



# IP Literature Watch

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Associates

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This newsletter contains an overview of recent publications concerning intellectual property issues. The abstracts included below are as written by the author(s) and are unedited.

## IP & Antitrust

### **Patents, antitrust, and the rule of reason**

Herbert J. Hovenkamp (University of Iowa – College of Law)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2490677](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2490677)

Antitrust law has historically immunized many patent agreements if they fell within the “scope of the patent.” Three dissenting Justices in the Actavis case advocated this test: a pharmaceutical pay-for-delay settlement falls within the scope of the patent if it delays a competitor’s entry no longer than the remaining life of the patent. In that case the patentee will not be obtaining any more than it would from a valid patent -- namely, the right to exclude infringers for the full patent term.

The “scope of the patent” test is not useful for defining the boundaries of antitrust immunity in most cases, however, including Actavis itself. One problem is that it forces judges to assess patent validity in cases where such assessments are costly, indeterminate, and unnecessary. It also leads to different results when the patentee is vertically integrated and when it is not.

A pervasive problem of the scope of the patent test is that it confuses patent value with product value. For example, both product price fixing and product market division agreements contained in patent licenses have been found to fall within the scope of the patent. If the price fix or market division lasts no longer than the duration of the patent, then it is no more harmful to customers than a patentee’s simple solo production under its patent.

Recognizing this, several courts have concluded that product price fixes should be unlawful under the antitrust laws only if the patents involved are very likely invalid, making the patent license nothing more than a cover for collusion. The important question is not patent validity, however, but rather patent value. Many perfectly valid patents have little value because they add little to a licensee’s technology, or alternative patents or technological routes exist that serve the same purpose. Further, this phenomenon

is ubiquitous. Cartel markups in industries prone to collusion run in the range of 20% to 40% over the pre-cartel price. By contrast, average royalty rates on licensed patents average around 3%, and this value is much greater than that of the great majority of patents, which are never licensed. The real problem of product restraints in patent licenses is that they are attempts to attribute the full cartel markup to the patents being licensed. Only a tiny percentage of patents do anything like that.

Pay-for-delay settlements of pharmaceutical patents raise similar issues, permitting the parties to capture the full cartel value of the market rather than the value that the patent, if licensed, would produce. In such settlements the parties bargain along two vectors: the generic entry date and the size of the payment from the pioneer to the generic. The entry date establishes the size of the monopoly pie, and the size of the payment represents how the pie is to be divided up. Being able to bargain along these two vectors simultaneously enables the parties to select an entry date as remote as the antitrust authorities will accept, maximizing overall gains, and then bargain over the size of the payment in order to resolve issues about patent validity, risk aversion, and anticipated litigation costs. The parties have no significant adversity on the question of entry date: the longer the delay the better, provided that they keep it short of patent expiration. Indeed, under the “scope of the patent” test that the Actavis dissenters urged, the equilibrium entry date would be just prior to the patent expiration date. Consumers would be heavy losers, particularly if the patent is relatively weak.

A better rule for identifying the boundaries of antitrust liability than the “scope of the patent” formulation permits antitrust intervention in the case of post-issuance patent conduct that is not explicitly authorized by the Patent Act. Of course, only a relatively small proportion of such conduct will actually violate the antitrust laws. With immunity off the table, assessing the competitive and innovation effects of challenged practices involves questions of antitrust law, not of patent law. Outside of damages measurement, patent law has no tool kit for assessing either the market or even the innovation effects of a particular practice.

While that criticism may seem harsh, the reality is that patent law has developed in relative isolation from any significant inquiry into how patents function in the marketplace. The result gives antitrust policy a comparative advantage, not only for assessing competition effects but ironically, even for assessing innovation effects.

### **Standard essential patents, trolls and the smartphone wars: triangulating the end game**

Daryl Lim (The John Marshall Law School)

*Penn State Law Review*, Vol. 119, 2014

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2495547](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2495547)

Few legal issues in recent years have captured the public’s attention more powerfully than litigation over standard essential patents (“SEPs”). This Article explains how SEP litigation overlaps with two other major centers of patent litigation – litigation involving smartphones and patent assertion entities (“PAEs”). It observes that attempting to pre-empt patent hold-ups by imposing blanket ex ante disclosure obligations and royalty caps on standard setting organizations (“SSOs”) is misdirected and counterproductive. Instead, the solution lies in clear and balanced rules to determine “fair, reasonable and non-discriminatory” (FRAND) royalties and injunctive relief. This solution will help parties make more realistic assessments of their options and help adjudicators resolve SEP disputes.

Correctly framed, implementers bear the burden of proving the breach of a FRAND commitment. FRAND royalties should, in the absence of comparable licenses, focus on apportioning the profits based on the relative importance of the patented technology in the covered product. Royalties should be measured at

the time the standard is set but generally should not be discounted for the possibility of invalidity and non-infringement. Discriminatory licenses can be hard to detect, but targeted initiatives and improved transparency would make the task easier. Injunctions should be granted based the wording and intent of the relevant FRAND commitment, conduct of the parties, and proof that the technology drove the sales of the component or product on which the relief is sought. More broadly, courts must understand both the limits and opportunities of the antitrust and patent laws. While useful in arresting ex ante misconduct, antitrust is largely irrelevant to SEP litigation; patent law has a role in both improving patent quality and deterring vexatious litigation.

### **Smart phone litigation and standard essential patents**

Kirti Gupta (Qualcomm, Inc.)

Mark Snyder (Qualcomm, Inc.)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2492331](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2492331)

The recent sensationalizing of litigation in the smart phone industry has fostered several concerns, in particular those relating directly to the so-called standard essential patents (SEPs). It has been argued that the smart phone industry has seen a dramatic rise in litigation, driven by SEPs whose owners can cause potential “patent hold-up” of downstream manufacturing firms implementing the standards via the threat of seeking an injunction in courts for their patent rights. Yet, no clear evidence has been offered by the literature regarding any systematic effects of these so-called SEPs on litigation, disputes, or market outcomes. This study explores novel empirical evidence by creating and examining a unique data-set on recent litigation in the smart phone industry to inform the debate on the smart phone wars by understanding how they relate to SEPs and other relevant industry factors. We find that the litigation in the smart phone industry is primarily driven by patents that are not related to the standards, i.e., on implementation or design specific features of mobile devices. Moreover, litigation outcomes are driven by patent quality rather than the type of patents (SEPs or not). Finally, the recent explosion in smart phone litigation may be explained by a disruption in the mobile wireless ecosystem due to new and large industry entrants, and this litigation trend may be on a decline. These findings suggest that in the realm of smart phone wars, the focus specifically on SEPs needs to be revisited, the litigation outcomes are based on the quality of litigated patents, and that recent litigation activity in this industry may be explained by industry dynamics rather than related to patents. Concerns about SEPs and smart phone litigation need to be examined empirically prior to proposing policy measures.

## **IP & Innovation**

### **Academic patent licenses: roadblocks or signposts for nonlicensee cumulative innovation?**

Kyriakos Drivas (University of Piraeus)

Zhen Lei (Pennsylvania State University)

Brian D. Wright (University of California, Berkeley)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2489231](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2489231)

Academic inventions are key drivers of technical progress in modern economies, and exclusive licensing has become the dominant means of transfer to the private sector. However, the strong licensee incentives generated by exclusive academic licensing are generally assumed to come at the expense of

discouragement or diversion of research by nonlicensees. In a first test of this highly intuitive assumption, using data from university campuses and national research laboratories, we find that after exclusive licensing forward citations by private sector nonlicensees actually increase. An unanticipated exclusive license appears to be a signpost pointing out commercially relevant innovation pathways that nonlicensees follow with successful patented research. Tests using pre-license information disclosures support this signaling hypothesis.

### **How patents provide the foundation of the market for inventions**

Daniel F. Spulber (Northwestern University – Kellogg School of Management)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2487564](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2487564)

The paper develops a comprehensive framework demonstrating how patents provide the foundation of the market for inventions. Patents support the establishment of the market in several key ways. First, patents provide a system of intellectual property (IP) rights that increases transaction efficiencies and stimulates competition by offering exclusion, transferability, disclosure, certification, standardization, and divisibility. Second, patents provide efficient incentives for invention, innovation, and investment in complementary assets so that the market for inventions is a market for innovative control. Third, patents as intangible real assets promote the financing of invention and innovation. The market foundation role of patents refutes the economically incorrect “rewards” view of patents. The discussion considers how economic benefits of the market for inventions should guide IP policy and antitrust policy.

## **IP Law & Policy**

### **Digital patent infringement in an era of 3D printing**

Timothy R. Holbrook (Emory University School of Law)

Lucas Osborn (Campbell University Law School)

*UC Davis Law Review, Forthcoming*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2483550](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2483550)

The digital revolution has now moved beyond music and video files. A person can now translate three-dimensional objects into digital files and, at the press of a button, recreate those items via a 3D printer or similar device. Just as digitization placed pressure on the copyright system, so will these digital computer-aided design (CAD) files stress the patent system. Patents directed to physical objects can now have their value appropriated — not by the transfer of physical embodiments — but by the making, selling, and transferring of CAD files designed to print the invention. We term this phenomenon digital patent infringement.

We explore the ways the patent system can respond to protect patent owners against the appropriation of their inventions via these digital files. First, we explore whether indirect infringement doctrines sufficiently protect patent holders against these CAD files. Given the nature of likely accused indirect infringers, we conclude, contrary to earlier literature, that these doctrines likely are not up to the task.

Second, we offer novel theories of direct “digital” patent infringement based on the CAD files alone. We consider whether offers to sell and sales of these files should constitute direct patent infringement. Because such commercial activity is an appropriation of the economic value of the patented invention, we believe the law should recognize such an infringement theory. Next, rejecting the prior assumptions of

the literature, we provocatively explore whether the CAD files alone should be viewed as infringement for making the patented device, given the de minimis effort it takes to create the item via a 3D printer or related device. As a technological matter, the line between digital and tangible has eroded to the point where one could view these files as infringement. As a legal and policy matter, however, such expansion of patent infringement liability could have significant chilling effects on other actors and incentives, giving us pause in extending liability in this context.

### **Sovereignty under siege: corporate challenges to domestic intellectual property decisions**

Cynthia M. Ho (Loyola University of Chicago School of Law)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2480202](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2480202)

Countries face a new threat that strikes at their ability to balance protection of intellectual property rights against other priorities, such as public health. They may have to pay substantial compensation to companies that dislike domestic intellectual property laws. This threat is much more significant than a landmark international agreement concluded twenty years ago in conjunction with the World Trade Organization (WTO) that for the first time required all countries to provide “minimum” levels of intellectual property rights; before that time, countries were not obligated to provide any such rights at all. Since the conclusion of the WTO, policy makers and scholars have strived to preserve domestic flexibilities to consider domestic policies such as public health. However, those flexibilities may quickly evaporate if companies can bring claims against countries for compromising their investments under so-called “investor-state arbitration” claims. This is not a theoretical problem – Eli Lilly is currently seeking \$500 million in compensation from Canada because Canadian courts invalidated two of its patents under prevailing law.

Although investor-state arbitration claims have been broadly criticized in recent years, there are unique issues associated with expanding this remedy to domestic actions consistent with the WTO agreement. If Eli Lilly’s claim were to succeed, it would disrupt internationally agreed norms that permit countries to have different standards of protection. This Article provides a detailed analysis of Eli Lilly’s case of first impression. In so doing, the Article offers both an explanation of why Eli Lilly’s claims should be rejected, as well as a prediction of other likely impending threats to domestic regulation of public health that intersect with the interests of pharmaceutical companies. This Article ultimately proposes specific language to incorporate in pending agreements to forestall the predicted harms.

### **Dubious patent reform**

Gregory Dolin (University of Baltimore – School of Law)

*Boston College Law Review, 2015, Forthcoming*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2488220](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2488220)

The 2011 America Invents Act sought to drastically improve the American patent system by creating new review processes for already issued patents. These processes were meant to reduce patent litigation costs and clear the field of “dubious patents” all the while increasing certainty in the existence and scope of patent rights. Though this was not the first attempt to achieve these goals, Congress failed to heed the lessons of past reforms or fully take into account the costs associated with these new post-issuance review mechanisms. The result was a set of dubious reforms. This Article marshals empirical data and case-study based evidence to show that the newly created system is open to abuse, that such abuse in fact occurs, and that the costs that Congress ignored are indeed substantial.

### **Administrating patent litigation**

Jacob S. Sherkow (New York Law School)

*Washington Law Review*, Vol. 90, 2015, Forthcoming

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2486987](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2486987)

Recent patent litigation reform efforts have focused on every branch of government — Congress, the President, and the federal courts — save the fourth: administrative agencies. Agencies, however, possess a variety of functions in patent litigation: they serve as “gatekeepers” to litigation in federal court; they provide scientific and technical expertise to patent disputes; they review patent litigation to fulfill their own mandates; and they serve, in several instances, as entirely alternative fora to federal litigation. Understanding administrative agencies’ functions in managing or directing, i.e., “administrating,” patent litigation sheds both descriptive and normative insight on several aspects of patent reform. These include several problems inherent in patent litigation, generally, and ways of fixing them that focus less on the identities or characteristics of litigants and more on agencies’ (and courts’) institutional incentives. This Article synoptically describes the functions of administrative agencies in patent litigation, elucidates several problems with agencies’ operation of those functions, and provides several cheap, easy, and politically viable solutions to better administrating patent litigation.

### **A relevant intent theory of patents**

Saurabh Vishnubhakat (Duke University – School of Law)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2492200](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2492200)

This article challenges the axiom of U.S. patent law that direct patent infringement is a strict liability tort. Even among critics of the strict liability conception in certain patent contexts, the consensus view of direct infringement remains that impermissibly practicing a patented invention creates liability without regard for the infringer’s intent to infringe the patent or even for her knowledge of the patent, and that this is a form of strict liability. This strict liability view disregards the wrong intent because torts at every level of purposive action create liability based on an intent to perform an act that the law deems tortious, not on an intent to commit a tort. The patent statute also supports such a distinction. However, patent infringement jurisprudence does not proceed from a true strict liability premise and, in fact, takes little positive or negative account of the relevant intent of an alleged infringer. This article fills that gap with a framework that applies well-understood tort principles to patents based on a theory of relevant intent. The proposed framework offers a powerful new policy lever in the current debate about the notice function of patents and about the effects of patent assertion on static and dynamic efficiency in the U.S. patent system.

### **Economic theory, divided infringement and enforcing interactive patents**

W. Keith Robinson (Southern Methodist University – Dedman School of Law)

*Florida Law Review*, 2015

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2489430](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2489430)

High tech companies – especially in the emerging areas of the Internet of Things, wearable devices, and personalized medicine – have found it difficult to enforce their patents on interactive technologies. This is especially true when multiple parties combine to perform all of the steps of a claimed method. This problem is referred to as joint or divided infringement, and some commentators advocate that “interactive” patents susceptible to divided infringement should not be enforced.

In contrast, this article argues that economic theory supports the enforcement of interactive patents. Previous papers have analyzed divided infringement problems from a doctrinal and policy perspective. This article is the first to analyze divided infringement from an economic perspective, using three prevalent economic theories of the patent system.

Uniquely, all three prevalent economic theories of the patent system – (1) reward theory, (2) prospect theory, and (3) rent dissipation theory – support the enforcement of interactive patents. Reward theory is consistent with enforcing the rights of interactive patents so long as the patent system balances the social cost with the social benefit of interactive technologies. Prospect theory recommends enforcing interactive patents where it would promote an inventor’s ability to commercialize her invention free from direct competition. Finally, rent dissipation theory suggests enforcing interactive patents if it will effectively reduce the dissipation of patent rents.

Viewing interactive patent enforcement through the lens of these economic theories reveals how doctrinal tests for divided infringement may align with the economic goals of the patent system. Although it is likely that the doctrinal test for divided infringement will continue to evolve, start-ups and disruptive, hi-tech companies who own interactive patents should find some guidance in the notion that the economic underpinnings of the patent system support enforcement of their interactive inventions.

### **Patent exhaustion for the exhausted defendant: should parties be able to contract around exhaustion in settling patent litigation?**

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*Journal of Law, Technology and Policy*, Vol. 2014, No. 2, 2014, Forthcoming  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2491830](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2491830)

The first sale doctrine provides that when a patent holder unconditionally authorizes another party to sell a patented item, the patent holder’s right to exclude with respect to the patented item is “exhausted.” The licensee can then sell the patented item to a third party — a downstream purchaser — and the patent holder will not be able to sue the third party for patent infringement based on the resale or other use of that item. A principal animating policy behind the exhaustion doctrine is to prevent patent-holders from receiving overcompensation for their patented inventions by, for example, aggregating royalties along multiple points in the production and distribution chain.

Patent-holders settling infringement litigation often seek to draft a license agreement that precludes application of the exhaustion doctrine, so that they may continue to pursue licensed products downstream. Such provisions are likely ineffective if drafted as post-sale restrictions on what downstream purchasers may do with their patented products. However, it is possible to contract around exhaustion by limiting the scope of the authorized sale (a “pre-sale restriction”) or through other clever licensing devices that are described in this paper.

But should such provisions be enforceable? The prevailing view in the academic literature argues from a law and economics perspective that it is economically efficient to allow patent holders to license their patents at multiple points along the production chain, and that the free market will curb patent holders’ ability to receive double-recovery.

This article counters the law and economics literature to argue that such provisions should not be enforced if they are brokered as part of a litigation settlement. The litigation settlement context distorts the economic efficiencies allegedly created by contracting around exhaustion and can prevent free

market checks on double-recovery. The expense and risk of litigation, the threat of injunctions, and the pressure to settle can weigh heavily on the patent infringement defendant. The license fee that is negotiated may not be sufficiently discounted to account for the reservation of downstream rights preserved by the patent holder. This is particularly true in light of research in cognitive psychology indicating that litigants do not engage in economically rational behavior in making settlement decisions. Defendants will likely favor a lower settlement price in exchange for a provision contracting around exhaustion, and take the risk that litigation against downstream customers will be defeated or that indemnification can be avoided.

If there is a clear rule against contracting around exhaustion, the parties will set the license fee at a rate that gives the patent holder full compensation up front, and the defendant can simply pass along this extra cost to downstream purchasers. This efficiently avoids the costs of additional litigation against downstream purchasers.

### **Patent quality and a two-tiered patent system**

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Talia Bar (University of Connecticut)

*The Journal of Industrial Economics*, Vol. 62, Issue 3, pp. 503-540, 2014

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2490195](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2490195)

In this paper, we study the determinants of patent quality and volume of patent applications when inventors care about perceived patent quality. We analyze the effects of various policy reforms, specifically, a proposal to establish a two-tiered patent system. In the two-tiered system, applicants can choose between a regular patent and a more costly, possibly more thoroughly examined, 'gold-plate' patent. Introducing a second patent-tier can reduce patent applications, reduce the incidence of bad patents, and sometimes increase social welfare. The gold-plate tier attracts inventors with high ex-ante probability of validity, but not necessarily applicants with innovations of high economic value.

## **IP & Litigation**

### **A generation of patent litigation: outcomes and patent quality**

Michael Risch (Villanova University School of Law)

*San Diego Law Review*, 2015, Forthcoming

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2484947](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2484947)

This study compares twenty-five years of litigation and patents of the ten most litigious NPEs (as of 2009) with a random group of cases and patents in the same yearly proportions. All cases involving every patent was gathered, allowing the life cycle of each asserted patent to be studied. The data includes litigation data, patent data, reexaminations, and other relevant data. This paper considers outcomes and patent quality. A future paper will examine innovation and markets.

Unsurprisingly, the data shows that the studied NPE patents were found invalid and noninfringed more often than the comparable nonNPEs. But most cases never tested the patent at all: the invalidations were bunched into 3% of the cases. The remainder resulted in no final adjudication of validity on the merits. Thus, one's view of the data will depend on views of these untested cases and the merits of settlements. The paper presents data about settlements, consent judgments, defaults, and the like, but ultimately takes no position on the quality of untested patents.



More surprisingly, the analysis found the following:

1. NPE cases are of much shorter duration than nonNPE cases, even though they are transferred and consolidated more often. Even with transferred cases, NPE cases are shorter.
2. A patent's likelihood of being invalidated has almost nothing to do with objectively observable patent metrics – including reexamination data. Instead, the odds of invalidation are driven by those cases that are more likely to have a challenge, like the number of defendants or number of patents in the case. Once variables that indicate challenges are considered, a party's status as NPE added no explanatory power.
3. One patent metric was statistically significant in predicting invalidation: backward citations, or the number of prior patents that a patent refers to. But the sign was surprising: the more citations in the patent, the more likely it was found invalid. This may mean that backward citations are another selection variable – patents citing many other patents may be more likely to be highly controversial and thus challenged. This finding implies, however, that “gold plating” patents may not be as beneficial as first thought.

### **The inventive concept in *Alice Corp. v. CLS Bank Int'l*.**

Dan L. Burk (University of California, Irvine School of Law)

*46 IIC - Int'l Review of Intellectual Property & Competition Law, 2014, Forthcoming*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2485410](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2485410)

In its recent patentable subject matter opinion in *Alice Corp. v. CLS Bank Int'l*, the United States Supreme Court articulated a two-step patent eligibility test that hinges on the presence of an “inventive concept” in the patent claims. This short essay considers the connection between the “inventive concept” requirement in the *Alice Corp.* test and the requirement of an “inventive step” or non-obviousness requirement for patentability, by relating the Supreme Court's holding to similar decisions considering patentable subject matter under the European Patent Convention.

### **Court competition for patent cases**

Jonas Anderson (American University – Washington College of Law)

*University of Pennsylvania Law Review, Vol. 163, 2015, Forthcoming*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2491077](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2491077)

The traditional academic explanation for forum shopping is simple: litigants prefer to file cases in courts that offer some substantial advantage — either legal or procedural — over all other courts. But the traditional explanation fails to account for competition for litigants among courts. This Article suggests that forum shopping in patent law is driven in part by the creation of procedural and administrative distinctions among courts that are designed to attract, or in some cases to repel, patent litigants.

This Article makes two primary contributions to the literature, one theoretical and one normative. First, it theorizes that judicial competition for litigants is an inherent drawback in specialized adjudication, thus connecting the theoretical scholarship on specialized courts (primarily the literature on bankruptcy law's experience with court competition) with the abundant literature on forum shopping. Normatively, it proposes a solution to forum shopping in patent law: a national, randomized assignment procedure for patent cases. Aside from eliminating forum shopping, such an assignment system could also be designed to increase judicial expertise in patent cases and to incentivize courts to create procedural and administrative rules that result in the efficient adjudication of patent disputes.

## When nominal is reasonable: damages for the unpracticed patent

Oskar Liivak (Cornell Law School)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2488690](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2488690)

To obtain a substantial patent damage award via reasonable royalties, a patentee need not commercialize the patented invention; infringement is all that is needed. This surely incentivizes patenting but it disincentivizes innovation. Why commercialize yourself? The law allows you to wait for others to take the risks, and then you emerge later to lay claim to “in no event less than a reasonable” fraction of other people’s successes. Today, it is rational to be a patent troll rather than an innovator.

This troll enabling interpretation of reasonable royalties is wrong as a matter of patent policy and, surprisingly, it is also wrong as a matter of patent history and statutory interpretation. The creation of reasonable royalties by the courts in the nineteenth century did mark a significant change to patent damages but it was nowhere near as sweeping as today’s interpretation would suggest. Up to the mid-1800s, the existing routes to patent damages were stringent, available only to patentees who had already commercialized their patented invention. Courts developed reasonable royalties for budding innovators who were laying the groundwork for innovation but who could not yet satisfy the existing strict routes to patent damages. Those cases never extended reasonable royalties to those who simply sat on their patents waiting to extract payment from others. Starting in the 1970s, reasonable royalties came unmoored from that foundation. Infringement alone, without any commercialization efforts, now creates a presumption of compensable harm and the near guarantee of a substantial payout. Today’s view of reasonable royalties is unsupported by patent history and it in fact sits in tension if not outright conflict with binding Supreme Court cases. Properly understood, some efforts to commercialize are still a necessary element for substantial reasonable royalties. As a result, nominal damages are reasonable for infringement of an unpracticed patent.

## Copyright Law

### Copyright's technological interdependencies

Clark D. Asay (Brigham Young University – J. Reuben Clark Law School)

*18 Stanford Technology Law Review, 2014, Forthcoming*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2492349](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2492349)

In this Article, I offer a new critique of the founding theory behind copyright. At its inception, copyright was conceived of as an independent means by which to free creative parties from dependency upon public and private patrons such as kings, churches, and well-to-do private citizens. By achieving independence for creative parties, the theory runs, copyright leads to greater production of a more diverse set of creative works. But I argue that this lingering conception of copyright is both inaccurate and harmful. It is inaccurate because, in today’s world, creative parties are increasingly dependent upon technological patronage from the likes of Google, Amazon, Apple, and others. Thus, rather than being alternatives or adversaries, copyright and patronage are increasingly interdependent in facilitating both creative and innovative activity. The traditional conception of copyright is harmful because, by overemphasizing copyright’s role and capacity in spurring creative activity, it tends to polarize debates about how best to address key copyright questions.

Instead, I argue that we should conceive of copyright as an interdependent part of a broader creative system that facilitates both creative and innovative activity. I review several examples of how copyright and technology are dependent upon each other in so doing. I also highlight copyright and technology's interdependence by examining how technology companies are helping solve some of copyright law's most pressing issues. Overall, I argue that viewing copyright as an interdependent part of a broader creative and innovative system provides a better framework for assessing the role of copyright, its technological complements, and proposed solutions to issues that relate to both creative and innovative activities. I also argue that such interdependencies between copyright and technology suggest that copyright and patent law would be well served by making doctrinal adjustments that better reflect these interdependencies. Indeed, I suggest that the Constitutional provision authorizing intellectual property law supports such efforts.

## Other IP Topics

### **Narratives of gene patenting**

Jorge L. Contreras (University of Utah – S.J. Quinney College of Law)

*Working Paper*

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2485681](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2485681)

The debate over gene patenting in the United States has been ongoing for nearly three decades. It reached a climax in June 2013, with the Supreme Court's decision in *Assn. for Molecular Pathology v. Myriad Genetics*. The *Myriad* case was remarkable for many reasons, not least because it fostered the engagement of hundreds of scientists, physicians, patients, lawyers, activists and policy makers, each of whom expressed a view regarding the case and gene patenting, more generally. From this multitude of voices emerged six distinct narrative types that recounted the “facts” in the case. I have termed these the Science, Innovator, Administrative, Access, Dystopian and Congestion narratives. In this article, I trace the origins of each of the narrative types in *Myriad* from press accounts, published literature and the record in the case, including nearly one hundred separate amicus briefs filed at all stages of the litigation. I then assess how each narrative type influenced and became incorporated into the resulting judicial decisions. There is a strong correlation between the narrative types employed by a speaker and the normative case outcome desired by that speaker. This correlation occurs not only when the narrators are litigants or amici curiae, but also judges. This finding suggests that the judges issuing decisions in the case calibrated the narratives or “facts” expressed in their opinions to align best with the doctrinal outcomes that they desired.

The six narrative types that emerged in *Myriad* also constitute at least a partial taxonomy of narrative types within the broader realm of disputes involving new technology, scientific discovery and innovation. Thus, whether a dispute involves gene patenting, genetically modified organisms, nanotechnology or self-driving vehicles, it is likely that some or all of the narrative types in the *Myriad* case will make an appearance. However, the same narrative types in different technological settings do not always appear to support the same doctrinal outcomes. Thus, narrative type cannot be said to be determinative of case outcome without additional context provided by the narrator's perspective, audience and worldview.

## About the editor

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