

AN INCONVENIENT SCHOOL OF THOUGHT

*F. Scott Kieff**

Michael Carrier provides a helpful discussion of a range of issues that feature in current policy and academic debates about patents and innovation, with particular focus on their interface with antitrust. He offers a great book about a great topic. And he does so through a well-written and thoughtful discussion of ideas put forth by himself and his intellectual friends. Yet, his work could have made a significantly greater impact if it had not kept from the reader a set of ideas from a different perspective: the school of thought that as a matter of historical fact motivated the choices by our elected officials from both political parties on several occasions to specifically reject many of the ideas in the book.

In the original blog posting version of this symposium, Carrier responded by noting: “[j]ust because a scholar does not appear in the book, however, does not mean that their work has not influenced me.”¹ While Carrier is of course a generous and thoughtful person, who as a good academic and citizen of the world reads and listens to those having differing views, his response misses the point of the critique: the book would have greater impact if it revealed to readers the essence of these alternative views as well as the reasoning for considering them to be unpersuasive.

Recognizing that every project could be improved in some ways and that ultimately the author must make the difficult choices between completeness and clarity, about his own voice and message, etc., I offer my comments on the chance that those who read Carrier’s great book might wonder whether there happens to have been or remain different approaches to the ideas he explores, whether our leaders ever considered those different views (in fact they did and found them persuasive in rejecting ideas like those he explores), and what are the main ways in which these divergent schools of thought differ.

* Professor at George Washington University School of Law, and Senior Fellow at Stanford University’s Hoover Institution. This Work is part of the Hoover Property Rights Task Force and the Hoover Project on Commercializing Innovation, which studies the law, economics, and politics of innovation and which is available online at <http://www.innovation.hoover.org>. Correspondence may be sent to fskieff.91@alum.mit.edu.

1. Posting of Administrator on behalf of Michael Carrier to Truth on the Market, <http://www.truthonthemarket.com/> (Apr. 1, 2009, 11:57 EST), available at <http://www.truthonthemarket.com/2009/04/01/professor-carriers-response/#more-1443>.

As it turns out, the interface between patents and antitrust was one of the two central motivators behind the present U.S. patent statutes, which were codified as the 1952 Patent Act.² In fact, one of the two principle drafters of the 1952 Act, Giles Rich, wrote a series of five articles in the 1940's that bear a title not unlikely to show up in a computer search on this topic. (The other principle drafter who also wrote a great deal about the statute was Pat Federico). And while the 1940's were indeed a long time ago, because Giles Rich went on to be the longest sitting federal judge, the world's most famous patent scholar and jurist, the widely recognized father of the modern American Patent System, and a judge on the court that hears most patent appeals, these papers were conveniently re-published in a 2004–2005 volume of the Federal Circuit Bar Journal.³

Judge Rich explored an approach that is focused on predictable validity and enforcement rules rather than the more flexible approaches advocated by Carrier (and many others). Rich was not alone. His approach was followed in the writings of a diverse group of leading commercial jurists at the time like Learned Hand and Jerome Frank. (It is worth noting for reasons explored below that if using modern political labels, Judge Frank would be seen as a liberal populist).

The judiciary was not the only branch of government to follow Rich's view. Rich provided extensive and explicit testimony before Congress about the goals of the '52 Act in re-aligning the interface between patents and antitrust and in creating an objective standard for determining patent validity. Congress agreed with the approach he offered in his testimony when it voted for the statute. The Supreme Court in turn expressly and extensively relied on that legislative history, and especially Judge Rich's testimony, in the well-known *Dawson* decision on patents and antitrust in 1980.⁴ That approach was also affirmed by the current Supreme Court in *Illinois Tool Works v. Independent Ink*.⁵

The bottom line is that while a core focus of Carrier's book is the relation between patents and antitrust, the book leaves its reader entirely in the dark about the school of thought about that interface that actually motivated Congress in passing the present patent system into law and that shaped the next half century of development in the case law. It is good that the book is not designed to recount history, because it would in that endeavor be writing out of the history the very events that were controlling. It also is good that the book is not designed to help the reader engage in a

2. F. Scott Kieff & Hon. Gerald J. Mossinghoff, *A Reemergence of Regulation at the Interface Between Patents and Antitrust?*, 4 ENGAGE 97 (2003).

3. Giles S. Rich, *The Relation Between Patent Practices and the Anti-Monopoly Laws*, 14 FED. CIR. B.J. 5, 21, 37, 67, & 87 (2004–2005). (The other articles by Judge Rich that are republished in that volume also are instructive on the points explored in Carrier's book).

4. *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980).

5. *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006).

fulsome intellectual enterprise, because it would fail in that endeavor as well by leaving the reader totally in the dark about a major school of thought in the field. The book's success is in providing a nicely written and thoughtfully worded dissertation about the views of Carrier and his intellectual friends.

The school of thought excluded by Carrier is not some oddball movement from the political fringe or deep past. As Judge Pauline Newman has reminded on several occasions in law review articles and speeches, we can fast forward to the late 1970's, when the economy was in difficult times like it was in the 1940's and is today, to see that a very diverse pair of U.S. Presidents decided to also adopt an approach to patents like that urged by Rich, Federico, Hand, Frank, and others.⁶ President Carter decided, after a careful study, to put forth a statute designed to strengthen the patent system by creating the Federal Circuit, and President Reagan signed the bill after Congress passed it.⁷

Nor has this school of thought escaped the modern academic literature. For the past several years, there have been several academics writing about this approach to patents—an approach that might be seen as focused on the theory of property more generally (as compared with just intellectual property). The group includes Richard Epstein, Steve Haber, Troy Paredes (now on leave from this academic work), Henry Smith, Joseph Straus, David Teece, Polk Wagner, Josh Wright, and me (these folks listed so far have collaborated on a range of recent works arising out of the Hoover Project on Commercializing Innovation), as well as Michael Abramowicz, John Duffy, Adam Mossoff, and others. While a recent posting on Patently-O labels one of these folks listed here (me) as “conservative,” it is not clear what is meant by that term.⁸ If the term is given its normal modern political meaning, then it is curious to note that Charles Burson, Al Gore's former Chief of Staff, co-authored one of the recent opinion pieces I helped put together on patent reform, since it is not clear that he would fit that definition of the term. Then again, this is an approach also advocated by President Carter and Jerome Frank, who also don't easily fit the modern political use of the term conservative. Put differently, the issues don't break down nicely along mainstream political lines. Nor do most people, for that matter. Nor do folks break down along

6. Judge Pauline Newman, *The Federal Circuit in Perspective*, 54 AM. U. L. REV. 821, 822–23 (2005).

7. The relevant conclusions of the study can be found at ADVISORY COMMITTEE ON INDUSTRIAL INNOVATION, INDUSTRIAL SUBCOMMITTEE FOR PATENT AND INFORMATION POLICY, REPORT ON PATENT POLICY 155 (1979). The statute that resulted is the Federal Courts Improvement Act of 1982, Pub. L. No. 97–164, 96 Stat. 25 (codified as amended at 28 U.S.C. § 171 (2006)).

8. Patently-O, <http://www.patentlyo.com/> (Mar. 20, 2009, 12:33 EST), available at <http://www.patentlyo.com/patent/2009/03/patently-o-bits-and-bytes-3.html>.

lines of being propatent or antipatent. These issues are more complex. And so is any good academic.

The most direct reason why it makes sense to go through all of this intellectual history, naming all of these names of folks who have written about the topics Carrier explores (but in a fundamentally different way than he does), is that Carrier's book does not seriously address any of them or their work. Indeed, Carrier has confirmed that his book doesn't cite to or even mention most of these names or their work. And the few times when he does mention some of them, it is in a very minor way, for propositions that are uncontroversial and different from the potential areas of debate they would have with him. Two notable exceptions, which I appreciate, are Joseph Straus and me. Carrier mentions me once in a short catalog of different approaches to patent theory. And while he does mention one or two of Straus's pieces that have discussed a lack of evidence of a patent holdup problem in the European biotechnology setting, and Carrier seems to conclude in that section of his book that patents have posed less of a problem for basic science than some might have feared, he still ultimately concludes that "[a] few high-profile lawsuits against researchers would knock out the scaffolding currently supporting this precarious state of affairs."⁹

What is so precarious about this state of affairs, and why would a few lawsuits disrupt it? A few airlines crash once in a while and yet the airline sector still does business, and people who elect for safety reasons to drive over taking commercial flights are generally not seen as acting in a sufficiently rational way to drive prudent policy on the issue. Rather than trying to sit as a seemingly neutral judge weighing only the empirical evidence and ideas Carrier elects to discuss in the book, a reader might want to know more about the reasons why patent holdup in this area is not a big issue (and why an "experimental" or "fair" use exception may be) and the book would have made a greater impact in this area if it had addressed more of that work.

The bottom line is that while Carrier has good reasons for not engaging the body of work discussed here, readers might like to at least know about the work, as well as the history, so that they can make up their own minds about these issues after due consideration of the range of views. For those who are interested, much of it is available for free download on the web at www.innovation.hoover.org.

A more indirect reason why it matters to consider these other views is that many of them apply a form of comparative institutional analysis generally associated with the field of New Institutional Economics. In addition

9. MICHAEL A. CARRIER, *INNOVATION FOR THE 21ST CENTURY: HARNESSING THE POWER OF INTELLECTUAL PROPERTY AND ANTITRUST LAW* 277-78 (2009).

to taking seriously the transaction cost problems of property rights that underlie a big part of Carrier's analysis, this comparative approach also takes seriously the political economy problems that underlie how government actors will apply different decision-making rules. Application of this comparative analytical framework highlights some of the complexities of the more flexible approaches Carrier recommends in his book.

For example, when it comes to dealing with the problem of bad patents (and there are many such patents—ones that don't really meet the requirements for validity but have nonetheless been issued by the PTO), Carrier endorses the currently-popular proposals for more flexible approaches to weeding out. These proposals generally go by several names including "second window," "opposition," "reexamination," etc. In his words: "[a]n added bonus of the proposal would be its effect on antitrust. By providing a low-cost avenue to remove invalid patents, it would reduce the incidence of market power."¹⁰

But as economists love to say, there is no such thing as a free lunch. Faster and less financially expensive proceedings for policing bad patents are not without their costs. The way they go faster and burn fewer dollars per hour in attorney time is that they allow an official actor, whether in the PTO or the courts, the flexibility and discretion to deny patents based on a subjective report about what was within the skill of those in the prior art, rather than the objective and more fact-based inquiry into the contents and existence of actual laboratory notebooks, printed publications, and sample products which has been the rule since the 1952 Act.

Flexibility sounds cool—who wants to be rigid?—but it has a significant Achilles' heel. Giving courts and examiners a pass from having to get the hard evidence that used to be required to prove invalidity over the prior art does not come without serious cost. Asking a decision maker to use her legal or technical expertise as the primary basis for her decision about what she thinks the state of the art was at a particular time in history gives her greater discretion than asking an ordinary jury whether a particular document or sample product existed at a particular time and what that document actually contains. By increasing the discretion of government bureaucrats, flexibility increases, not decreases, uncertainty, and it gives a built-in advantage to large companies with hefty lobbying and litigation budgets. That may be a big reason why some big firms want it, but what's good for some big businesses is not always good for business overall.

Indeed, while much is made about the uncertainty of patents—it is all the rage today—one of the central problems with many of the legal changes that Carrier proposes is that these changes inject into the patent system a much greater uncertainty, and an uncertainty of a much more

10. *Id.* at 229.

pernicious type. Business can deal well with factual uncertainty—in fact many forms of business thrive on it (think options, futures, insurance, etc.)—but the one type of uncertainty that is particularly bad for business overall is the uncertainty caused by having the underlying legal rules of the game enforced as a function of fashion and politics. But this is what you get when the enforcement mechanism (the details of the particular framework of the legal institutional design) is a matter of flexible discretion.

And to take things back to where they started, we have already run this experiment in this country. The relevant legal framework for adjudicating patentability before the 1952 Act was that courts were asked to determine whether a patented invention constituted an “invention.”¹¹ A bit of a tautology. And very flexible.

The drafters of the 1952 Act did not think that the words “obviousness” and “nonobviousness” were any clearer, on their face.¹² But they picked these words precisely because they wanted to jettison the interpretive baggage associated with the old legal framework and create a new body of case law that focused on more objective factors.

History can sometimes offer us some good ideas, as well as reasons for not pursuing others. And while we often like to emphasize the importance of invention, especially our own inventive ideas, our efforts to reinvent legal thinking in an area with such a rich intellectual history as this one may not play out so well if it is kept so much in the dark about that history. Readers of Carrier’s book benefit greatly from his productive discussion of his interesting ideas. But readers would have benefited much more had the book revealed the alternative school of thought (and Carrier’s thinking about it) that happened to have played such an important role in the field’s history.

11. Kieff & Mossinghoff, *supra* note 2, at 97.

12. *Id.*