The PTO Is Not the Only Patent Agency

Author : Lisa Larrimore Ouellette

Date : May 6, 2015

- Tejas N. Narechania, *Patent Conflicts*, 103 **Geo. L. Rev.** (forthcoming 2015), available at SSRN.
- Jacob S. Sherkow, *Administrating Patent Litigation*, 90 **Wash. L. Rev.** (forthcoming 2015), available at SSRN.

In these new articles, Tejas Narechania and Jake Sherkow push the contextualizing trend in IP scholarship in a novel direction. As noted by Rob Merges, scholars are increasingly recognizing that formal IP laws are embedded in a broader economic context, and this wave of scholarship includes case studies of fields in which innovation is supported by norms and market incentives (like fashion, cuisine, roller derby names, and tattooing) and increased analysis of non-IP mechanisms like tax credits and direct transfers through which the state provides significant financial support for innovators. But in addition, I think this contextualizing move involves recognition that the innovation ecosystem is shaped not only by non-IP laws and norms, but also by a broad array of *institutions*.

Most discussions of institutional actors in patent law have analyzed interactions among the Federal Circuit, the Supreme Court, Congress, and the PTO. But these two new articles by Narechania and Sherkow focus on administrative agencies beyond the PTO. Building on terrific work by scholars such as Arti Rai, Sapna Kumar, and Kali Murray, Narechania and Sherkow provide detailed examples of the ways in which agencies such as the FTC, FCC, ITC, NIH, and FDA have played key roles in influencing patent policy.

Sherkow's *Administrating Patent Litigation* focuses on agencies' role in directing and managing patent litigation, while Narechania's *Patent Conflicts* takes a broader look at how non-PTO agencies deal with patent policies that interfere with their regulatory aims. Narechania provides a helpful descriptive taxonomy of the range of agencies' legal responses to these patent conflicts:

- *Inaction:* The FCC concluded it cannot require licensing of patents implicated by new 911 standards (though Sherkow argues that the FCC's report on these patents has been crucial in ongoing patent disputes). Similarly, the EPA declined to regulate certain chemical emissions due to patents on emissions control devices (despite explicit authority to grant compulsory licenses).
- *Indirect Action—Supreme Court:* The FTC's views on reverse payments in pharmaceutical settlements and the NIH's views on gene patents (as advocated by the DOJ) won at the Supreme Court in *Actavis* and *Myriad*, respectively. (Sherkow also notes that the FTC has been involved as an amicus party in high-profile patent disputes like *Apple v. Motorola*.)
- *Indirect Action—Congress:* The IRS convinced Congress to effectively ban tax strategy patents in the America Invents Act; the Department of the Navy forced early airplane industry into cross-licensing agreement by getting Congress to pass a bill for confiscation of key patents.
- *Direct Action:* The FCC required mandatory licensing at reasonable and nondiscriminatory rate of telecommunications network element patents.

Sherkow discusses some of these same examples, though he places greater emphasis on agencies' more informal influence on adjudication through patent-related whitepapers, such as the FCC's 911 report or the ITC's reports on non-practicing entities, which have been cited by litigants seeking to restrict the ITC's patent jurisdiction. The authors also both discuss the FDA, which plays a limited

gatekeeping role in the pharmaceutical patent context but claims to have only "ministerial" authority to record patents related to approved drugs in its Orange Book.

Both articles advocate greater agency involvement in patent policymaking, although they focus on different problems. Sherkow argues that "agencies' myopic view of their own powers" creates procedural issues such as regulatory gamesmanship, industry and political capture, and inconsistent judgments. He contends that the FDA can and should weed out improperly listed patents. And he suggests that agencies that lack the FTC's independent litigation authority should push the DOJ to allow them to intervene in patent litigation or should publicize their patent-related views more often through agency whitepapers.

Narechania is more concerned about substantive conflicts between patent law and other regulatory goals, and he suggests that the FCC's direct regulation of telecommunications patents offers "a path forward." Even where agencies lack express authority to issue patent-related regulations, he argues that they may do so under the theory of "ancillary authority" from *Southwestern Cable*. Under this authority, the FCC could require licensing of patents necessary for implementation of its 911 standards, and the FDA could implement substantive review of Orange Book listings. Narechania also argues for greater executive coordination, perhaps through the White House's Office of Science and Technology Policy. And finally, he suggests that agencies might use post-grant review proceedings to challenge PTO decisions involving "unsettled legal question[s] that [are] important to other patents," which might be a useful procedure for issues such as tax strategy patents.

Distinct from the question of whether agencies *can* address patent issues is whether they *should*. It is hard to argue with interventions to limit the litigation abuses that Sherkow focuses on, but substantive conflicts between patents and other policies pose a problem that is both more significant and thornier. Where the conflict is confined within the domain of innovation—as in the competing visions of biotech innovation at issue in *Myriad*—Narechania suggests that non-PTO agencies can help "craft a more context-sensitive (and less formalistic) regime." Indeed, as I've argued, patent uniformity has significant costs, and one argument for greater involvement of non-PTO agencies in patent policy is that they might be better at balancing patents with non-patent mechanisms for facilitating financial transfers to innovators. Where the conflict is between patents and other interests—which often boils down to the age-old tension between innovation and access—Narechania notes that self-interested agencies may not be the best actors to balance the conflict, and that an Executive Branch arbiter or an impartial court might be better at prioritizing policies.

Of course, figuring out *how* to balance patents with competing concerns remains daunting. The standard tool of cost-benefit analysis is, as Narechania aptly puts it, "like comparing apple seeds to orange seeds," with the need to make impossibly difficult predictions of the future value of innovation and competing policies. He notes that agencies can look for areas in which holdup problems and the transaction costs of dealing with fragmented rights are likely to be significant, but correctly identifying even these more limited problems is challenging. But one article can't solve everything, and I think the main contribution of this work is the novel take on who should undertake this balancing, and when.

In short, these articles provide valuable descriptive contributions to help expand scholars' understanding of the relevant institutional actors in patent law and the doctrinal limits on their powers. And they also add thoughtful normative analyses of how patent law and other legal fields can best benefit from these agencies' involvement. While some readers might object to their specific policy suggestions, I think that after reading these articles, it is hard to argue that non-PTO agencies can be ignored.

Cite as: Lisa Larrimore Ouellette, *The PTO Is Not the Only Patent Agency* JOTWELL (May 6, 2015) (reviewing Tejas N. Narechania, *Patent Conflicts*, 103 **Geo. L. Rev.** (forthcoming 2015) and Jacob S. Sherkow, *Administrating Patent Litigation*, 90 **Wash. L. Rev.** (forthcoming 2015)), href="https://ip.jotwell.com/the-pto-is-not-the-only-patent-agency.