim. When a troll owns patents that are sufficiently broad to be asserted against hundreds or thousands of alleged infringers, asserting those patents to elicit cost-of-defense settlements can be a feasible business model.

In the past few years, patent trolls (or, less pejoratively, non-practicing entities or NPEs) have begun to assert their patents against not only manufacturers of allegedly infringing technology but also against the businesses, organizations, and individuals who are the end users of that technology. For instance, rather than suing the manufacturers of allegedly infringing wireless Internet routers, patent trolls have sent demand letters to thousands of hotels and restaurants, claiming that those businesses have committed patent infringement by using wireless technology to make Internet service available to their customers. Another troll sued several popular podcaster, claiming to own a patent that covers, simply, the act of podcasting.

5 See Mark A. Lemley, Software Patents and the Return of Functional Claiming, 2013 Wisc. L. Rev. 905, 907 (observing “a proliferation of patents with extremely broad claims, purporting to own everything from international electronic commerce to video-on-demand to emoticons to means of hedging commodity risk”).
8 See Lemley & Melamed, supra note 6, at 2126 (referring to trolls who “are interested in quick, low-value settlements for a variety of patents” as “‘bottom-feeder’ trolls”).
11 See Mike Masnick, Patent Troll Says It Owns Podcasting; Sues Adam Carolla, HowStuffWorks, TechDirt (Feb. 7, 2013),
Complaints about trolls targeting end users have renewed political interest in reforming patent law, barely three years after Congress passed the landmark America Invents Act.\footnote{America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.). The notable accomplishments of the Act include its change of the priority rule from “first to invent” (which awarded the patent to the first person to develop an invention, regardless of whether that person was the first to file a patent application) to “first to file” (which awards the patent to the first person to file a patent application). See 35 U.S.C. § 102(a) (2012). The Act also created new administrative procedures within the PTO for reviewing the validity of issued patents, allowing potential infringers to avoid the expense of litigating patent validity in federal court. See id. §§ 311-29.} At least fourteen patent reform bills were introduced in the recently concluded 113th Congress.\footnote{For a collection of the proposals, see Patent Progress’s Guide to Patent Reform Legislation, PATENT PROGRESS, http://www.patentprogress.org/patent-progresss-guide-patent-reform-legislation, archived at http://perma.cc/4V8J-GQZ9 (last visited Oct. 26, 2014).} Several of those bills focused specifically on patent litigation, proposing, among other things, to impose heightened pleading requirements on plaintiffs, to limit discovery, and to create a presumption that the losing party should pay the winner’s attorneys’ fees.\footnote{See infra Part I (discussing the proposed bills in more detail).} None of the proposals became law, mostly due to objections from trial lawyers, who opposed the defendant-friendly nature of the bills; from companies in the biotechnology and pharmaceutical industries, who, unlike companies in the information technology industry, are rarely targeted by patent trolls; and from universities, who are almost always plaintiffs in patent cases.\footnote{See, e.g., Michael J. Meurer & James Bessen, Congress Needs to Rein in Patent Trolls, BOSTON GLOBE, Nov. 5, 2014, http://www.bostonglobe.com/opinion/2014/11/04/congress-needs-rein-patent-trolls/BSulTBqcU1lmYtqSK6yO/story.html, archived at http://perma.cc/E5GH-V6BJ; Randall R. Rader, Colleen V. Chien & David Hricik, Make Patent Trolls Pay in Court, N.Y. TIMES, June 4, 2013, archived at http://perma.cc/S3XG-LJZU.} Still, one of the bills passed the House of Representatives in December 2013,\footnote{See Innovation Act, H.R. 3309, 113th Cong. (2013).} President Obama mentioned patent litigation reform in his 2014 State of the Union address,\footnote{See President Barack Obama, Address Before a Joint Session of the Congress on the State of the Union (Jan. 28, 2014) (calling on Congress to “pass a patent reform bill that allows our businesses to stay focused on innovation, not costly and needless litigation”).} scholars continue to call for reform,\footnote{See, e.g., Michael J. Meurer & James Bessen, Congress Needs to Rein in Patent Trolls, BOSTON GLOBE, Nov. 5, 2014, http://www.bostonglobe.com/opinion/2014/11/04/congress-needs-rein-patent-trolls/BSulTBqcU1lmYtqSK6yO/story.html, archived at http://perma.cc/E5GH-V6BJ; Randall R. Rader, Colleen V. Chien & David Hricik, Make Patent Trolls Pay in Court, N.Y. TIMES, June 4, 2013, archived at http://perma.cc/S3XG-LJZU.} and Republican
members of Congress have said that, with their party now holding a majority in both houses, patent reform will be on the agenda in 2015. As was the case in the six-year process that led to the America Invents Act, the early proposals that failed in Congress will undoubtedly inform future bills.

With an eye toward future reform efforts, this Essay argues that legislative reform is unnecessary because the courts and the Judicial Conference of the United States are already in the process of fixing several problematic areas of patent litigation. Moreover, the changes being made by the courts and the Judicial Conference are more nuanced and sensible than the proposals Congress has considered, which would mandate defendant-friendly changes in all types of patent cases—not just the weak cases often filed by trolls. Indeed, the legislative proposals offer little more than the same, generic, anti-litigation solutions (raising pleading requirements, restricting discovery, shifting attorneys’ fees, and so on) that are often invoked to remedy perceived crises of “abusive” litigation, whether in the fields of tort law, civil rights, securities law, or, now, patent law. In addition, the timeworn proposals percolating in Congress treat only the symptoms of the patent system’s illness; they do not address the fundamental disorder that enables patent trolls to pursue opportunistic litigation and to extract nuisance-value settlements: the poor notice provided by and poor quality of many patents issued by the PTO, phenomena that persist even as the size of the PTO continues to grow at a dramatic pace.

Moreover, the breadth of the legislative proposals poses a risk of unintended consequences. Heightened pleading requirements, for instance, may block legitimate assertions of patent infringement in industries such as biopharmaceuticals, where infringement occurs in research or production facilities to which the patent holder cannot gain access. Also, rather than reducing litigation, the proposals could actually increase litigation about peripheral matters such as the permissible scope of discovery. Legislation, simply, may be too blunt of an instrument to effectively combat patent trolls. Rather, as a matter of institutional choice, incremental changes driven primarily by the courts may be the best option for reforming patent litigation.


23 See infra note 68 and accompanying text.
This Essay is divided into three parts. Part I describes the most notable patent reform proposals Congress has considered, focusing on how the proposals would affect patent litigation. Part II argues that the legislative proposals are not only flawed, they are unnecessary because other government bodies are already effecting meaningful reform in the areas Congress has targeted. Finally, Part III highlights similarities between the institutional dynamics surrounding current reform efforts and the early stages of the process that culminated in the America Invents Act. Those similarities can help answer both the descriptive question of how patent law changes and the normative question of how to effectively allocate law reform tasks among various institutions, including the courts, Congress, and the PTO.

I. REFORM PROPOSALS

Of the fourteen patent reform bills introduced in the 113th Congress, five focused specifically on patent litigation. Three of the bills were introduced in the House (the Innovation Act, the Patent Litigation and Innovation Act, and the Saving High-Tech Innovators from Egregious Legal Disputes (SHIELD) Act), and two were introduced in the Senate (the Patent Abuse Reduction Act and the Patent Litigation Integrity Act). These bills addressed four main topics relevant to patent litigation: pleading requirements, discovery, recovery of attorneys’ fees, and stays of lawsuits against end users.

A. Pleading Requirements

Patent litigation has been partially immunized from the pleading revolution wrought by the Supreme Court’s decisions in *Bell Atlantic Corp. v. Twombly* and *Ashcroft v. Iqbal*, which held that to avoid dismissal for failure to state a claim, a plaintiff’s complaint must contain “factual allegations” that “plausibly give rise to an entitlement to relief.” Even after those landmark decisions, the Federal Circuit has held that a complaint states a claim for direct patent


25 In addition to the five bills that focused on the litigation process, several other bills proposed to fight patent trolls who send demand letters to thousands of end users by making it illegal to send “in bad faith” a letter threatening patent infringement litigation. E.g., Targeting Rogue and Opaque Letters (TROL) Act of 2014, 113th Cong. (discussion draft). In a separate article, I analyze the proposals to regulate demand letters and argue that they run afoul of First Amendment protections that the Federal Circuit has—erroneously—bestowed on patent holders. See Paul R. Gugliuzza, Patent Trolls and Preemption (Nov. 24, 2014) (unpublished manuscript), available at http://ssrn.com/abstract=2539280.


28 Id. at 679.
infringement so long as the complaint complies with the minimal requirements of Form 18, the form complaint for patent infringement found in the Appendix to the Federal Rules of Civil Procedure. As the Federal Circuit has explained, that form requires only an allegation of jurisdiction; a demand for relief; and statements that the plaintiff owns the patent, that the defendant has been infringing the patent, and that the plaintiff has given the defendant notice of its infringement. Thus, a plaintiff can avoid dismissal for failure to state a claim without pleading facts establishing how the defendant practices each element of the asserted patent claim, even though the plaintiff will be required to prove those facts to prevail in the infringement case. In fact, the complaint need not even identify the particular claims of the patent that the defendant allegedly infringes—simply reciting the patent number is sufficient.

Three of the bills introduced in the 113th Congress (the Innovation Act, the Patent Abuse Reduction Act, and the Patent Litigation and Innovation Act) would have imposed far more detailed pleading requirements on all claims of patent infringement. The bills required long lists of information to be included in the complaint, including “an identification of each claim of each patent . . . that is allegedly infringed,” “an identification of each accused process, machine, manufacture, or composition of matter” (referred to in the bills as an “accused instrumentality”) “alleged to infringe the claim,” and “explanation[s] of” both “where each element of each [asserted patent claim] is found within the accused instrumentality” and, “with detailed specificity,” “how the terms in each [asserted patent claim] correspond to the functionality of the accused instrumentality.”

The bills also addressed Form 18. The Innovation Act, the bill that passed the House of Representatives, explicitly instructed the Supreme Court to eliminate Form 18 from the Appendix to the Federal Rules. The Patent Abuse Reduction Act and the Patent Litigation and Innovation Act were less direct. They would have required the Court to “review and amend” Form 18 “to ensure that Form 18 is consistent with” the new pleading requirements adopted

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29 See In re Bill of Lading Transmission & Processing Sys. Patent Litig., 681 F.3d 1323, 1333-34 (Fed. Cir. 2012). There is no form complaint for claims of indirect infringement, that is, claims of inducement to infringe or contributory infringement, so those claims are subject to the requirements of Twombly and Iqbal. See id. at 1336-37.
31 Id.
32 See Bill of Lading, 681 F.3d at 1335.
34 Innovation Act § 3(a)(3); accord Patent Litigation and Innovation Act § 2(a); Patent Abuse Reduction Act § 2(a).
36 Innovation Act § 6(c)(1).
in the bill.\textsuperscript{37}

B. Discovery

In patent law, as in other areas of civil litigation, complaints about “litigation abuse” often focus on the costs of discovery. The three bills that would have heightened the pleading requirements in patent cases also would have limited the scope of discovery by allowing discovery only on matters relevant to claim construction until the judge issues a claim construction order.\textsuperscript{38} (The claim construction order sets forth the judge’s ruling on the meaning of the terms used in the patent and, in many cases, effectively determines whether the patent is valid and whether it is infringed.\textsuperscript{39})

Moreover, two of the bills that would have raised pleading requirements also would have taken steps toward shifting the costs of discovery from the producing party to the party making the discovery request. Specifically, the Patent Abuse Reduction Act, introduced in the Senate, provided that each party would be responsible for the costs of producing “core documentary evidence” within its possession, and that a party could seek “additional discovery”—that is, discovery that seeks anything besides core documentary evidence—only if that party covered the cost of that additional discovery “including reasonable attorney’s fees.”\textsuperscript{40} The bill defined “core documentary evidence” to include documents regarding the development of the invention, information relevant to infringement (such as documents showing the operation of the allegedly infringing device), information relevant to validity (such as documents relating to prior art), and information relevant to damages (such as documents regarding previous licenses and the party’s awareness of the patent or of infringement).\textsuperscript{41}

By contrast, the Innovation Act did not adopt specific discovery rules. It instructed the Judicial Conference to “develop rules and procedures” to implement various “issues and proposals” described in the statute.\textsuperscript{42} Those issues and proposals included “[w]hether and to what extent each party . . . is entitled to receive core documentary evidence,” whether and to what extent each party should be “responsible for the costs of producing core documentary

\textsuperscript{37} Patent Abuse Reduction Act § (2)(c); \textit{accord} Patent Litigation and Innovation Act § 2(c).

\textsuperscript{38} Innovation Act § 3(d); \textit{accord} Patent Abuse Reduction Act § 4(a); \textit{see also} Patent Litigation and Innovation Act § 5(a) (providing that if the court determines claim construction is necessary, the court “shall stay discovery” until the court has made its ruling, but also providing that the court “may . . . allow discovery to the extent necessary for the court to” make its claim construction ruling).

\textsuperscript{39} \textit{See} Peter S. Menell \textit{et al.}, \textit{Patent Case Management Judicial Guide} at 5-3 (2d ed. 2012).

\textsuperscript{40} Patent Abuse Reduction Act § 4(b).

\textsuperscript{41} \textit{Id}.

\textsuperscript{42} Innovation Act § 6(a)(2)(A).
evidence” within their possession, “whether and to what extent each party . . . may seek non-documentary discovery,” and whether each party “may seek any additional document discovery . . . if such party bears the reasonable costs, including reasonable attorneys’ fees, of the additional discovery.”

C. Fee Shifting

Courts hearing patent disputes have long been authorized to award attorneys’ fees in “exceptional cases.” The most common proposal for reforming patent litigation—found in all five of the litigation-reform bills introduced in the 113th Congress—is to enhance that fee-shifting authority. Fee shifting, the thinking goes, serves three important functions: it provides defendants an incentive to fight rather than settle weak claims of infringement, it deters patent holders from filing those weak claims, and it enhances the bargaining power of defendants in licensing negotiations with a plaintiff seeking a nuisance-value settlement. Three of the bills, including the Innovation Act, would have required the award of attorneys’ fees to the prevailing party unless the position and conduct of the losing party was reasonably justified or special circumstances made an award “unjust.”

Alternatively, the SHIELD Act, introduced in the House, would have required the court to award attorneys’ fees to any accused infringer who won a patent case except in three specific circumstances: (1) if the patent holder was the original inventor or assignee of the patent, (2) if the patent holder provided the court with documentation of “substantial investment . . . in the exploitation of the patent through production or sale of an item covered by the patent,” or (3) if the patent holder was a university or a technology transfer organization associated with a university. Like the other proposals, this bill would have allowed the court to withhold fees if “exceptional circumstances” made a fee award “unjust.”

43 Id. § 6(a)(2), (c).
45 For scholarly commentary in favor of fee shifting in patent cases, see James Bessen & Michael J. Meurer, The Direct Costs from NPE Disputes, 99 CORNELL L. REV. 388, 422 (2014).
46 See Innovation Act § 3(b) (“The court shall award, to a prevailing party, reasonable fees and other expenses incurred by that party . . . unless the court finds that the position and conduct of the nonprevailing party or parties were reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make an award unjust.”); accord Patent Litigation Integrity Act, S. 1612, 113th Cong. § 101(a) (2013) (requiring award of fees “unless the court finds that the position and conduct of the nonprevailing party or parties were substantially justified or that special circumstances make an award unjust”); Patent Abuse Reduction Act § 5(a) (requiring award of fees “unless (1) the position and conduct of the non-prevailing party were objectively reasonable and substantially justified; or (2) exceptional circumstances make such an award unjust”).
47 SHIELD Act of 2013, H.R. 845, 113th Cong. § 2(a).
48 Id. § 2(a)(4).
Another bill introduced in the House, the Patent Litigation and Innovation Act, contained a fee-shifting provision that largely mirrored a provision of the Private Securities Litigation Reform Act (“PSLRA”). The proposal would have required the district court, at the conclusion of every patent case, to “include in the record specific findings regarding” each party’s and each attorney’s compliance with each requirement of Rule 11(b) of the Federal Rules of Civil Procedure. If the court found that a party or attorney violated any requirement of Rule 11(b), the bill stated that the court “may” impose sanctions on that party or attorney.

D. Suits Against End Users

Finally, three of the bills directly addressed the new wave of infringement suits filed against the end users of allegedly infringing technology. The bills would have adopted a statutory “customer suit exception,” which, in an exception to the normal “first to file” rule, would have allowed the court to stay an infringement suit against customers if the manufacturer of the allegedly infringing technology was simultaneously litigating a later-filed case involving the same patents, whether as a defendant in an infringement suit, or as a plaintiff in a declaratory judgment action against the patent holder. Specifically, the bills would have required the court to stay the case against the customer if three requirements were met: (1) the manufacturer and customer consented in writing to the stay, (2) the manufacturer was a party to a case involving the same patents and the same accused product or process, and (3) the customer agreed to be bound under principles of issue preclusion by the court’s decisions in the case involving the manufacturer.

50 Id. § 6(b). The similar provision of the PSLRA is 15 U.S.C. § 77z-1(c). Although the PSLRA, like the proposed patent bill, requires a Rule 11 inquiry at the conclusion of every case, commentary suggests that “the vast majority of district courts [do] not conduct such an inquiry” in PSLRA cases. See Joseph C. Weinstein & Joseph P. Rodgers, Ignoring the Mandatory: Rule 11 Inquiries Under the PSLRA, LAW360.COM (Apr. 27, 2012), http://www.law360.com/articles/333738/ignoring-the-mandatory-rule-11-inquiries-under-pslra, archived at http://perma.cc/8CN2-8JAT.
52 See Innovation Act § 5(a); Patent Transparency and Improvements Act of 2013 § 4(a); accord Patent Litigation and Innovation Act § 4(a)(1). The bills also would have imposed deadlines requiring the motion to stay to be filed relatively early in the case against the customer. See, e.g., Innovation Act § 4(a) (requiring the motion to be filed within 120 days of service of the first pleading that “specifically identifies” how the accused product or process infringes the patent or by the date on which the first scheduling order in the case is entered, whichever is later).
II. UNNECESSARY REFORM AND UNINTENDED CONSEQUENCES

The expense of defending against a patent infringement suit means that, in at least some cases, patent holders obtain settlement payments even though a court would have held the asserted patent invalid or not infringed if the case went to final judgment.\(^{53}\) Congress, however, is not the only institution capable of incentivizing defendants to fight weak claims or deterring patent holders from filing those claims. The Judicial Conference is poised to raise the pleading requirements in patent cases and to limit the scope of discovery in all cases, the Supreme Court has already made it easier for trial courts to shift attorneys’ fees in patent disputes, and the Federal Circuit may be on the brink of expanding the customer suit exception. These non-legislative reform efforts are superior to popular legislative proposals because, among other advantages, they grant district judges discretion to effect litigation reform on a tailored, case-by-case basis and because they avoid interpretive difficulties found in the recent bills.

A. Pleading Requirements

In terms of pleading requirements, the Judicial Conference has already approved a proposal to eliminate the forms from the Appendix to the Federal Rules of Civil Procedure, including Form 18, and to delete Rule 84, which indicates that a filing that contains the information required by a form satisfies the requirements of the relevant rule.\(^{54}\) In explaining how the complexity of modern litigation justifies deleting the forms, the Judicial Conference’s Committee on the Rules of Practice and Procedure (often referred to as the Standing Committee) singled out Form 18 as particularly inadequate.\(^{55}\)

The proposed rule change will likely take effect in December 2015,\(^{56}\) and the result will be that all patent cases will be governed by the Twombly/Iqbal requirement that a complaint contain factual allegations that plausibly create an entitlement to relief.\(^{57}\) Unlike under current law, this standard will require the patent holder to identify the individual patent claims it is asserting and to

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\(^{55}\) COMM. ON RULES OF PRACTICE AND PROCEDURE OF THE JUDICIAL CONFERENCE OF THE U.S., PRELIMINARY DRAFT OF PROPOSED AMENDMENTS TO THE FEDERAL RULES OF BANKRUPTCY AND CIVIL PROCEDURE 276 (2013) [hereinafter RULES COMMITTEE PRELIMINARY DRAFT] (“[S]ome of the forms have come to seem inadequate, particularly the Form 18 complaint for patent infringement.”).

\(^{56}\) See A. Benjamin Spencer, The Forms Have (Had?) a Function, 15 NEV. L.J. (forthcoming 2015) (manuscript at 28), available at http://ssrn.com/abstract=2472083 (“[A]brogation of Rule 84 and the forms is all but inevitable at this point.”).

provide some information about how the defendant infringes those claims. One rebellious district judge, who flouted Federal Circuit precedent and demanded that a direct infringement plaintiff satisfy *Twombly* and *Iqbal*, has already required a complaint to contain roughly that information.\(^58\)

Applying the *Twombly/Iqbal* standard will modestly increase the amount of detail required in a complaint for direct patent infringement. The recent legislative proposals, by contrast, would effect a dramatic leap from the minimal requirements of Form 18 to a requirement that plaintiffs plead “with detailed specificity” how the defendant infringes.\(^59\) This new standard would be, on my reading, akin to the requirement of Rule 9(b) that plaintiffs plead fraud “with particularity.”\(^60\)

Of the two options for reforming pleading in patent cases, imposing the requirements of *Twombly* and *Iqbal*, as will occur under the Judicial Conference’s proposal to amend the Rules and delete the forms, seems preferable to a legislatively mandated heightened pleading standard. To begin with, the Judicial Conference’s proposal offers a simple solution: it would impose the same requirements on patent infringement plaintiffs as are imposed on most other plaintiffs in federal court. Moreover, it is not clear that vague complaints for infringement are the significant problem supporters of legislative reform claim it to be. As noted, *Twombly* and *Iqbal* already apply to claims of indirect infringement, that is, claims of inducement to infringe or contributory infringement.\(^61\) Although some sources suggest that complaints for direct infringement, particularly those filed by NPEs, often do not identify the particular claims asserted or the defendant’s specific acts of infringement,\(^62\) the local rules in many district courts with large dockets of patent cases enable defendants to obtain that information very early in the case. In the Eastern District of Texas, for instance, the patent holder must provide detailed

\(^{58}\) See Macronix Int’l Co. v. Spansion Inc., 4 F. Supp. 3d 797, 798-99 (E.D. Va. 2014) (Payne, J.) (directing the plaintiff to file an amended complaint “that, in all respects, conforms with the pleading requirements of *Twombly* and *Iqbal* and that, in particular, recites the specific claim or claims which are alleged to be infringed, and the elements thereof that are alleged to be infringed by the allegedly infringing product, and how that product is alleged to infringe those elements” (internal quotation marks omitted)). Surprisingly, it is not unprecedented for judges outside the Federal Circuit to refuse to follow Federal Circuit precedent in patent cases, particularly on procedural or jurisdictional matters. See Paul R. Gugliuzza, The Federal Circuit as a Federal Court, 54 WM. & MARY L. REV. 1791, 1817, n.133 (2013) (providing additional examples).

\(^{59}\) E.g., Innovation Act, H.R. 3309, 113th Cong. § 3(a)(5)(B) (2013).

\(^{60}\) FED. R. CIV. P. 9(b) (“In alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake.”).

\(^{61}\) See supra note 29 and accompanying text.

\(^{62}\) See Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary, 113th Cong. 32 (2013) (statement of Kevin T. Kramer, Vice President and Deputy Gen. Counsel, Intellectual Property, Yahoo! Inc.) (stating that only 16% of the infringement complaints filed against Yahoo since 2007 identified the asserted patent claims).
disclosures of its asserted claims and infringement contentions ten days before the initial case management conference.63 Other districts require the patent holder to provide that information immediately after the conference.64 In fact, some district courts have justified their refusal to dismiss sparsely pled claims of patent infringement on the ground that these early deadlines for disclosure will remedy any prejudice to the defendant.65 Moreover, districts such as the Eastern District of Texas and Northern District of California generally protect the defendant from responding to discovery requests seeking to elicit claim construction, invalidity, or infringement contentions before the deadlines for disclosure set in the local rules.66

Of course, not all districts have patent local rules.67 But if insufficiently detailed complaints are truly a problem in patent litigation, it would be prudent to first see if applying Twombly and Iqbal solves it before requiring, as the proposed legislation would, that all plaintiffs plead infringement “with detailed specificity.” Some patent holders with legitimate infringement claims may be unable to provide the required specificity because patent infringement often occurs in secret, for instance, in research-and-development or production facilities to which the patent holder does not have access. This concern is particularly salient in the biotechnology industry, in which a patent holder may have a genuine belief that its patent is being infringed but, without discovery, will be unable to obtain information about its competitor’s potentially infringing manufacturing processes.68 That said, more detailed pleadings may

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63 E.D. TEX. LOCAL R. 3-1. Under Federal Rules of Civil Procedure 16(b)(2) and 26(f)(1), that conference must occur no later than ninety-nine days after service of process on the defendant. See RICHARD D. FREER, CIVIL PROCEDURE 432-33 (3d ed. 2012) (outlining the timelines the rules impose for agreeing to discovery plans and entering scheduling orders).

64 E.g., N.D. CAL. LOCAL R. 3-1 (two weeks after the initial case management conference).

65 See, e.g., Wistron Corp. v. Phillip M. Adams & Assoc., No. 10-4458, 2011 WL 4079231, at *3 (N.D. Cal. Sept. 12, 2011) (“[A] general matter, courts do not require a patent holder to explain in any level of detail (beyond Form 18) as to how a product infringes. This makes sense particularly in this District because, under its Patent Local Rules, a patent holder is obligated to provide infringement contentions shortly after the initial case management conference.”).

66 See E.D. TEX. LOCAL R. 2-5; N.D. CAL. LOCAL R. 2-5.


be called for when dealing with the multi-component products prevalent in the information technology industry, where a manufacturer accused of infringement will want to know exactly which aspect of the product is alleged to infringe so that it can attempt to seek indemnification from the appropriate supplier. The standard of Twombly and Iqbal would grant district judges discretion to demand more detailed pleadings in cases involving multi-component products while also providing leeway to patent holders who, because of the nature of their industry, cannot plead much detail about the defendant’s infringement. And district courts are capable of applying Twombly and Iqbal flexibly: some courts in recent decisions have allowed plaintiffs to take limited discovery at the motion-to-dismiss stage precisely because evidence about key facts was inaccessible to them.69

To be sure, bills such as the Innovation Act excuse plaintiffs from pleading the required facts if the relevant information “is not reasonably accessible.”70 Yet what on first glance appears to be a safe harbor for plaintiffs may invite additional and unnecessary litigation at the pleading stage. Rather than focusing simply on the plaintiff’s complaint, this standard would require the court to look beyond the pleadings to determine whether the plaintiff has neglected to include in its complaint information about the defendant’s acts of infringement that the plaintiff could “reasonably” have obtained.71 Rather than mandating that district judges perform this sort of fact-finding at the pleading stage, it seems simpler to allow district judges to do what they do under Twombly and Iqbal: evaluate the plausibility of the infringement allegations drawing on “judicial experience and common sense.”72

B. Discovery

Incremental changes are also afoot in the realm of discovery. In brief, the Standing Committee has approved an amendment to Federal Rule of Civil Procedure 26(b)(1) (the rule that outlines the general scope of discovery) that will require requested discovery in all civil cases to be “proportional to the needs of the case.”73 Proportionality, in turn, will be determined with reference to “the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, the parties’ resources, the importance of the discovery in resolving the issues, and whether

69 See, e.g., Rice v. Murakami, No. 1:13-cv-441, 2014 WL 2780977, at *1-2 (D. Idaho June 18, 2014) (finding that the plaintiff’s complaint failed to meet the requirements of Iqbal but ordering “limited discovery” to allow the plaintiff “a fair opportunity to amend his complaint to satisfy the Iqbal standards”).
70 Innovation Act, H.R. 3309, 113th Cong. § 3(a) (2013).
73 PROPOSED AMENDMENTS, supra note 54, at 10.
the burden or expense of the proposed discovery outweighs its likely benefit.\textsuperscript{74}

The Standing Committee has also approved an amendment to Rule 26(c)(1)(B) that will clarify district courts’ authority to depart from the usual rule that the producing party bears the costs of production and to enter a protective order allocating the expenses of discovery among the parties.\textsuperscript{75} These rule changes will accomplish the same objectives as the proposed patent reform legislation—ensuring that discovery expenses are reasonable in light of the stakes of the case and that the appropriate party bears the cost of discovery—making that legislation unnecessary.

Moreover, the legislative proposals are substantively flawed because, like the proposals to impose a heightened pleading standard, they invite unnecessary litigation. Rather than granting the court discretion to shift costs or to limit discovery based on the circumstances of the case, as the amended rules will, bills such as the Patent Abuse Reduction Act would encourage satellite litigation about which documents constitute “core documentary evidence,” which do not, and whether the parties may seek discovery of non-core evidence. Of course, the proposal to add a proportionality requirement to Rule 26(b)(1) and to encourage cost-shifting under Rule 26(c)(1)(B) also threatens additional litigation at the discovery stage. But bills such as the Patent Abuse Reduction Act would do little more than add yet another, duplicative layer of litigation in patent cases.

The impetus behind legislative proposals to limit discovery to matters relevant to claim construction until the judge issues a claim construction order is understandable, particularly in cases pursued by NPEs. The claim construction order might definitively resolve the issue of infringement (or, in fewer cases, validity) in the defendant’s favor, so barring broader discovery until claim construction is resolved would result in cost savings in those cases. In cases where claim construction does not resolve the case, however, legislatively mandated phased discovery would prolong litigation, not speed it up.\textsuperscript{76}

Moreover, existing law provides district judges with several tools to shape a rational discovery process. Many patent local rules, for example, already provide for what resembles phased discovery, requiring parties to complete

\textsuperscript{74} Id. Although the proportionality requirement will be a new addition to the Rules, most of these factors are included in current Rule 26(b)(2)(C)(iii), which empowers the court to limit discovery in certain circumstances.

\textsuperscript{75} Id. at 13-14; see also RULES COMMITTEE PRELIMINARY DRAFT, supra note 55, at 266 (pointing out that the authority “to enter a protective order that allocates the expenses of discovery . . . is implicit in present Rule 26(c), and is being exercised with increasing frequency”).

discovery on claim construction very early in the case. The Northern District of California, for instance, requires the parties to complete claim construction discovery within ninety days of the defendant’s service of its invalidity contentions, which, under the rules, must occur about two months after the initial case management conference.77 Furthermore, district judges have wide discretion under the Federal Rules of Civil Procedure to “make whatever order[s] about sequence and timing of discovery the necessities of a case require[].”78 Matters of the sequence and timing of discovery must be discussed at the initial case management conference required by Rule 26(f) and be addressed in the scheduling order required by Rule 16.79 Moreover, Rule 26(c) empowers the court to enter a protective order “specifying terms, including time and place, for . . . discovery.”80 All of these provisions grant a district judge the discretion to require phased discovery in appropriate cases, such as those in which it seems likely that claim construction will resolve many or all of the disputed issues.81

C. Fee Shifting

As noted, courts hearing patent disputes already have the power under the Patent Act to award attorneys’ fees in exceptional cases. Unfortunately, for many years the Federal Circuit made it nearly impossible for prevailing defendants to recover fees, requiring a defendant to prove both that the plaintiff filed its lawsuit in “subjective bad faith” and that the lawsuit was “objectively baseless.”82 In 2014, however, the Supreme Court abrogated the Federal Circuit’s two-element test and enhanced the discretion of district courts to award fees. In Octane Fitness, LLC v. ICON Health & Fitness, Inc.,83 the Court held that “an ‘exceptional’ case” in which attorneys’ fees may be awarded under the Patent Act “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”84 In a companion case, the Court made clear that because the “exceptional case” determination is to be made “‘in the case-by-case exercise of . . . discretion, considering the totality of the circumstances,’”

77 See N.D. CAL. LOCAL R. 3-2, 3-3, 4-3, 4-4.
79 Id.
80 FED. R. CIV. P. 26(c)(1)(B).
81 Cf. H.R. REP. No. 113-279, at 110 (2013) (dissenting views) (criticizing the Innovation Act because its “limitations on discovery ignore the role of the courts in setting proper discovery time lines”).
84 Id. at 1756.
it is reviewed on appeal only for abuse of discretion.\textsuperscript{85}

This judicial change in the law renders legislative fee-shifting proposals unnecessary. In \textit{Octane Fitness}, the Supreme Court instructed district courts, when making the exceptional case determination, to consider factors such as “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.”\textsuperscript{86} The Court’s discretionary standard for awarding fees, coupled with this “nonexclusive” list of factors,\textsuperscript{87} is a more thorough version of the legislative fee-shifting proposals, such as the one included in the Innovation Act, which provide that fees shall be awarded unless the losing party’s position was “reasonably justified in law and fact” or “special circumstances” make an award unjust.\textsuperscript{88} The \textit{Octane Fitness} standard has already caused changes in courts’ fee-awarding practices. At least one court that had denied a motion for attorneys’ fees before the Supreme Court’s decision changed course and decided to award fees in the very same case.\textsuperscript{89}

Although the \textit{Octane Fitness} standard is substantively similar to the legislative proposals, it also marks a less dramatic change in the process of fee litigation. Under \textit{Octane Fitness}, the burden of proving entitlement to fees remains, as it has long been, on the party seeking them.\textsuperscript{90} Proposals such as the Innovation Act, by contrast, \textit{presume} that an award of fees is warranted, which seems to place on the losing party the burden of proving that fees are \textit{not} justified. As with heightened pleading requirements, it seems misguided to effect such a dramatic change in \textit{all} patent cases when the concern is about weak claims often brought by patent trolls. District courts are capable of applying \textit{Octane Fitness} in a nuanced way to punish plaintiffs who advance dubious claims of patent infringement while also protecting patent holders’


\textsuperscript{86} \textit{Octane Fitness}, 134 S. Ct. at 1756 n.6 (quoting Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 n.19 (1994)) (internal quotation marks omitted).

\textsuperscript{87} Id.

\textsuperscript{88} Innovation Act, H.R. 3309, 113th Cong. § 3(b) (2013).

\textsuperscript{89} See Kilopass Tech., Inc. v. Sidense Corp., No. 10-02066, slip op. at 12-13 (N.D. Cal. Aug. 12, 2014). While \textit{Octane Fitness} was pending at the Supreme Court, the Federal Circuit had vacated the district court’s initial denial of fees, issuing an opinion that retreated from the now-abrogated two-element test. See Kilopass Tech., Inc. v. Sidense Corp., 738 F.3d 1302, 1314 (Fed. Cir. 2013) (“[T]he subjective bad faith requirement is not the obstacle to fee shifting that the district court in this case appears to have believed. . . . Objective baselessness alone can create a sufficient inference of bad faith to establish exceptionality under § 285. . . .”).

abilities to pursue plausible but ultimately unsuccessful cases. Also, a presumption in favor of awarding fees could have the unintended consequence of encouraging fee applications—and fee litigation—in every patent case, whereas the Octane Fitness standard, grounded in the language of the existing fee-shifting statute, makes clear that cases warranting a fee award are “exceptional,” not ordinary.

D. Suits Against End Users

Proposals to shift attorneys’ fees in patent cases might also fail to achieve one of their primary goals—incentivizing defendants to fight nuisance-value suits—because the injuries suffered by a firm that successfully defends an infringement case are not limited to the amount it spends on attorneys.91 When the firm diverts resources to litigation, it might forgo opportunities for growth or scale back production.92 In addition, a company’s stock price might fall when it is sued for infringement, resulting in lost wealth for the firm and its owners.93 Those costs are not recoverable even in a loser-pays regime. An expanded customer suit exception, however, could help some defendants avoid those costs. By allowing end users to duck litigation altogether, patent holders would no longer be able to induce cost-of-defense settlements. Rather, the manufacturer, who is more motivated and better situated to fight infringement claims, can litigate the case on its own, sparing its customers the expense of litigation and potentially invalidating the weak or indefinite patents often asserted against end users.

This is not, however, necessarily an argument in favor of Congress passing a statute articulating a customer suit exception to the usual rule that the first-filed case takes priority. As Brian Love and James Yoon have recently discussed, a judicially created customer suit exception already exists.94 The problem is that the Federal Circuit has sometimes suggested that the exception can be invoked only when resolution of the suit against the manufacturer “would be dispositive” of the suit against the customer.95 Thus, as Love and Yoon observe, courts may deny a stay when customers are accused of infringing a


95 See Katz v. Siegler, 909 F.2d 1459, 1463 (Fed. Cir. 1990). But see infra notes 105-106 and accompanying text (discussing subsequent case law taking a broader view of the exception).
patented method for using a manufacturer’s product,\textsuperscript{96} such as the patents asserted by the notorious troll MPHJ Technology Investments, which supposedly cover a method of scanning documents to send via e-mail.\textsuperscript{97} Likewise, courts may deny a stay if the customer obtains the allegedly infringing products from multiple sources,\textsuperscript{98} which is often the case with high-tech products comprised of components sourced from multiple vendors. Courts have applied the exception narrowly, Love and Yoon explain, because the Federal Circuit has insisted that the “guiding principles” in applying the customer suit exception are “efficiency and judicial economy,” which may not be significantly advanced if the suit involving the manufacturer does not fully resolve the suit that is already pending against the customer.\textsuperscript{99}

Thus, Love and Yoon argue that courts should apply the customer suit exception in any case in which the infringement allegations are “primarily directed” at the manufacturer’s technology and only “nominally directed” at any technology added by its customers.\textsuperscript{100} They also suggest broadening the considerations of judicial economy that can justify a stay, arguing that instead of focusing on whether applying the exception will more efficiently resolve cases that have already been filed, courts should also consider whether a stay would reduce future case filings, simplify discovery, or deter other patent holders from pursuing end users rather than a solvent manufacturer.\textsuperscript{101}

Expanding the customer suit exception makes good sense. The exception directly addresses the troubling tactic of targeting unsuspecting and sometimes unsophisticated end users. It would also reduce nuisance-value settlements because manufacturers, as opposed to customers, have a greater incentive to fight infringement claims. Importantly, legislation may prove unnecessary, as a trend toward a reinvigorated customer suit exception may be emerging from the case law. To be sure, several recent district court decisions, particularly from the Eastern District of Texas, have applied a rigid version of the exception to reject motions to stay filed by manufacturers.\textsuperscript{102} But at least one

\textsuperscript{96} See Love & Yoon, supra note 94, at 1618 (citing JoeScan, Inc. v. LMI Techs., Inc., No. 07-5323, 2007 WL 2572296, at *2-3 (W.D. Wash. Sept. 5, 2007)).


\textsuperscript{98} See Love & Yoon, supra note 94, at 1618-19 (citing Emerson Elec. Co. v. Black & Decker Mfg. Co., 606 F.2d 234, 241 (8th Cir. 1979)).

\textsuperscript{99} Id. at 1617-18 (citing Tegic Commc’ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys., 458 F.3d 1335, 1343 (Fed. Cir. 2006)).

\textsuperscript{100} See id. at 1637.

\textsuperscript{101} See id. at 1638-39.

\textsuperscript{102} See, e.g., Contentguard Holdings, Inc. v. Google, Inc., No. 2:14-cv-00061, 2014 WL 1477670, at *3 (E.D. Tex. Apr. 15, 2014) (rejecting Google’s motion to stay an infringement suit against companies that incorporate Google’s software into handheld devices, holding that “resolution of Google’s declaratory judgment action would not be
district court has explicitly rejected the notion that the suit against the manufacturer must be dispositive of the suit against the customer to justify a stay, finding it sufficient that the suit against the manufacturer would “greatly simplify” the customer suit.\textsuperscript{103} Likewise, another district court recently granted a stay of a suit against the users of software developed and sold by Adobe Systems, noting that it was “not persuaded that a stay would be warranted only if Adobe supplied 100\% of the infringing technology.”\textsuperscript{104} Most significantly, the Federal Circuit itself has clarified that “the manufacturer’s case need only have the potential to resolve the ‘major issues’ concerning the claims against the customer—not every issue—in order to justify a stay of the customer suits.”\textsuperscript{105} In a recent decision, the Federal Circuit issued a writ of mandamus ordering that five infringement suits against customers of Google be stayed in favor of Google’s later-filed declaratory judgment action, emphasizing that there would be “substantial similarity involving the infringement and invalidity issues in all the suits.”\textsuperscript{106} Thus, the Federal Circuit may be on its way toward embracing a more liberal view of the customer suit exception. As discussed next, such a judicial response to a legislative proposal would not be unprecedented.

\section*{III. Institutional Analysis and Patent Litigation Reform}

This Essay has thus far suggested that the courts and the Judicial Conference are well-positioned to make meaningful, nuanced changes to the law governing patent litigation. The proposals offered by Congress, meanwhile, are at best unnecessary and at worst reflect the animus toward all types of litigation that has animated most legislative efforts at litigation reform since the 1980s.\textsuperscript{107} But there are also broader lessons to be learned from this analysis. Specifically, by considering the institutional dynamics surrounding current efforts to reform patent litigation in light of the dynamics that manifested before the passage of

\begin{footnotesize}
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\item Spread Spectrum Screening, 657 F.3d at 1358 (quoting Katz v. Lear Siegler, Inc., 909 F.2d 1459, 1464 (Fed. Cir. 1990)).
\item See generally Burbank & Farhang, supra note 21, at 1551-68.
\end{itemize}
\end{footnotesize}
the America Invents Act (“AIA”) in 2011, we can better understand how changes in patent law actually occur and construct a normative agenda for allocating law reform tasks among various institutions.

Legislative proposals preceding the AIA addressed many divisive issues relevant to patent litigation, similar to the way the current proposals have attracted the ire of trial lawyers, research universities, and pharmaceutical and biotechnology companies. For instance, in response to concerns about supposedly plaintiff-friendly district courts (such as the Eastern District of Texas) attracting too many patent cases, bills introduced in 2005 and 2006 would have restricted a plaintiff’s choice of venue in patent cases and would have made it easier for a defendant to have a patent case transferred to a more convenient forum. Likewise, several legislative proposals would have overturned the Federal Circuit’s deferential approach to damage awards in patent cases by limiting reasonable royalty damages to the “economic value properly attributable to the patent’s specific contribution over the prior art.” Not surprisingly, these proposals were vehemently opposed by those who are frequently plaintiffs in patent cases.

As the legislation stalled, the Federal Circuit reformed venue and damages law on its own. In 2008, the court for the first time ever issued a writ of mandamus overturning a district court decision denying a motion to transfer venue. In that decision, which came in a case originating in the Eastern District of Texas, the Federal Circuit emphasized that the district court had given too much weight to the plaintiff’s choice of forum and had ignored important considerations of convenience. In the years that followed, the Federal Circuit actively supervised decisions by the Eastern District of Texas on transfer of venue. From 2008 through mid-2012, the Federal Circuit granted

108 See supra note 15 and accompanying text.
109 See Amendment in the Nature of a Substitute to H.R. 2795, the “Patent Act of 2005”: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary, 109th Cong. 61 (Sept. 15, 2005). In patent cases, venue is typically proper in any district in which the defendant is subject to personal jurisdiction, see VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1584 (Fed. Cir. 1990), but the Act would have limited venue to districts in which the defendant has its principal place of business or in which acts of infringement occurred and the defendant has an established place of business.
113 In re TS Tech USA Corp., 551 F.3d 1315, 1323 (Fed. Cir. 2008).
114 Id. at 1320.
ten out of twenty mandamus petitions seeking transfer out of the Eastern District. Likewise, in 2009 through 2011, the Federal Circuit issued a series of decisions “revamp[ing] the law of damages in patent cases.” For instance, the court conducted a close review of the facts supporting a jury’s royalty calculation, overturning a nearly $358 million award against Microsoft as unsupported by the evidence. The court also rejected the notorious “25 percent rule of thumb” as a starting point for the hypothetical negotiation used to calculate a reasonable royalty.

By introducing legislation on matters such as venue and damages, members of Congress arguably “catalyzed” the courts into reforming those areas of law when legislation was not politically feasible. The courts’ reforms enabled Congress to remove those contentious issues from the legislative agenda, focused Congress on areas of law that courts are not capable of changing (such as expanding post-issuance review procedures at the PTO), and in turn allowed the AIA to conquer the interest group dynamics that had flustered early efforts at patent reform.

That process may now be in the early stages of repeating itself. Congress has again identified several contentious areas of patent law for reform, including pleading, discovery, attorneys’ fees, and customer suits. Those legislative proposals, however, have been blocked by interest groups worried about patent law becoming too favorable to defendants. In the meantime, other institutions are changing the law in those areas. The Supreme Court has enhanced courts’ discretion to award attorneys’ fees, the Federal Circuit may soon expand the customer suit exception, and, although not directly catalyzed by Congress, changes to the Federal Rules of Civil Procedure will soon negate the need for legislation on the issues of pleading and discovery. It remains to be seen whether other bodies’ engagement with these contentious issues will enable Congress to pass legislation that is narrowly tailored to fix discrete

115 See Paul R. Gugliuzza, The New Federal Circuit Mandamus, 45 IND. L. REV. 343, 346 (2012). By contrast, over that same period, the court granted only one petition seeking to transfer a case out of any other district. See id. (citing In re Link_A_Media Devices Corp., 662 F.3d 1221 (Fed. Cir. 2011) (per curiam), a case originating in the District of Delaware).

116 Anderson, supra note 20, at 1000.


118 Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1315 (Fed. Cir. 2011).

119 See Anderson, supra note 20, at 1006-07. For an analysis tracing a similar theme through broader efforts at litigation reform, see Burbank & Farhang, supra note 21, at 1545, which argues that, since the 1970s, the courts have been more successful than Congress at effecting reform because “the [Supreme] Court is governed by a more streamlined decisional process that allows bare majorities to prevail on contentious issues” and because the courts are insulated from concerns about re-election and from the “interest group mobilization . . . triggered” by legislative proposals.

problems with the patent system.

The fundamental flaw in the current patent system is by many accounts a proliferation of vague, mostly software-related patents of dubious validity.\textsuperscript{121} Is Congress capable of tackling that problem? Although members of Congress have shown enthusiasm for improving the PTO’s output, some proposals miss the mark. For instance, opponents of the litigation reforms contained in the Innovation Act insisted that the bill failed to respond to “the single most important problem facing our patent system today”: the diversion of fees collected by the PTO for other government purposes, which supposedly hinders the PTO’s ability to conduct prompt, high-quality examinations.\textsuperscript{122} Yet it is not clear how hiring one thousand new, inexperienced examiners, as the PTO apparently would have done without fee diversion,\textsuperscript{123} would noticeably improve patent quality.

Moreover, the courts may be in the process of solving the patent-quality problem, too. In 2014, the Supreme Court issued an opinion limiting the patent eligibility of computer software,\textsuperscript{124} and, in the wake of that decision, lower federal courts have been invalidating software patents with remarkable frequency.\textsuperscript{125} A recent decision of the Federal Circuit affirmed a district court’s invalidation of a software patent on a motion to dismiss for failure to state a claim,\textsuperscript{126} suggesting that, despite the minimal pleading burden imposed on patent infringement plaintiffs by current law,\textsuperscript{127} the courts are capable of leveraging existing procedures to effect reform.

To complement the legal changes emerging from judicial decisions, Congress should focus on areas in which it is singularly capable of achieving reform. For instance, Congress might expand and make permanent the “covered business method” (“CBM”) review program created by the AIA.\textsuperscript{128} That program permits an alleged infringer to seek PTO review of certain business method patents at any time during the patent’s term based on any invalidity argument.\textsuperscript{129} But the program ends in 2020 and, although the PTO has interpreted the class of patents eligible for CBM review broadly,\textsuperscript{130} the

\textsuperscript{121} See Bessen & Meurer, supra note 1, at 18-19.


\textsuperscript{123} See id.

\textsuperscript{124} Alice Corp. v. CLS Bank Int’l, 134 S. Ct. 2347, 2352 (2014).

\textsuperscript{125} See Timothy B. Lee, Software Patents are Crumbling, Thanks to the Supreme Court, Vox.com (Sept. 12, 2014), http://www.vox.com/2014/9/12/6138483/software-patents-are-crumbling-thanks-to-the-supreme-court, archived at http://perma.cc/7UAM-7BL7 (collecting cases).

\textsuperscript{126} Ultramercial, Inc. v. Hulu, LLC, 772 F.3d 709, 712 (Fed. Cir. 2014).

\textsuperscript{127} See infra Part I.A.


\textsuperscript{129} See id. § 18(a).

program is—under the language of the AIA—currently available only for patents related to financial services. If the ultimate goal is to eliminate bad patents, post-issuance review programs can offer a forum for reviewing validity that is less expensive than litigating a case in federal court. Moreover, as a matter of institutional capability, expanding the PTO’s post-issuance review authority is reform that only Congress can enact, so it is a worthy focus of legislative energy.

CONCLUSION

For better or worse, patent reform is now a permanent staple of Congress’s agenda. As I have argued, several common proposals for reforming patent litigation are unwise, unnecessary, and address issues that are better left to the courts and rulemakers. But that does not mean Congress has no role to play in patent reform. Rather, Congress’s expression of interest in issues such as pleadings, discovery, fee shifting, and customer suits can encourage courts and other institutions to take a close look at those areas and make nuanced changes in the law. As those other institutions diffuse the political controversies that have stalled the first round of legislative proposals, Congress will be able to—and should—focus on areas of patent law where it is uniquely able to effect reform.

131 See America Invents Act § 18(d) (limiting CBM review to patents “used in the practice, administration, or management of a financial product or service”).

132 Two bills introduced in the 113th Congress would have made the covered business method review program permanent and expanded it to cover all business method patents. See Patent Quality Improvement Act of 2013, S. 866, 113th Cong. § 2; Stopping the Offensive Use of Patents Act, H.R. 2766, 113th Cong. § 2 (2013). For a contrary view on the desirability of the AIA’s expanded post-issuance review mechanisms, see Gregory Dolin, Dubious Patent Reform, 56 B.C. L. REV. (forthcoming 2015) (manuscript at 6-7), available at http://ssrn.com/abstract=2488220 (arguing that these new review mechanisms impose costs on the public and on patent owners that outweigh the benefits of invalidating questionable patents).