PATENT DAMAGES: WORKING WITH LIMITS

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ABSTRACT

Debates over patent damages have frequently lain at the center of patent reform activity. These debates often point to fundamental questions about the nature of the patent system's aims as well as about the quality of the system's performance in pursuit of those aims. They both demand attention to fine points of procedure and call for imaginative ways of improving on existing forms of adjudication. This foreword introduces twelve articles prepared for publication in three symposium issues of *The Review of Litigation* and the *Texas Intellectual Property Law Journal*. Although these articles cover disparate ground using a variety of approaches, the articles feature a set of recurring themes: possibilities for procedural innovation and for greater reliance on heuristics or on new or oft neglected forms of evidence; the utility of other areas of law in suggesting how patent law might pursue its aims; and the desirability of coherence and evenhandedness in how the patent system operates. Although the symposium articles cannot be expected to bring exploration of these themes to a close, the articles succeed in deepening and advancing current conversations.

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Since the start of the twenty-first century, the United States patent system has been under intense scrutiny.[1] Prominent representatives of whole industry sectors, including business leaders in information and communications technology, have clamored that the system is in many ways impeding innovation, rather than promoting it.[2] The resulting drumbeat for reform has yielded steady results but also much turbulence. The Supreme Court has repeatedly overturned holdings or policies of the Court of Appeals for the Federal Circuit or the Patent and Trademark Office (PTO).[3] Congress has rewritten substantial portions of the Patent Act and has added whole new forms of administrative proceedings.[4] The Federal Circuit itself has revisited and rethought various aspects of precedent or accepted practice.[5]

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[1] *See* John M. Golden, *Proliferating Patents and Patent Law's "Cost Disease"*, 51 HOUS. L. REV. 455, 457 (2013) ("Since at least 1999, the exact words 'The patent system is in crisis' have appeared so often in academic literature that they might be considered a meme.").

[2] *See* John M. Golden, *Principles for Patent Remedies*, 88 TEX. L. REV. 505, 507 (2010) ("Perhaps most saliently, information-technology incumbents such as Microsoft Corporation and Intel Corporation have pushed strongly for rules to limit the reasonable-royalty damages available to nonincumbent patent holders . . . .").

[3] *See, e.g.*, Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923, 1935 (2016) (rejecting test for enhancement of patent damages adopted by the Federal Circuit); Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2118 (2013) (holding merely isolated DNA ineligible for patent protection despite longstanding PTO issuance of patents on such subject matter); eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 393-94 (2006) (rejecting the Federal Circuit's "general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged" (internal quotation marks omitted)).

[4] Recent Legislation, *Patent Law—Patentable Subject Matter—Leahy-Smith America Invents Act Revises U.S. Patent Law Regime*, 125 HARV. L. REV. 1290, 1290 (2012) (noting that the 2011 Leahy-Smith America Invents Act (AIA) newly instituted "a first-inventor-to-file priority standard, opportunities to challenge patents through administrative proceedings, and new budgetary flexibility for the PTO"); David W. Trilling, Recent Development, *Recognizing a Need for Reform: The Leahy-Smith America Invents Act of 2011*, 2012 U. ILL. J.L. TECH. & POL'Y 239, 241 (describing the AIA as "mark[ing] the beginning of a new era for patent law").

[5] *See, e.g.*, Williamson v. Citrix Online, LLC, 792 F.3d 1339, 1349 (Fed. Cir. 2015) (en banc in relevant part) (overruling precedent "establish[ing] a heightened bar to overcoming the presumption that a [patent claim] limitation expressed in functional language without using the word 'means' is not subject to § 112, para. 6" of the Patent Act); Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1315 (Fed. Cir. 2011) (holding evidence based on a long-used "25 percent rule of thumb" for the presumptive starting point over a royalty rate to be inadmissible for purposes of proving a reasonable royalty); Knorr-Bremse Systeme Fuer Nutzfahrzuege GmbH v. Dana Corp., 383 F.3d 1337, 1344-46 (Fed. Cir. 2004) (en banc) (overruling precedent holding that refusal to produce an opinion of counsel or

Debates over patent damages, especially damages according to a reasonable royalty measure, have frequently lain at center of this storm.[6] As indicated by the symposium articles described below, such damages debates broach fundamental questions about the patent system's aims, the proper extent of the system's reach, and the best means for improving system performance. On a practical level, patent damages debates both demand attention to sometimes fine points of procedure and call for imaginative ways of improving on existing forms of adjudication.

In many ways, the fierceness and persistence of debates relating to patent damages is predictable. Relevant points of tension reflect the often uncomfortably restrictive limits against which the patent system naturally strains. These limits include (1) limits to theoretical agreement on substantive goals and implementing methodologies; (2) limits to the information available to apply theory correctly even if theoretical agreement is assumed; (3) limits to the abilities of courts and other decision-makers to assess liability or monetary awards properly based on whatever facts and theories presumptively apply; and (4) limits to the reach of patent law itself, its doctrinal or territorial boundaries potentially leading to regrettable gaps or discontinuities under even the most enlightened forms of application.

To advance conversations about how to proceed in the face of such limits, the University of Texas School of Law hosted a conference on patent damages ("PatDam1") in June of 2016.[7] A gift to the School of Law from Intel Corporation supported the conference as well as the offering of honoraria to authors of conference papers while leaving control over agenda and speakers for the conference wholly within the law school's discretion. The conference featured three separate panels of trial judges, damages experts, and in-house counsel. The conference also featured sessions for the discussion of draft papers to be published as articles in three separate issues of *The Review of Litigation* and the *Texas Intellectual Property Law Journal*. Each journal issue in which this Foreword appears presents four of those articles.

The twelve articles prepared in association with PatDam1 address a variety of different issues related to patent damages and do so via a mix of scholarly approaches. Of course, there are further potential approaches that

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"failure to obtain an exculpatory opinion of counsel" on issues relating to potential patent infringement justify "an adverse inference" about what such an opinion says or would have said), *overruled in irrelevant part by* In re *Seagate*, 497 F.3d 1360 (Fed. Cir. 2007), *overruled in irrelevant part by* Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016).

[6] Golden, *supra* note 2, at 507 (noting the role of "information-technology incumbents" in advocating limitations on reasonable royalty damages).

[7] Using funds donated by the Intel Corporation, the University of Texas School of Law will host a second conference on patent damages ("PatDam2") in February of 2017.

are missing from this limited set of articles. Just as the patent system must work with limits inevitable in any human-made and human-implemented system of law, so too is the academic enterprise bounded by the limited capacities of its practitioners and the circumstances in which they appear. But we can always strain to do better. Although this symposium's articles will not bring an end to patent damages debates, these embodied applications of the legal thinker's toolkit do help to deepen those debates and also illustrate ways to move forward. I think you will find reading the symposium articles rewarding.