

Patent Utility Reduxit

Author : John F. Duffy

Date : May 5, 2010

Michael Risch, *Reinventing Usefulness* (forthcoming **2010 B.Y.U. L. Rev --**), available at [SSRN](#).

In academic scholarship, it sometimes happens that an entire field of inquiry becomes neglected year after year—to the point that nearly everyone believes the area incapable of yielding anything much of intellectual interest. Such beliefs are almost always wrong, for it is the fallow fields of thought that are prime to be fruitful again. An excellent example is patent utility doctrine, and specifically the issue whether inventions must be proven commercially useful as a prerequisite to patentability. The conventional wisdom is that the law resolved this question against imposing such a requirement more than a century and a half ago. The issue is long dead; forgotten; abandoned. Until now.

In his new article [Reinventing Usefulness](#), Michael Risch reexamines patent utility doctrine and advances creative and insightful arguments for requiring that all inventions demonstrate “commercial utility” prior to patenting. The highest compliment I can pay this article is not that I agree with it—I’m still somewhat doubtful—but that the article has forced me to think hard about an area I foolishly thought to be largely barren. The article is memorable precisely because its thesis is unsettling; it demands rethinking of utility doctrine and other aspects of the patent law.

The standard, nutshell version of current utility doctrine begins by recognizing utility as one of three great requirements of patentability. To be patentable, inventions must be “new, useful and nonobvious.” Those three requirements are a familiar mantra to any modern patent attorney, but “useful” is typically viewed as the poor cousin of the other two. Novelty analysis is the ubiquitous first step in every single patent examination, and it is a fruitful area yielding both interesting cases and scholarship. (Recent cases include, for example, the controversial inherent anticipation case of *Schering Corp. v. Geneva Pharmaceuticals, Inc.*, 348 F.3d 992 (Fed. Cir. 2003), as well as cases such as *In re Klopfenstein*, 380 F.3d 1345 (Fed. Cir. 2004), which involved an especially close question about whether certain materials qualified as novelty-defeating prior art.) Nonobviousness is the “ultimate gatekeeper” of the patent system. It is nearly always contested in patent prosecutions and litigations; it accounts for numerous Supreme Court decisions on patent law, most recently *KSR v. Teleflex*; and it has generated rich veins of scholarship (see, for example, the collection of articles from the post-KSR conference in 12 *Lewis & Clark L. Rev.* 323 et seq. (2008)).

By contrast to ubiquitous issues of novelty and nonobviousness, utility is rarely even contested. The doctrine is conventionally divided into three strands, “operability,” “beneficial utility,” and “specific and substantial utility,” with each strand relevant only in unusual circumstances. Of course, a patented invention must be operable, but few seek patents on the unworkable and fewer still seek to infringe such patents. Thus, operability doctrine typically bars patents only to the trickle of loony inventors who continue to pursue perpetual motion machines and the like. The “beneficial utility” requirement, even at its historical zenith, barred patents only in limited fields viewed to be deceptive or immoral, such as gambling devices. Recent case law now emphasizes that this doctrine “has not been applied broadly in recent years” and that institutions other than the Patent Office and the courts are best positioned to regulate matters of personal or business morality. Similarly, the leading scholar in the area, Margo Bagley, argues that Congress, not the courts, “is the only actor competent to clarify ... the extent to which moral issues should be considered in patentability determinations, if at all.” Margo A. Bagley, *Patent First, Ask Questions Later: Morality and Biotechnology in Patent Law*, 45 *Wm. and Mary L. Rev.* 469 (2003).

The requirement of a specific and substantial utility has been the most important part of utility doctrine, but it wins that title only because competition is so weak. Though the requirement of a “substantial utility” may sound demanding, the courts have repeatedly held that the doctrine does *not* require developing the invention to the point where it would be

“presently commercially salable in the marketplace.” *In re Langer*, 503 F.2d 1380, 1393 (CCPA 1974). The Patent Office has expressly endorsed that view (see 66 Fed. Reg. 1092, 1094 (Jan. 5, 2001)) and emphasized that the “utility threshold is not high.” *In re Fisher*, 421 F.3d 1365, 1370 (Fed. Cir. 2005) (summarizing the position of the Patent Office).

Against this background of nearly moribund utility doctrine comes Michael Risch’s new article, which argues that patents should not issue except on proof of “commercial utility,” which he defines as requiring “that a) there is a market for the invention, and that b) the invention can be manufactured at a cost sufficient to fulfill market demand.” (P. 38) Risch doesn’t hide that he is attempting to resurrect a position very similar to that argued by Daniel Webster, and firmly rejected by Justice Story, in a case decided nearly two centuries ago (see *Lowell v. Lewis*, 15 Fed. Cas. 1018 (C.C D. Mass. 1817)). Risch also candidly acknowledges that the courts have never required a commercial utility of the sort he envisions. Still, there many excellent reasons that even skeptics (like myself) should consider Risch’s article carefully. I will focus on only three of them.

First, Risch unearths some fascinating history to support his view. The central piece of legislative history associated with the 1836 Patent Act—a Senate Report written by Senator John Ruggles, the primary author of the legislation—seems to be quite critical of Justice Story’s lax utility requirement. (P. 35) Moreover, the relevant passages in the Report are not merely unenacted comments in a legislative report, for the 1836 Act did restore a requirement, which had been repealed in 1793, that patents should only be granted on “sufficiently useful” inventions. Patent Act of 1836, § 7, 5 Stat. 117, 120 (July 4, 1836). Risch concludes, however, that the courts “quickly gutted” this restored statutory requirement. (P. 36)

The implication of this history is that modern utility doctrine may be based on a radical form of judicial activism—willful disregard of a congressional attempt to overturn prior judicial precedent. The history is not, it should be noted, unambiguous. In one crucial passage, the Senate Report describes Justice Story’s take on utility as “settled” doctrine, and the overarching focus of the Report is on the evils of the then-existing patent registration system (which included no administrative examination of patent applications), not on the evils of a lax utility doctrine. Still, the passages identified by Risch raise serious historical questions about the legitimacy of modern utility doctrine. Defenders of the status quo will have to respond.

A second reason to pay attention to Risch’s article is that it may turn out to be both prescient and practical. When I first read an early draft of this paper, I had thought it interesting but completely divorced from the realities of legal doctrine. Soon thereafter, however, a split panel of the Federal Circuit decided *Janssen Pharmaceutica v. Teva*, 583 F.3d 1317 (Fed. Cir. 2009), which was an extremely rare decision holding a patent invalid for lack of utility *in infringement litigation*. The patent in *Janssen* disclosed a method of using a particular drug as a treatment for Alzheimer’s disease. It turns out that the disclosed method was highly useful and valuable, but the court nonetheless invalidated the patent because, at the time of filing, the inventor did not have sufficient proof that the method would be useful—i.e., that it would work. *Janssen* seems to signal a new judicial willingness to enforce the utility requirement more stringently than in the past, and to cut back on the availability of what has been known as “prophetic patents”—patents that make accurate prophesies about technology that the inventor has not yet reduced to practice and thus not yet fully proven.

More recently, in *Ariad Pharmaceuticals v. Eli Lilly*, the en banc Federal Circuit articulated a view of the patent system that might very well, the court acknowledged, bar patents on “[m]uch university research.” 598 F.3d 1336, 1353 (Fed. Cir. 2010) (en banc). The result, the court believed, was consistent with the “intention” of the patent system because “[p]atents are not awarded for academic theories.” *Id.* To prove that point, the court referred to the only modern Supreme Court case on the utility requirement, *Brenner v. Manson*, 383 U.S. 519, 536 (1966), which famously stated that “a patent is not a hunting license.” While certainly neither *Janssen* nor *Ariad* imposes a commercial utility requirement of the sort Risch endorses, both cases push patenting away from more fundamental research work and toward the practical and commercial, and both cases rely in part on utility precedents to justify the shift.

A third reason to pay attention to Risch is that his article is theoretically complex and nuanced. The article is part of a growing body of theoretical literature that focuses on the timing of innovation and the importance of commercialization. The roots of this literature trace back to Ed Kitch and his famous prospect theory. Recently a new generation of scholars, including Scott Kieff, Ted Sichelman, Benjamin Roin, Michael Abramowicz and myself, have devoted increased attention to the problems of patent timing and commercialization. ((Professor Kitch's prospect theory was first outlined in Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J. Law & Econ. 265. (1977). Recent patent scholarship focusing on timing and commercialization considerations includes F. Scott Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 Minn. L. Rev. 697 (2000); Ted Sichelman, *Commercializing Patents*, 62 Stan. L. Rev. 341 (2010); Benjamin Roin, *Unpatentable Drugs and the Standards of Patentability*, 87 Tex. L. Rev. 503 (2009); Michael Abramowicz, *The Danger of Underdeveloped Patent Prospects*, 92 Cornell L. Rev. 1065 (2007); Michael Abramowicz & John F. Duffy, *Intellectual Property for Market Experimentation*, 83 N.Y.U.L. Rev. 337 (2008); and John F. Duffy, *Rethinking the Prospect Theory of Patents*, 71 U. Chi. L. Rev. 439 (2004).)) Michael Risch joins this group but brings an original perspective in arguing that patent law should begin imposing a much different utility doctrine than has ever been applied in the U.S. courts.

Risch's proposal, it should be noted, is not merely imposing more burdens on patent applicants. A commercial utility standard would mean that inventions would not be complete until they were market-tested and commercialized. Thus, the "experimental use" exception to patent law's one-year statutory bar would have to be expanded to encompass such market experimentation—a distinct change from current law which would afford innovators more leeway in market testing their innovations prior to seeking patents. (P. 41) Also, because innovators could file later, the patent term would end later, and thus the early years of the patent would not be eaten away by efforts to begin commercialization (P. 43) That change might be especially helpful to pharmaceutical firms, for the early years of their patents are often lost as they try to develop a safe, effective and commercially feasible versions of their patented drugs. In sum, Risch's proposal has a theoretically interesting basis and cannot be dismissed as merely reflexively anti-patent.

The renewed academic focus on commercialization has been spurred by an intensely practical, indeed even populist, industrial revulsion to what are known as "patent trolls," entities that have obtained patents but that do not attempt to commercialize or otherwise to practice their patented technologies. The backlash against patent trolls presents a deep challenge to the dominant theory of the patent system that the courts embraced in the twentieth century. If, as the Supreme Court has said, "[t]he disclosure required by the Patent Act is 'the *quid pro quo* for the right to exclude,'" *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124, 142 (2001) (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974)), then the hostility to patent trolls is inexplicable, for their disclosures must pass the same legal standards applied to patentees who have commercialized their innovations. Yet the industrial reaction to patent trolls suggests that the judicial theory of the patent system may be incomplete, and that perhaps commercialization efforts should be given more importance in interpreting and applying the general provisions of the Patent Act. Michael Risch has shown one way to accomplish that end as his article returns to, and provides new intellectual support for, a long abandoned doctrinal argument. Even those skeptical of his ultimate conclusions can appreciate that his work is fresh, original and theoretically provocative. Under the most demanding of standards, it is "useful" scholarship.

Cite as: John F. Duffy, *Patent Utility Reduxit*, JOTWELL (May 5, 2010) (reviewing Michael Risch, *Reinventing Usefulness* (forthcoming 2010 B.Y.U. L. Rev --), available at SSRN), <https://ip.jotwell.com/patent-utility-reduxit/>.