

# ARE SPECIALIZED COURTS THE KEY TO THE U. S.? A COMPARATIVE LOOK AT THE UNITED KINGDOM PATENT COURTS AND THE U.S. PATENT LITIGATION PROCESS

## ARTICLE

*Lcdo. Jean Vidal Font\**

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### I. Introduction

The United States is known for its innovation and its important role in the development of intellectual property law. Our society is one that prides itself on the rule of law and the roles lawyers play in everyday life. However, for all the positive aspects of our judicial system and laws regarding intellectual property (including the recently approved Leahy-Smith America Invents Act<sup>1</sup>), many concerns have arisen regarding the treatment of patent law (and cases) by our courts. On the one hand, the United States has taken steps towards updating its patent system with the recently approved America Invents Act (AIA); while on the other hand, the burdensome nature of patent litigation in the United States is nothing short of a secret. Judge James Holderman summed it best, stating, “[s]omething has to change when your boss, upon reviewing your work, continues to tell you

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\* Mr. Vidal Font graduated from the Interamerican University School of Law in 2007 and obtained a Masters of Laws from the George Washington University in Intellectual Property in 2009. He is currently admitted to practice in the Commonwealth of Puerto Rico and the State of California and is an associate attorney at Ferraiuoli LLC.

<sup>1</sup> Leahy-Smith America Invest Act of 2011, Pub. L.No. 112-129, 125 Stat. 284.

year after year that you are doing your job incorrectly about one-third to one-half of the time, and your customers continue to tell you their costs are too high.”<sup>2</sup> Judge Holderman’s statement summarizes the main problem in patent litigation; the Court of Appeals for the Federal Circuit (hereinafter the Federal Circuit) often reverses patent decisions while costs for patent infringement cases continue to skyrocket.

Congressman Lamar Smith has been on the record stating, “[s]till, there is a widespread and a well deserved perception that patent litigation is too expensive, too time consuming, and too unpredictable. In a knowledge-based economy that is intended to reward innovation, the cost and effects of unnecessary delays and uncertainty are not incidental or academic.”<sup>3</sup>

Some point to the court system as the culprit, arguing that generalist judges are ill equipped to handle patent cases while others warn against specialized courts, fearing that specialized courts lead to a “horse-blinders, tunnel-vision type approach”.<sup>4</sup> It is worth bearing in mind that the United States is the only country that allows lay juries decide patent cases.<sup>5</sup> To this day, patent litigation in the U.S. is seen as a cumbersome characteristic to a system belonging to a country renowned for its role in innovation and technology. As such, one has to question the way in which cases are handled in the United States’ judicial system. Is it a structural problem, remedied only with a complete overhaul of the system? Or is the problem at the application within the structure, therefore calling for a more concise approach? These queries are at the crux of the issue discussed in this paper.

## II. Patent Cases in the United States

Article III of the Constitution of the United States gave Congress the power to create judicial courts.<sup>6</sup> Congress has used this authority to create all courts below the Supreme Court of the United States. The U.S. has not followed the European practice of court specialization, instead insisting on generalist judges.<sup>7</sup> For the most part, this system has been praised and is in no danger of being abandoned. Whereas there is not a strong call for an overhaul of the system (barring calls for tort reform), as a whole, the praise does not extend to patent litigation.

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<sup>2</sup> Judge James Holderman, *The Patent Litigation Predicament in the United States*, 2007 U. Ill. J.L. Tech & Policy 1.

<sup>3</sup> H.R. Subcomm. on Cts., Internet & Intell. Prop. of the Comm. of Jud., *Improving Federal Court Adjudication Of Patent Cases: Hearings on H.R. 2795*, 109<sup>th</sup> Cong. 109-159 (Oct. 6, 2005) [hereinafter *Patent Cases Hearing*].

<sup>4</sup> John B. Pegram, *Should The U.S. Court Of International Trade Be Given Patent Jurisdiction Concurrent With That Of District Courts?*, 32 House. L. Rev 67, 125 (1995).

<sup>5</sup> *Patent Cases Hearing*, *supra* n. 3, at 21.

<sup>6</sup> U.S. Const. Art. III, § 1.

<sup>7</sup> There are exceptions to this rule in the United States, such as the Bankruptcy Court and the Tax Court.

Patent law is substantially different from other “specialized” fields in U.S. law (such as bankruptcy) in that it requires a specialized bar examination and technical training in order to prosecute patents before the Patent and Trademark Office (“PTO”). While the PTO is well supplied with people that have technical backgrounds, the same cannot be said of the courts that see the infringement claims and patent claims. In light of the problems plaguing patent litigation, the most substantial legislation occurred with the creation of the Federal Circuit. In 1982, Congress created the Federal Circuit in hope to provide stability and harmony to patent cases,<sup>8</sup> channeling all appeals into one circuit; yet there are some who claim that this has not been enough.

This paper will discuss the present state of patent litigation in the U.S. and highlight proposed legislative reforms, as well as compare our system to the Patent Court in the United Kingdom, which is a specialized patent court. Part III of this paper will discuss the U.K. Patent Court system, its origins and performance. Part IV will discuss the U.S. system, starting with the role of the district court and the Federal Circuit, as well as its performance so far. Part V will discuss several alternatives to solve the problem with patent litigation in the United States, such as the U.S. District Court Patent Pilot Program, a proposal to give the Court of International Trade jurisdiction over patent cases and a remedy at the PTO level. Finally, Part VI will seek to answer the main question; Whether or not we need to adopt a model similar to the U.K. patent court system or are the pending proposals the key. This analysis will conclude that the Pilot Program, together with a stronger examination procedure at the administrative level may hold the key to our problem.

### III. The Patent Court in the United Kingdom

Since 1876, the U.K. has been channeling its patent cases into one court [of first instance], known as the Chancery Division of the High Court (also known as the Patent Court or HC).<sup>9</sup> The litigation is similar to U.S. litigation, save for the fact that juries are not available in patent cases and some aspects that are unique to the court due to its specialized nature.<sup>10</sup> In 1949, the Chancery Division incorporated a patent court as a sub-division with a specialist judge.<sup>11</sup> In 1989, the Patent County Court (PCC) was opened in London, thus providing a second specialized venue for patent cases. The jurisdiction of the PCC extends to “any action or matter relating to

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<sup>8</sup> Craig Allen Nard and John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 Nw. U.L. Rev. 1619, 1624-1625 (2007).

<sup>9</sup> William Cornish & David Llewelyn, *Studies in Industrial Property and Copyright Law Patent Enforcement Worldwide: A Survey of 15 Countries* vol. 23, 88 (Christopher Heath & Laurence Petit Eds., Hart 2005).

<sup>10</sup> Pegram, *supra* n. 4, at 103.

<sup>11</sup> Cornish & Llewelyn, *supra* n. 9, at 89.

patents or designs over which the High Court would have jurisdiction, together with claims or matters ancillary to, or arising from, such proceedings”.<sup>12</sup>

Although the purpose of the PCC was to provide small businesses a forum with a limited amount of damages to be awarded, this was never regulated.<sup>13</sup> However, the fact remains that one of the main purposes of the PCC was to reduce trial costs.<sup>14</sup> In terms of procedure and claims, the PCC (just like the HC) can handle both validity and infringement claims.<sup>15</sup>

Understanding the U.K. system means understanding the difference between the PCC and the HC. The HC is the traditional patent court for the U.K. in which all the formalities of normal court proceedings occur.<sup>16</sup> Being a traditional court (in terms of procedure), it also carries significant legal costs. Cases before the HC are entitled to submit pleadings, discoveries, and experiments, as they would be able to in any civil case in the U.K.<sup>17</sup> However, due to its specialized nature, it is very possible for a case to be adjudicated within a twelve month period (from start to finish).<sup>18</sup> Now, the PCC differs from the HC in various ways. For starters, discovery is limited in the PCC. Unlike the HC, where discovery is a right, the PCC does not grant the right of discovery, it is discretionally granted by the judge.<sup>19</sup> Another significant difference is the availability of the “streamline procedure” in the PCC. The Streamline procedure, is one in which, save and to the extent that it is otherwise ordered:

- i. all factual and expert evidence is in writing;
- ii. there is no requirement to give disclosure of documents;
- iii. there are no experiments;
- iv. cross-examination is only permitted on any topic or topics where it is necessary and is confined to those topics;
- v. the total duration of the trial fixed is and will normally be not more than one day;
- vi. the date for trial will be fixed when the Order for a streamlined trial is made and will normally be about six months thereafter.

A streamlined procedure also includes minor variants of the above (e.g. disclosure confined to a limited issue).<sup>20</sup>

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<sup>12</sup> J. Gladstone Mills, D. Cress Reiley, R. Clare Highley & P. D. Rosenberg, *Patent Law Basics* vol. 1, No. Sec. 20:2:70 (West).

<sup>13</sup> *Id.*

<sup>14</sup> John Adams, *Choice of Forums in Patent Disputes*, 17 *Eur. Intell. Prop. Rev.* 497, 499-502 (2005).

<sup>15</sup> *Id.* at 90.

<sup>16</sup> *Infra at 1.*

<sup>17</sup> Robin Nott, *Patent Litigation in England*, 16 *Eur. Intell. Prop. Rev.* 1, 3-5 (1994).

<sup>18</sup> *Id.* at 3.

<sup>19</sup> *Id.* at 5.

<sup>20</sup> *Merck v. Generics*, [2003] EWHC 2842 at paragraph 92.

Furthermore, “legal advisers are obliged to draw their client’s attention to the availability of this procedure”.<sup>21</sup> However, the PCC requires its parties to set out “their case in considerable detail”.<sup>22</sup> In the PCC, as opposed to the HC, the party that claims infringement must “explain how each of the integers of the claims relied on is [are] present in the alleged infringement”, and the alleged infringer (defendant) must “explain how each piece of prior art on which he will rely is to be used to attack each of the claims of the patent”.<sup>23</sup>

These procedures and rules require that both parties lay their facts, arguments and reasons for holding the patent invalid (if applicable). Additionally, the defendant has eighty four (84) days to submit its defense unless the court grants leave.<sup>24</sup> In the case that the defendant wishes to question the validity of the patent, it must submit a Particular of Objections to Validity, stating every ground for invalidity within forty two (42) days of service of the claim (equivalent to the US complaint).<sup>25</sup> Now, the “summary nature” of the PCC results in shorter trial spans, many times averaging less than one week.<sup>26</sup> Furthermore, it is worth noting that unlike U.S. cases, the right of appeal is not recognized in patent cases. Appeals are only granted by leave of the court (similar to certiorari petitions in the US).<sup>27</sup>

The PCC was designed to promote settlements between parties and there is evidence that points to the success of this objective: 50% of cases reach a settlement agreement before the preliminary consideration, and 90% of the cases are settled before trial.<sup>28</sup> The PCC encourages the rapid disclosure of pertinent evidence by allowing parties to “agree to a simplified trial in which evidence is submitted by affidavits and there is a limitation on experts”.<sup>29</sup> However, while the PCC has sped up litigation, it has not decreased the costs for said litigation.<sup>30</sup> Yet the U.K. can boast, unlike other countries, that its judges are “able to pronounce with authority on the issues”, since they are specialized judges.<sup>31</sup>

In essence, the U.K. system provides patent litigators a judge who understands firsthand the legal field before him, thus minimizing the need for attorneys to brief the judge on patent law basics in order to continue with the trial. The duality of venues provides litigants with a full-fledged Patent Court (the HC) or a speedier but limited venue (the PCC). It provides tools, such as the streamline procedure,

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<sup>21</sup> Pegram, *supra* n. 4, at 93.

<sup>22</sup> Nott, *supra* n. 17, at 3.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> Cornish & Llewelyn, *supra* n. 9, at 73.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> Adams, *supra* n. 14, at 501.

<sup>29</sup> Pegram, *supra* n. 4, at 104.

<sup>30</sup> Adams, *supra* n. 14, at 502.

<sup>31</sup> *Id.*

that may limit trial time significantly and provide a more efficient way to produce evidence. However, this system is in stark contrast with what the U.S. has, and while there are scores of law review articles proposing changes to the U.S.'s system, such equivalence is not found for the U.K. system. We will now discuss U.S. current patent litigation system and the challenges it faces, as well as several novel proposals.

#### IV. Patent Litigation in the United States

Patents are issued by the U.S. Patent and Trademark Office (PTO), which is an agency under the umbrella of the Department of Commerce. However, all litigation regarding issued patents falls under the exclusive jurisdiction of the Federal District Court.<sup>32</sup> The sole exception to this exclusive jurisdiction is when the “claimed invention is used or manufactured by or for the United States government”, in which case the U.S. Court of Federal Claims is the sole forum for said action.<sup>33</sup> There is an additional remedy under the International Trade Commission, which shall be discussed in Part V, but it suffices to say that in most cases, patent litigation in the U.S. falls under the federal district courts in which its judges are generalist judges. In 1982, the U.S. Congress created the Federal Circuit with hopes of channeling all patent litigation cases through one court and thus reducing the unpredictability in patent decisions. Congress believed that the Federal Circuit would decrease uncertainty and increase uniformity in the patent system.<sup>34</sup> Hence the Federal Circuit is the sole court of appeals to which patent cases can be reviewed, and from there it can be reviewed by the Supreme Court.

##### A. The Court of Appeals for the Federal Circuit (Federal Circuit)

The Federal Circuit is Congress' attempt to create a court similar to a specialized patents court, not because their judges are patent experts, but because they receive all patent appeals, and as the saying goes, “practice makes perfect”. The Federal Circuit was the answer that a Congress (fearful of specialized courts) came up with in order to bring uniformity to patent litigation. Its predecessor, the Court of Customs and Patent Appeals, did not command the respect of its sister courts since its rulings were not binding on other courts.<sup>35</sup> As a remedy, Congress created a single appeals court that would handle all patent appeals and authority to set

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<sup>32</sup> 28 U.S.C.A. § 1338(a) (West 2011).

<sup>33</sup> Pegram, *supra* n. 4, at 74 (citing the text of 28 U.S.C.S. §1498(a) (Lexis 1988).

<sup>34</sup> Gregory Wallace, *Towards Certainty And Uniformity In Patent Infringement Cases After Festo And Markman: A Proposal For A Specialized Patent Trial Court With A Rule Of Greater Deference*, 77 S.Cal. L. Rev. 1383, 1390 (2004).

<sup>35</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1, 6 (1989).

precedents. With all appeals sent to the Federal Circuit, the previous bifurcation of technical and remedial questions that existed between the PTO/CCPA and the circuit courts was no more.<sup>36</sup> Professor Lefstin sums the performance of the Federal Circuit well, stating;

[T]he relatively high correspondence between inter-court and intra-court disagreement observed in this study, and the observation that the district courts fare rather well when compared to existing specialized tribunals, suggest that the indeterminacy of patent law, rather than the application of patent law by the district courts or the Federal Circuit's review of the district courts, is responsible for the current circumstance of patent litigation.<sup>37</sup>

Adding that instead of pursuing a structural change in the system, efforts should be directed at doctrinal or procedural changes or reforms.<sup>38</sup>

Overall, the Federal Circuit has served as a force that drives uniformity since it is the sole appellate court for all district courts in matters dealing with patents. As such, it has the benefit of a variety of interpretations of patent law, and with said diversity it has been in a favorable position to hand down its decisions and reinterpret itself when necessary.

## B. The Legacy of *Markman*

Despite the fact remains that a large number of district court claim constructions are overturned by the Federal Circuit on appeal.<sup>39</sup> Claim construction remains a key component of patent litigation and its reversal rate should be a matter of concern.<sup>41</sup> Furthermore, since the Supreme Court decision in *Markman v. Westview Instruments*<sup>42</sup>, claim construction has been left outside the hands of lay juries and thrown exclusively into the hands of generalist judges.

In *Markman*, the Court “concluded that judges are in the better position to interpret highly technical patent claims, reasoning that the construction of written instruments is one of those things that judges often do and are likely to do better

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<sup>36</sup> *Id.* at 24.

<sup>37</sup> Jeffrey A. Lefstin, *The Measure Of The Doubt: Dissent, Indeterminacy, And Interpretation At The Federal Circuit*, 58 *Hastings L.J.* 1025, 1094 (2007).

<sup>38</sup> *Id.*

<sup>39</sup> Claims are “the portion of the patent document that defines the patentee’s rights”, See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

<sup>40</sup> Lefstin, *supra* n. 37, at 1026-1027.

<sup>41</sup> *Id.* at 1025. To determine whether a patent has been infringed, or to determine whether the patent ought to have been granted in the first place, a court must first define the boundaries of the patent by interpreting its claim.

<sup>42</sup> 517 U.S. 370 (1996).



than jurors unburdened by training in exegesis”.<sup>43</sup> While the Court aimed to put the work of claim construction into more skilled hands, the result has been to call upon judges to “construe highly abstruse patent claims cloaked with inaccessible technical jargon” and define what all the parties involved cannot.<sup>44</sup> The performance of these district judges has been less than stellar if one looks at the Federal Circuit reversal rate as a benchmark.

Empirical studies have put the Federal Circuit reversal rate (of claim construction) at 40%.<sup>45</sup> The 60% affirmance rate is not grounds for comfort and leads to uncertainty in patent litigation by encouraging appeals as opposed to settlements.<sup>46</sup> The matter gets more complicated since the Federal Circuit can review the claim construction decision *de novo* without deference to the district judge’s decision.<sup>47</sup> Thus litigants, aware of the reversal rate, might be tempted to litigate in the district court as a means to prepare their case before the Federal Circuit. *Markman* poses one of several problems with the U.S. patent system as it takes an exercise that is first delegated to patent specialists (the parties and the examiners), to be reviewed by a sole judge, who more often than not lacks a technical background, and then be reversed 40% of the time.

One solution for the uncertainty brought by *Markman* (shy of calling for specialized judges) is a move towards a rule of greater deference.<sup>48</sup> Proponents of this rule argue that greater deference will give district judges more weight in their decisions and will lower reversal rates, as well as provide district courts with more confidence and certainty.<sup>49</sup> Litigants would stop treating the district court as the “first of two shows”, and thus concentrate on winning on their merits at the district court. However, deference is not without detractors. One of the strongest arguments against it is that deference might lead the Federal Circuit to simply turn a blind eye the errors of district court judges.<sup>50</sup> Additionally, some fear that the legislative intent behind the Federal Circuit would turn moot since Congress envisioned the Federal Circuit as the court charged with maintaining uniformity.<sup>51</sup> Thus, a greater deference across all district courts would more likely lead to forum shopping for judges who adjudicate favorably.<sup>52</sup>

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<sup>43</sup> Wallace, *supra* n. 34, at 1387 (citing *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)).

<sup>44</sup> Cheryl L. Johnson, *Why Judges Are Destined To Flunk Their Markman Tests: The History Of Their Claim Construction Assignment*, Practising Law Institute, PLI Order No. 8991, 15 (2006).

<sup>45</sup> Wallace, *supra* n. 34, at 1383.

<sup>46</sup> *Id.* at 1390.

<sup>47</sup> Johnson, *supra* n. 44, at 19.

<sup>48</sup> Wallace, *supra* n. 34, at 1400.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 1380.

<sup>51</sup> *Id.* at 1402.

<sup>52</sup> *Black’s Law Dictionary* (Bryan A. Garner ed., 8th ed., West 2004). Forum shopping is the practice of choosing the most favorable jurisdiction or court in which a claim might be heard.



*Markman* provides a good principle but flawed application. At its essence, the system continues to put the most technical part of patent litigation at the hands of judges who do not understand the technology behind it. A rule of greater deference only makes it harder to reverse on appeal. However, said deference would bear no guarantee on the merits of the actual ruling, which could very well be flawed yet able to escape an appellate reversal. A stronger *Markman*, be it by deference or by another means, is but a mere part of the equation. The problem lies not in a segment of the trial but in how they are carried out as a whole. As such, more comprehensive solutions that target the process and the trial as a whole are required.

## V. Proposed Alternatives to U.S. Patent Litigation

### A. H.R. 628, Pilot Program in Certain District Courts

A potential solution has been the “Pilot Program” bill approved by the 111<sup>th</sup> Congress, and enacted into law on January 4, 2011, which is very similar to the one proposed in the 110<sup>th</sup> Congress.<sup>53</sup> The Pilot Program seeks to confront the ills of the present system that lead to a high reversal rate of district court decisions, particularly in claim construction.<sup>54</sup> The Pilot Program also seeks to confront the expensive, long and unpredictable nature of patent litigation.<sup>55</sup> The Program is established among several district courts that have a high volume of patent cases and meet a quantitative threshold for the number of judges in said district. It chooses no less than six district courts, in at least three different circuits, for a total of fifteen district courts.<sup>56</sup> This Program works by allowing judges to participate for a period of ten (10) years. The Program further addresses the current problem by increasing judicial familiarity with patent law and providing funds to pay for clerks who can assist in patent cases.

The Pilot Program hopes to produce a series of *de facto* patent courts in those districts that qualify, since the judges who participate in this process would attend all the patent cases in said district. However, in contrast with the U.K. patent courts, the judges in the U.S. would acquire knowledge in patent law through practice, and not by training or education.. In other words, their “specialization” would depend on the exposure their exposure to patent cases. Due to its op-in nature, the Program can achieve greater specialization given that only judges who are interested would op in, therefore decreasing the number of judges who grudgingly attend patent cases.<sup>57</sup> Professor Moore has been on the record, defending the Pilot Program by stating:

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<sup>53</sup> The Pilot Program in Certain District Courts Act of 2011, Pub. L. No. 111-349, 124 Stat. 3674. The pilot program proposed by the 110<sup>th</sup> Congress was U.S. District Court Patent Pilot Program, H.R. 34, 110<sup>th</sup> Cong. § 1 (February 13, 2007).

<sup>54</sup> 153 Cong. Rec. 1431 (2007).

<sup>55</sup> *Id.*

<sup>56</sup> Pub. L. No. 111-349, § 1(b), 124 Stat. of PL 111-349 (2011).

<sup>57</sup> Comment, Nancy Olson, *Does Practice Make Perfect? An Examination Of Congress's Proposed District Court Patent Pilot Program*, 55 UCLA L. Rev. 745, 759 (2008).

While changing the venue statute might result in a greater dispersion of patent cases among the judicial districts, designating specialized judges in each judicial district would consolidate patent cases among a smaller number of judges. The experience and expertise gained through this consolidation will increase predictability, reduce litigation, improve patent case adjudication and enhance the integrity of the legal process.<sup>58</sup>

This is arguably one of the strongest points in favor of the Pilot Program since it would combine the experience and expertise of participating judges with the variety of legal judgments among the districts, allowing the Federal Circuit a richer pool of opinions from which to rule by.

In terms of the Pilot Program's actual performance, where some people see efficiency others see causes for concern. One concern is that judges might rely more on the testimony of expert witnesses instead of their own judicial knowledge, and thus promote greater participation of expert witnesses.<sup>59</sup> As such, the net result might well be a battle between expert witnesses rather than a better-informed judiciary and a lower reversal rate on claim construction. Forum shopping is another point that merits discussion since conventional wisdom would suggest that the Pilot Program would decrease it. However, it is argued that the Pilot Program would simply move forum shopping into the 15-court pool that would be selected.<sup>60</sup> Both concerns are valid and add to the precarious state of affairs that the U.S. system finds itself in. As we will discuss in Part VI, the program offers the best-proposed alternative to this date.

### **B. The “Pegram” Solution: Giving the Court of International Trade Jurisdiction for Patent Claims**

Whereas *Markman* provides for a tool within a generalist court, and the Federal Circuit is increasingly becoming a court of first instance, a proposal for a parallel court structure sounds promising. John Pegram offers a novel solution to the problem plaguing district courts. His proposal is to give the Court of International Trade (CIT) jurisdiction over patent and related claim cases.<sup>61</sup>

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<sup>58</sup> H.R. Subcomm, *supra* n. 3, at 31.

<sup>59</sup> Nancy Olson, *supra* n. 57, at 764.

<sup>60</sup> *Id.* at 767.

<sup>61</sup> His proposed amendment would read:

(a) The Court of International Trade shall have the same original jurisdiction of any civil action arising under any Act of Congress relating to patents and plant variety protection as that of the district courts.

(b) The Court of International Trade shall have original jurisdiction of any civil action asserting a claim of unfair competition, or a claim under the copyright or trade-mark laws, when joined with a substantial and related claim under the patent or plant variety protection laws.

The CIT is an Article III court that maintains its chambers in New York City but its judges can be sent to any place within the U.S.<sup>62</sup> Its historic importance lies in managing international trade litigation. The court can hear and decide cases anywhere in the U.S. and can even hold hearings in foreign countries.<sup>63</sup> Pegram explains that the CIT is already within the Federal Circuit and its judges are Article III judges, hence Congress would not have to create a new set of judges or courts.<sup>64</sup> Furthermore, the CIT would be allowed to issue its own rulings, therefore giving it the power to create rules that can address the procedural problems with patent litigation.<sup>65</sup> Under this proposal, the CIT would have jurisdiction over the Patent Act, the Plant Patent Act, and would have supplemental jurisdiction much like district courts enjoy today.<sup>66</sup> Jurisdiction would continue to work under present CIT rules so as to maintain its “nationwide personal jurisdiction with respect to its existing subject matter jurisdiction”.<sup>67</sup>

Pegram argues that concentration and frequency improve the efficiency of the courts (and its judges) and points to the data (compiled in 1995) of studies of the Federal Circuit as proof that repeated exposure produces positive results in patent litigation.<sup>68</sup> However, the CIT proposal would not have exclusive jurisdiction, hence it will not guarantee the frequency that the Federal Circuit has. Nevertheless, the attractiveness of the CIT, coupled with the fact that additional resources could be managed more effectively in one court rather than several courts, could provide better assets for judges to handle the complexities of patent litigation. Also, as the CIT gains respect and use, judges with specialized backgrounds could be appointed, thus increasing the efficiency and attractiveness of the court, while preserving the choice of venue for the litigants.<sup>69</sup>

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(c) Subsection (b) applies to exclusive rights in mask works under chapter 9 of title 17 to the same extent as that subsection applies to copyrights.

(d) The Court of International Trade, the district courts, and the judicial panel on multidistrict litigation may transfer civil actions within the Court of International Trade’s subject matter jurisdiction as defined in this section to or from the Court of International Trade in accordance with sections 1404 and 1407, or to the Court of International Trade in accordance with section 1406, as if the Court of International Trade were a district court for the purposes of those sections.

(e) In any civil action under its section 1586 jurisdiction, the Court of International Trade may provide the same kinds of relief as a district court.

Pegram, *supra* n. 4, at 116-117, 119-120.

<sup>62</sup> United States Court of International Trade, *About the Court*, <http://www.cit.uscourts.gov/AboutTheCourt.html> (accessed January 6, 2009).

<sup>63</sup> *Id.*

<sup>64</sup> Pegram, *supra* n. 4, at 114.

<sup>65</sup> *Id.* at 116.

<sup>66</sup> *Id.* at 115-116.

<sup>67</sup> *Id.* at 117.

<sup>68</sup> *Id.* at 122-123.

<sup>69</sup> *Id.* at 131.

Pegram defends his proposal claiming that it would lead to greater efficiency in both judicial and patent systems by the expertise that the CIT would develop.<sup>70</sup> Since the CIT can develop its own rules, it could make for a powerful combination of expertise and patent-specific procedures. Pegram's proposal is not without detractors. Two attacks are usually launched at specialized court proposals; narrowness and isolation.<sup>71</sup> Pegram cites the opinion of former U.S. District Judge, Honorable Simon Rifkind, stating that "specialized court[s] would be out of the mainstream of legal thought, exposing its judges to one-sided views of things".<sup>72</sup> Although that argument has its fair share of prominent supporters (such as Senator Patrick Leahy for example), I find that logic betrays the argument.

It seems hard to believe that a lack of exposure to insurance cases, contracts or medical malpractice claims (to mention a few) could deprive a judge of knowledge to be used in a claim construction case. Patent law's specialized nature makes it so it is not imperative for judges to be exposed to a variety of legal issues (in unrelated fields) in order to properly adjudicate a patent case. Furthermore, taking note of Judge Hand's opinion in *Wright v. Paulhan*,<sup>73</sup> it is imperative that the adjudicator understands the technology behind the invention in order to settle the issues within the patent claim correctly. Therefore, a lack of exposure to unrelated legal matters should not be seen as a detriment when looking at patent judges. The CIT would not be isolated since it would not be an exclusive patent court due to the fact that the proposal merely grants jurisdiction to the CIT. Thus, the CIT would not deprive district courts from their jurisdiction. As such, the CIT proposal would not result in a patent court working in the judicial abstract in isolation from the rest of the courts and jurisdictions.

The CIT proposal has an immediate benefit over the Pilot Program in that it will be easier to concentrate efforts in one court rather than fifteen (15) courts, and it would be less expensive to implement. Since the CIT can make its own procedural rules, it can incorporate rules similar to the "Streamline" procedure found in the U.K. Patent Court. However, to give more strength to the CIT, any party should be allowed to transfer the case from the district court to the CIT, and the CIT should be able to transfer a case to the district court if by doing so, the best interests of the parties are preserved. Nevertheless, since it is an optional venue, its success is subject to the parties' incentives taking their case there. Therefore the possibility

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<sup>70</sup> *Id.* at 132.

<sup>71</sup> *Id.* at 123.

<sup>72</sup> *Id.* at 123-124, citing Richard A. Posner, *The Federal Courts*, 156-157 (Harvard U. Press 1985) (noting the reduction in judges' exposure to differing legal ideas as a result of specialization); Richard A. Posner, *Will the Federal Courts of Appeal Survive until 1984? An Essay on Delegation and Specialization of the Judicial Function*, 56 S. Cal. L. Rev. 756, 775-790 (1983).

<sup>73</sup> 177 F.Supp. 261 (S.D.N.Y. 1910).

<sup>74</sup> Mark A. Lemley, Douglas Gary Lichtman & Bhaven N. Sampat, *What to do About Bad Patents*. 28 Reg. 10, (Winter 2005-2006), <http://ssrn.com/abstract=869826> (posted Dec. 13, 2005).

that it is left as a seldom-used option is real, yet that should not take away from the novelty and benefits that the CIT proposal offers.

### C. Increasing the Presumption of Validity: The “Gold-Plating” Proposal:<sup>74</sup>

In contrast to the previously mentioned alternatives, which focus their attention at changing or modifying the venue in which the judicial proceeding takes place, another alternative has been proposed at the PTO level. The proposal argues that by making the examination process at the PTO more strenuous and simultaneously changing the burden of proof given to patents, “weak” patents can be “weeded out” more efficiently and patentees can “gold-plate” their patents by putting them through a more rigorous examination.<sup>75</sup> The proponents of this solution sum their proposal as follows: “[t]he Patent Office should focus its examination resources on important patents and pay little attention to the rest.”<sup>76</sup>

This proposal has three parts. First, the presumption currently given to issued patents would be changed. Patents that are not subjected to the additional examination (gold-plating) would be afforded only “preponderance of evidence.” On the PTO side of the equation, the second step would be to allow inventors (by an additional fee) to subject their patents to a more rigorous examination, hence “gold-plating” them. Said additional examination would give the patent a presumption of validity. The reasoning goes that those inventors who feel that they have a worthwhile patent would pay additional fees to secure their patent once it is issued. Those who forgo the additional examination would still receive a patent (assuming it meets the standard requirements for a patent) but would be subject to a *de novo* review in the event of litigation.<sup>77</sup> Thirdly, the proposal would allow for a post-grant opposition system in which competitors can challenge and fund a thorough examination of a recent patent.<sup>78</sup>

The proponents do not believe that they would eliminate “bad patents.” Instead they argue that the “gold-plating” reform would enable the PTO determine which patents matter (which ones were gold-plated). The proposal seeks to solve the problem at its beginning (examination), rather than at the end (litigation). To allow for a stronger examination at the PTO level, such a move will only benefit the parties involved, since “weak” patents would be more easily rejected and inventors would voluntarily provide stronger arguments and information for their patents. Certainly this will provide for better litigation since more information would be known prior to discovery proceedings. However this does not address the situation found at the courts, where generalist judges are many times ill-equipped to handle

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<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 12

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at 13.

complex patent litigation. The solution, by itself, could be a system that just adds an administrative layer to the process.<sup>79</sup> The AIA adopts a comparative process in the newly created “Supplemental Examination”.<sup>80</sup>

Under the “Supplemental Examination” proceeding, a patent owner may petition the PTO to examine, consider, or reconsider additional information believed to be relevant to the patent, as part of a supplemental examination. Following this examination, if the patent is held to be enforceable, it shall not be held to be unenforceable on the basis of inequitable conduct if the information was considered, reconsidered, or corrected during the supplemental examination of the patent.<sup>81</sup> While this is a small step towards the “gold-plating” proposal, it does not carry with it a presumption of validity to be used in litigation. Instead it only limits the defense of inequitable conduct.

Nevertheless, regardless of the solution adopted at the judicial level, the “gold-plating” proposal should be pursued as an additional measure to the existing supplemental examination procedure, based on the idea that additional patent examination will only benefit those parties who then seek to enforce (or defend) them. This solution by itself does not address the issue of long, costly and often reversed litigation. While it may limit the number of cases that go to court, once there, it may end up doing little to change the arduous outcome that awaits most patent cases.

## VI. Should the U.S. Adopt a U.K. Patent Trial Court?

To answer this query, one has to begin with the situation at hand. The United States, unlike other countries such as the United Kingdom, Spain and Germany, does not have a tradition of specialized courts. Its judges, from the district to the Supreme Court, see all kinds of cases save for a handful of exceptions. This practice (of generalist judges) has been strongly defended by many proponents, be it in research papers or in hearings before Congress when pressed about Patent Reform. However, while this practice might offer the advantage of new and diverse judicial opinions, free from the “tunnel vision” imposed by specialized courts, it is equally true that the court proceedings are long, costly and unpredictable.

The problem then lies in two areas: the administrative and the judicial level. At the administrative level, you have highly-skilled examiners who, on average, spend eighteen (18) hours spread over a three-year period examining the patent application, its documentation and engaging with the patent attorney.<sup>82</sup> In addition, the incredibly high number of issued patents only creates more monopolies that find

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<sup>79</sup> Arti K. Rai, *Specialized Trial Courts: Concentrating Expertise on Fact*, 19 Berkley Tech. L.J. 877, 1049-1050 (2002).

<sup>80</sup> 35 U.S.C. § 257 (2012).

<sup>81</sup> 35 U.S.C. § 257(c) (2012).

<sup>82</sup> Lemley, *supra* n. 72, at 10.



their way to the courts, resulting in costly legal bills and loss of confidence in the system. Once the patent is being litigated at the judicial level, the parties are faced with a higher percentage of judges that are untrained in patent law or the technology at hand, and whose claim constructions are reversed close to 40% of the time by the Federal Circuit. Also, the fact that parties have a free choice on which of the ninety four (94) district courts to pursue their action, further aggravates the situation by allowing forum shopping without restraints.<sup>83</sup>

The solution, be it a specialized patent court, a pilot program, or a parallel court venue, needs to be directed at the entire process (from application to litigation). At the administrative level, I find that the “gold-plating” proposal would be a beneficial improvement to the overall process. It would allow the courts to work with patents that have been rigorously examined. This would help the current state of affairs since it would be easier to detect patent applications that have non-obviousness faults or novelty issues at an administrative level rather than at the judicial level. Furthermore, it could lead to clearer and more precise claims, which in turn would facilitate the *Markman* hearing for the judge.

“Gold-Plating” would not be an added expense to the PTO since inventors would wage its costs by paying higher fees. The burden-shift would also produce tangible results in court since it would require the challenging party to produce stronger evidence to rebut a “gold-plated” patent application. Now, as I argued in Part V, this can only be a portion of the solution and not the solution itself. The most important part of the solution has to be at the judicial level.

Although the idea of a specialized court like the U.K. Patent Court seems to be the ideal and quick solution, I find that the U.K.-U.S. comparison is ill-suited. For starters, I argue that the U.K. can feasibly have a Patent Court together with the PCC due to its geographical size. The U.S. cannot channel all patent cases into one single patent court since the volume would be overwhelming. Therefore, if the U.S. were to attempt a U.K.-style court, it would have to make several regional patent courts. This would require a new court system and the appointment of judges trained

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<sup>83</sup> Professor Moore summed the venue problem and proposed a rather simple yet effective solution during a Congressional hearing, stating:

The first is the virtually unfettered ability of patentee plaintiffs to file a patent suit in any of the 94 different district courts. The patent venue statute, 35 U.S.C. §1391, allows a corporation to be sued anywhere that personal jurisdiction exists which is any judicial district in any state where products are sold. This was not a problem when commerce was limited geographically, but in this day of national and, in fact, global commerce, this venue statute is no longer workable. The Amendment to H.R. 2795 addresses this problem by limiting venue to the judicial district where the defendant resides or the judicial district where the defendant has committed acts of infringement and has a regular and established place of business. The Amendment defines corporate residence as the district where the corporation has its principle place of business. I support this change to the venue statute.

*Supra* n. 3, at 23.



in patent law. Logistically this could be possible, but it would mean a complete revamping of the system. Furthermore, if the solution were to create a new system and appoint new judges, and if said overhaul turns out to be ineffective, we might end up in a worse position than we are now. The solution should be one that can be easily modified or rectified as needs arise.

The Pilot Program offers a solid starting point by working within the existing structure. The Program does not require the appointment (and therefore, search) of new judges. It would provide expertise through frequency, much like the Federal Circuit. The additional money for technical clerks would no doubt help judges understand the technology before them, allowing them to better handle the case and issues. It would also be beneficial to have judges who are willing to opt-in, therefore having not only skilled judges deciding cases, but judges who are interested in that particular field. More importantly though, the Program does not require the creation of a new judicial structure or layer, but instead will work within the existing district structure, using those districts that have a heavy case load of patent cases.

Nevertheless, this proposal should welcome improvements. In addition to the funds for technical clerks, the Program should mandate continued legal education (free of charge) for those judges whom opt-in. The courses would be directed at new developments in patent law and emerging technologies. This would make it easier for judges to combine expertise acquired by experience with legal knowledge and would also enable them to keep up to date with new technologies. The reasoning behind this is that although clerks will assist judges in unraveling the technical aspects, the Program would work better if the judges already had a “working knowledge” of the technology before them. Finally, district courts that participate in the Program should be given great powers for rule-making, much like the CIT has done so for patent cases. These judges would be in the ideal position to determine which rules need to be enacted in order to facilitate fact-finding and minimize the burdens of patent litigation.

On the other hand, the CIT proposal is both novel and is not mutually exclusive from the Pilot Program. The CIT proposal is attractive given its simplicity (it resides in one court that can operate anywhere in the U.S.), its minimal financial impact, and the CIT’s capacity for rule-making. The CIT proposal also allows the U.S. to monitor and respond in a quick and effective manner to its progress as an alternative patent venue, due to the fact that it proposes one court instead of ninety four (94) district courts or fifteen (15), as is the case for the Pilot Program. Given the concentration of resources, the CIT can provide quick results and can be kept in check by the Federal Circuit as its sole appellate court.

Notwithstanding the advantages of the CIT proposal, it is insufficient as a sole alternative. As a single alternative, it may not be able to handle the volume of patent cases coming its way if many inventors start taking their cases to them. As such, the CIT would be faced with a backlog and it may quickly lose favor with inventors and lawyers, leaving it as a seldom-used option. For it to be successful, it should

work within the framework of the Pilot Program as an alternative venue when the parties involved are not within one of the districts in the Pilot Program. Given the CIT's mobility, it would provide a patent-ready venue in places where the district courts are ill-equipped. In turn, this will lower legal fees since inventors would not have to hire out-of-state lawyers or pay for their litigation expenses. The CIT will not compete against the pilot courts in a detrimental way since it will merely add to the list of knowledgeable venues.

The Pilot Program, together with a gold-plating reform, can be enough to alleviate many burdens of patent litigation, yet this should not be enough. If the U.S. were to change patent litigation, it should be a meaningful and substantial reform that "changes the rules of the game" without creating a judicial leviathan. By combining the Pilot Program with the CIT proposal, along with the recommendations offered in this paper,, Congress could help create knowledgeable *de facto* patent courts without incurring in the financial and legislative burdens of specialized (isolated) patent courts. Congress should make it a priority to act on the current situation regarding patent law since it affects emerging technologies and litigation costs could hamper the economic success that an otherwise successful inventor could have. Success in this area would trickle into our ailing economy and provide new opportunities.

The U.S. needs to act on this quickly and responsibly, given that a strong patent system and a swift, but effective litigation venue are crucial for the flow of information and innovation. Inventors need a stronger guarantee that their innovation and hard work will not necessarily be subject to a lengthy trial and eventual appellate proceeding in order to get their creation to the market place. This is not to say that litigation should or would cease, but that those patents that are issued should be done so responsibly, and the courts that adjudicate over them should have the tools and skills to do so effectively at the district level, instead of relying on the Federal Circuit to correct their rulings on appeal.

