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Getting Patent Preemption Right

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# ESSAYS

## GETTING PATENT PREEMPTION RIGHT

*Camilla A. Hrdy*

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I. INTRODUCTION

This symposium Essay tackles a single doctrinal conundrum at the Intellectual Property and Federalism interface: what standard should courts use to assess whether a state law that weakens federal patent rights is preempted by federal patent law? The Federal Circuit has held that the proper standard is statutory preemption, and specifically “implied conflict” preemption. This analysis requires assessing whether a particular state law interferes with the “purposes and objectives” of the Patent Act. If a court decides the state law interferes with patent law’s goals, it is preempted; otherwise, it is not preempted.

My view is that the Federal Circuit has it wrong. The source of preemption when a state passes a law that weakens a federal patent right is the Intellectual Property Clause itself. This analysis does not look to Congressional intent to preempt state law. Rather, it asks whether the state has excessively burdened the exclusive right “secured” by Congress pursuant to Article I, Section 8, Clause 8, by imposing a compliance cost on patentees that is unreasonably high in comparison to the gravity and scope of the problem the state seeks to address. If, after hearing the evidence, a court finds the state law imposes unreasonably high compliance costs on patentees, the law is preempted by the Intellectual Property Clause; otherwise, the law is not preempted by the Intellectual Property Clause.1

In this Essay, I explain the issue of patent preemption and how it arises in patent law and practice. I define “state anti-patent laws” and distinguish them from state patent laws or state “patent-like” rights such as trade secrets. I describe how courts should determine preemption in this context, drawing both on logic and on how courts did so historically. I then lay out the Federal Circuit’s current approach to preemption of state anti-patent laws and show how it is flawed. I hypothesize that the Federal Circuit’s erroneous conception of the preemptive effect of federal patent law on state anti-patent laws helps explain why the Federal Circuit has turned to “Petitioning Immunity” under the First Amendment in order to protect patentees from state law liability.2 I end by concluding that when addressing state anti-patent laws, as opposed to state patent-like rights, courts should return to the correct preemption standard based on the Intellectual Property Clause.

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1 Obviously, the state law could still be preempted under the Supremacy Clause if it directly conflicts with a particular provision of the Patent Act. See Part V.

2 This trend has been observed by other scholars such as Professor Paul Gugliuzza. See Part VII.
II. PATENT PREEMPTION GENERALLY

The United States has a dual system of governance in which the states and the federal government share power.\(^3\) “Preemption” describes a situation in which federal law supersedes state law, leading to the state law’s invalidation or prohibiting its enforcement in a particular case.\(^4\) The main legal basis for preemption is the Supremacy Clause of the Constitution, which provides that

> [t]his Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.\(^5\)

As the phrasing of the Supremacy Clause suggests, there are several different types of preemption. Preemption can arise from the Constitution itself. For example, the Naturalization Clause of Article I, Section 8, Clause 4 has been held to have some preemptive effect on state laws with respect to naturalization and immigration policy.\(^6\) In a more nuanced fashion, the Supreme Court has held that the Commerce Clause implicitly preempts certain state laws that unduly interfere with interstate commerce even absent congressional action.\(^7\)

But most preemption today is statutory. Courts generally presume states possess concurrent authority under the Constitution unless Congress acts in

\(^3\) Wyeth v. Levine, 555 U.S. 555, 584 (2009) (“Under this federalist system, ‘the States possess sovereignty concurrent with that of the Federal Government, subject only to limitations imposed by the Supremacy Clause.’”) (Thomas, J., concurring in the judgment) (quoting Tafflin v. Levitt, 493 U.S. 455, 458 (1990)).


\(^5\) U.S. CONST. art. VI, cl. 2.

\(^6\) U.S. CONST. art. I, § 8, cl. 4 (“The Congress shall have Power To . . . establish an uniform Rule of Naturalization . . . .”); see also Hines v. Davidowitz, 312 U.S. 52, 62 (1941) (“[T]he supremacy of the national power in the general field of foreign affairs, including power over immigration, naturalization and deportation, is made clear by the Constitution, was pointed out by the authors of The Federalist in 1787, and has since been given continuous recognition by this Court.”).

\(^7\) Pike v. Bruce Church, Inc., 397 U.S. 137, 142 (1970) (“Where the statute regulates evenhandedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, it will be upheld unless the burden imposed on such commerce is clearly excessive in relation to the putative local benefits.”).
some manner to preempt state law. Statutory preemption can occur in several ways. The first is by express preemption, where Congress expressly holds within a particular federal statute that state law is preempted. The second type of statutory preemption is implied preemption. This is where a court determines that Congress implicitly intended to preempt a certain state law, or a certain field of state law, even if it did not do so expressly. In other words, courts “expand [the preemptive effect of] federal statutes beyond their [express] terms through doctrines of implied preemption.”

One clear example of implied preemption is where state law directly conflicts with a federal law—for instance, where a state law prevents someone from doing something that the federal government has given them a right to do. This is sometimes called “actual conflict” preemption. On the other hand, when there is no direct collision between state and federal law, courts may instead apply what is called “purposes and objectives” preemption. This is where a court finds that Congress must have intended to preempt a state law because—in the court’s assessment—the state law “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”

III. PREEMPTION OF STATE PATENTS AND STATE “PATENT-LIKE” RIGHTS

Preemption arises in patent law in several distinct circumstances. The most oft-discussed situation is when a state creates an incentive to innovate that takes

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8 Wyeth, 555 U.S. at 565 (“[T]he purpose of Congress is the ultimate touchstone in every preemption case.” (citation omitted)).
10 Wyeth, 555 U.S. at 587 (Thomas, J., concurring) (citations omitted).
11 Id. at 624 (Alito, J., dissenting) (“Under these principles, the sole question is whether there is an ‘actual conflict’ between state and federal law; if so, then pre-emption follows automatically by operation of the Supremacy Clause.”); see also id. at 624, n.14 (citing Gibbons v. Ogden, 9 Wheat. 1, 210 (1824)).
12 As Justice Thomas explains, “[t]he Court first formulated its current ‘purposes and objectives’ pre-emption standard in Hines v. Davidowitz when it considered whether the federal Alien Registration Act pre-empted an Alien Registration Act adopted by the Commonwealth of Pennsylvania. The Court did not find that the two statutes, by their terms, directly conflicted. Nonetheless, the Court determined that it was not confined to considering merely the terms of the relevant federal law in conducting its pre-emption analysis. Rather, it went on to ask whether the state law ‘stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.’” Wyeth, 555 U.S. at 594–95 (Thomas, J., concurring) (citations omitted). See also Nelson, supra note 4, at 226–29.
the form of, or at least resembles, a patent right—a right to exclude others from making, using, or selling a particular innovation.\textsuperscript{13}

The obvious example is where a state creates a “state patent” that expressly gives the owner the right to exclude others within the state’s jurisdiction.\textsuperscript{14} Such a state patent would likely be preempted today, assuming it gave inventors the right to exclude others from inventions that would not otherwise meet federal patentability standards.\textsuperscript{15} The reason is that the Supreme Court held in \textit{Bonito Boats, Inc. v. Thundercraft Boats, Inc.} that a Florida law that prohibited copying of publicly known subject matter that was ineligible for federal patent protection was preempted by federal patent law pursuant to the Supremacy Clause, after reasoning that it interfered with the objectives of patent law.\textsuperscript{16} The state law effectively operated as a “patent-like” right against the world and yet did not adhere to federal patentability standards. Thus, inventors might be deterred from applying for federal patents and from inventing things Congress deemed patentable and worth protecting.\textsuperscript{17}

That said, the Supreme Court has held, in \textit{Goldstein v. California}, that the Intellectual Property Clause itself does not fully prevent states from passing laws designed to promote innovation, even when those laws employ similar mechanisms to patent or copyright.\textsuperscript{18} In other words, other forms of state “patent-like” rights are not necessarily preempted.


\textsuperscript{16} \textit{Bonito Boats, Inc. v. Thunder Craft Boats, Inc.}, 489 U.S. 141, 168 (1989) (“By offering patent-like protection for ideas deemed unprotected under the present federal scheme, the Florida statute conflicts with the ‘strong federal policy favoring free competition in ideas which do not merit patent protection.’ We therefore agree with the majority of the Florida Supreme Court that the Florida statute is preempted by the Supremacy Clause, and the judgment of that court is hereby affirmed.” (citing \textit{Lear Inc.}, 395 U.S. 653, 656 (1969))).

\textsuperscript{17} Id. at 160–61.

\textsuperscript{18} See \textit{Goldstein v. California}, 412 U.S. 546, 552–61 (1973) (addressing preemption by copyright law of a state law protecting otherwise unprotected sound recordings); \textit{id} at 560.
More subtle examples of state “patent-like” rights that might potentially be preempted by federal patent law include a state trade secret statute that prohibits misappropriation of privately held secrets. In this circumstance, the Supreme Court has reached the opposite conclusion—that state law is not necessarily preempted even though it may lead inventors to keep unpatentable as well as patentable inventions secret. In *Kewanee v. Bicron*, the Supreme Court assessed whether Ohio’s trade secret law was preempted by federal patent law and decided it was not preempted because of the ways in which a trade secret right is *not* like a patent. It does not prohibit use of protected information that is derived through reverse engineering or independent creation. It does not give the trade secret owner an exclusive right “against the world.” It only gives them a private right of action against those who misappropriate the information by using improper means or breaching a duty of confidence.19 Thus, the Court reasoned, it was unlikely that many inventors of patentable inventions would be deterred from inventing patentable inventions and choosing to disclose and protect them under the Patent Act.20 “[T]he possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law . . . is remote indeed.”21

The upshot of these types of cases is that when a state grants an incentive to innovate that resembles a patent, the law may or may not be preempted, depending on how much it resembles a patent. If a state provides the same exclusionary protection as a federal patent—a right to an injunction against *anyone*, even those who obtained the innovation through independent development or reverse engineering—preemption is basically inevitable under *Bonito*. But if a state instead merely provides an alternative way to protect innovation without creating a broadly applicable right to exclude—such as a

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19 *Kewanee v. Bicron*, 416 U.S. 470, 489–90 (1974) (“Trade secret law provides far weaker protection in many respects than the patent law.”). Other examples of state “patent-like” rights that might be preempted include where a state contract protects an invention from use by another even though a federal patent on it is denied, see *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979) (holding federal patent law does not preempt state contract law from requiring payment of royalties to a patent applicant, on sales of articles embodying the patentee’s invention, for so long as the contracting party sells those articles, even if the patent is never granted), or where state trademark and unfair competition laws effectively extend the life of an expired patent by allowing the patentee to continue to enjoin others from using the design. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U. S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964); *Goldstein v. California*, 412 U. S. 546, 552–61 (1973) (addressing preemption by copyright law of a state law protecting otherwise unprotected sound recordings).

20 *Kewanee*, 416 U.S. at 490.

21 Id.
remedy against employees who reveal their employer’s secrets to competitors—this will not be preempted under Kewanee.

IV. STATE ANTI-PATENT LAW DEFINED

A distinct situation in which the issue of preemption arises in patent law is when a state, by legislative enactment or through common law, directly attacks the validity or enforceability of a federal patent, or significantly reduces the ability of patentees to profit from their patents. I call this latter type of law “state anti-patent law.”

State anti-patent laws are not a novel phenomenon, and have their origins in the nineteenth century. As historian Chris Beauchamp has documented, there was a tremendous amount of patent litigation in the nineteenth century. To address complaints from farmers and others that believed they were being unjustly accused of infringement, states passed laws seeing to regulate patent assertions. For instance, some states passed laws requiring that anyone who sought to sell or license patent rights in the jurisdiction to obtain a license and prove their “good moral character,” and to pay a high tax—double that of the ordinary tax imposed on sellers of other goods. Several states passed laws that prohibited selling or licensing patents in the state without first filing copies of


23 I specifically define a state anti-patent law as any state law, common law or statute, that directly attacks the validity or enforceability of a federal patent, or significantly reduces the ability of patentees to profit from their patents. That said, I am not the first to use the term “state anti-patent law.” See, e.g., Ford, supra note 22, at 555.


26 Hugo E. Weisberger, State Control Over Patent Rights and Patented Articles, 20 J. PAT. OFF. SOC’Y 183 (1938).

27 For instance, a Kentucky statute declared that “all itinerant persons vending lightning rods, patent rights or territory for the sale, use or manufacture of patent rights” were to be deemed “peddlers,” and that they must obtain a “license” from the county court of each county in which they wished to sell patents. See In re Sheffield, 64 F. 833, 833–34 (C.C. D. Ky. 1894). This required them to prove they were of “good moral character” and to pay a “license tax” of double the $100 tax imposed on peddlers of ordinary goods, merchandise, or other property, to the state, and one-fourth that sum to each county in which patent peddlers sought a license.
authenticated patents with the clerk of the counties in which they wished to license.  

These laws changed form, but did not entirely disappear. Modern examples of state anti-patent laws include state unfair competition counterclaims brought against losing patentees in patent infringement trials based on the patentee’s aggressive pre-litigation infringement assertions; stand-alone state antitrust claims premised on a patentee’s fraudulent procurement of a patent from the Patent Office and subsequent enforcement of the patent against the plaintiff; and “bad faith patent assertion” laws enacted in most states since May 2013. These laws typically give recipients of demand letters the opportunity to sue patentees in state court for damages and injunctions.

V. STATE ANTI-PATENT LAW DISTINGUISHED

There has been significant scholarship on preemption of state laws of the first variety—that is, preemption of state laws like trade secrets that resemble federal patents. But scholarship on preemption of state anti-patent law was rare until quite recently when Vermont passed a law prohibiting bad faith assertions of patent infringement in May 2013.

28 For instance, an Indiana statute entitled, “An act to regulate the sale of patent rights, and to prevent frauds in connection therewith,” made it unlawful for any person to “sell or barter, or offer to sell or barter, any patent right in any county in the state,” without first filing copies of the patent with the clerk of said counties that had been “duly authenticated,” and “swearing to an affidavit before such clerk that such letters patent are genuine and have not been revoked or annulled, and that he has full authority to sell or barter the right so patented.” Ex parte Robinson, 20 F. Cas. 961, 963 (C.C.D. Ind. 1870).

29 Zenith Elecs. Corp. v. Exzec, Inc., 182 F.3d 1340, 1355 (Fed. Cir. 1999) (tortious interference with economic advantage counterclaims based on patentee's false statements to customers that defendant had infringed plaintiff's patent and was incapable of producing a non-infringing product).


32 See supra note 13.

33 See citations in supra note 22. See also Robin Feldman, Federalism, First Amendment & Patents: The Fraud Fallacy, 17 COLUM. SCI. & TECH. L. REV. 30 (2015). Student notes on whether the new state patent assertion laws are preempted include T. Christian Landreth, Recent Development,
We might assume the preemption rules governing these two types of state laws—state patent-like laws, on the one hand, and state anti-patent laws, on the other—are the same. After all, in both cases, states are acting, we might say “regulating,” in the area of patents, and thereby creating a potential conflict between state and federal goals.

In his recent article on the new bad faith patent assertion laws, Professor Paul Gugliuzza describes the Federal Circuit’s jurisprudence respecting preemption of state law counterclaims and explains how this case law is or might be applied to the new state bad faith patent assertion laws. In his view, “state laws regulating patent enforcement” ought to be addressed under an “orthodox, Supremacy Clause-based preemption analysis”—the same analysis used to assess state trade secret laws and state patent-like rights. Under this standard, he contends, state laws that regulate patent enforcement “likely avoid preemption. Although they create some disuniformity in the patent system, they arguably do not conflict with the core objectives of federal patent law, such as incentivizing invention and inducing the disclosure of inventions.”

However, the two types of laws—state patent-like laws and state anti-patent laws—are in fact quite different. In the case of a patent-like right, states seek to reward and incentivize an innovator by conferring a legal right that confers some degree of exclusivity of use. By creating a separate exclusive right or expanding the rights of innovators to protect their innovations, the state potentially interferes with federal law either by leading inventors to apply for fewer patents and disclosing their inventions to the public, or by removing...
subject matter from the public domain that Congress wishes to remain free to use.\textsuperscript{38} For example, an inventor intending to obtain a federal patent eventually might instead choose to rely on secrecy or might initially rely on secrecy and then thereafter get a patent.\textsuperscript{39} Either scenario may interfere with the goals of patent laws to promote innovation and disclosure of new ideas and preserve the public domain. But it interferes with the patent right itself only indirectly, if at all.

In contrast, in the case of state anti-patent laws, states challenge the validity of a federal patent or constrain the ability of the patentee to enforce the patent. State anti-patent laws pose a preemptive conflict that is far more direct and guaranteed than that posed by state innovation incentives because they have the effect of directly weakening the rights of a patent owner. Take the most basic example: a state law that prohibits enforcing a federal patent in the state without first obtaining a license. Here, a state has directly subtracted from the bundle of rights the patentee would otherwise have had under federal law. Before the state law, the patentee could license its patents in every state in the country. Now, it cannot do so without first paying a fee to the state. Another example, more relevant today, are bad faith assertion laws or tort counterclaims brought against a patentee based on her overly zealous infringement assertions. These expose the patentee to liability for trying to enforce the patent. Again, the state has taken away something from the patentee that she would otherwise have—a less restricted right to enforce.

The crucial implication of this distinction for preemption purposes is that the Supreme Court’s statements in \textit{Kewanee}, and before that in \textit{Goldstein v. California}—that the Intellectual Property Clause itself does not preempt states from creating “patent-like” incentives such as trade secrets—does not apply to preemption of state anti-patent laws.\textsuperscript{40} Rather, the Intellectual Property Clause itself creates a preemptive barrier against state anti-patent laws.

\section*{VI. The Intellectual Property Clause’s Preemptive Effect on State Anti-Patent Law}

In her essay, \textit{The Intellectual Property Clause’s Preemptive Effect}, Professor Jeanne Fromer argued that, although the Supreme Court foreclosed the notion of a “Dormant IP Clause” in \textit{Goldstein}, the Intellectual Property Clause can

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\item \textsuperscript{38} \textit{Id.} at 484–92 (discussing whether inventors “will refrain because of the existence of trade secret law from applying for patents, thereby depriving the public from learning of the invention”).
\item \textsuperscript{39} \textit{Metallizing Co. v. Kenyon Bearing & Auto Parts Co.}, 153 F.2d 516 (2d Cir. 1946) (stating one who “competitive[ly] exploit[s]” a secret invention at a time that precedes the filing of a patent application on that invention by a year or longer forfeits the right to the patent).
\item \textsuperscript{40} \textit{See Goldstein v. California}, 412 U. S. 546, 552–61 (1973); \textit{Kewanee}, 416 U.S. at 489–90.
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nonetheless provide a non-binding guide for thinking about preemption.\textsuperscript{41} This may well be true for state laws that resemble IP rights, like trade secrets or state patents. But for state anti-patent law, the Intellectual Property Clause has direct application. In other words, to ride on the Court’s statement in \textit{Goldstein}, Article I, Section 8, Clause 8 \textit{does}, “by its own force” preempt—if not all state anti-patent laws—a large number of them. And the legal test to be applied in assessing whether a given state anti-patent law is preempted revolves around the language of the Intellectual Property Clause.

We can observe this initially by looking at the language of the Clause itself. Article I, Section 8, Clause 8 gives Congress power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”\textsuperscript{42} True, the Intellectual Property clause does not expressly say anything about states ability to restrict patents. It does, though, state that Congress has power to “secure” the exclusive rights of an inventor in his or her discovery. Logically, then, if the state interferes with a patent after Congress has “secured” it—that is, by sanctioning the Patent Office to grant a patent under the Patent Act—this creates a direct collision with federal power.

The clearest analogy is to a piece of federal property. If the federal government creates a property right and grants it to an individual, surely a state cannot then reduce the scope of that property right or alter the terms on which it can be enforced, at least not without significant restrictions. Historically, courts made the “federal property” analogy quite explicitly. They recognized this distinction between state laws that replace or supplement federal patents, on the one hand, and state laws that burden federal patents, on the other.\textsuperscript{43} In \textit{McCulloch v. Maryland} (1819), the Supreme Court struck down a Maryland law that taxed promissory notes issued by a branch of the federal bank.\textsuperscript{44} “[T]he power to tax,” Chief Justice Marshall famously stated, “involves the power to destroy; [and] the power to destroy may defeat and render useless the power to create.”\textsuperscript{45} A state tax on a bank chartered by the national government, Marshall wrote, was “hostile to, and incompatible” with Congress’s power “to create and to preserve” the bank under the Necessary and Proper Clause.\textsuperscript{46} To illustrate

\textsuperscript{42} U.S. CONST. art. I, § 8, cl. 8.
\textsuperscript{43} Livingston v. Van Ingen, 9 Johns. 507 (N.Y. 1812).
\textsuperscript{44} McCulloch v. Maryland, 17 U.S. 316, 426 (1819). \textit{See also} discussion of the case and analysis in Nelson, supra note 4, at 268–72.
\textsuperscript{45} \textit{McCulloch}, 17 U.S. at 431.
\textsuperscript{46} Id. at 426.
this point, Marshall analogized to federal patent rights issued by the Patent Office, stating in dicta that surely states could not tax federal patent rights once they had been “secured” by Congress under Article I, Section 8, Clause 8.47

Following McCulloch, courts thereafter prohibited states from taxing federal patent rights,48 and also prohibited states from passing laws to regulate patent rights, such as laws mandating that patentees register their patents with the state before selling them in the jurisdiction. In Ex parte Robinson (1870), one of the earliest cases addressing such a law, an Indiana appeals court struck down an act called “An act to regulate the sale of patent rights and to prevent frauds in connection therewith.”49 Thereafter, other courts followed suit. For example, in Cranson v. Smith, the Supreme Court of Michigan struck down Michigan’s registration statute, concluding that even if regulations were necessary to prevent patent fraud,50 “[t]he measure of that protection, and its conditions, cannot be fixed by any power but Congress.”51 To the extent the Patent Act suffered from “abuses or defects,” the “remedy” must be congressional “revision of its own laws. It is not competent for state statutes to deal with them, or to revise the national policy.”52

Starting around 1878, a circuit split emerged, with some courts beginning to uphold state anti-patent laws despite Article I, Section 8, Clause 8’s delegation of authority to Congress to “secure” patent rights.53 After decades of disagreement among state courts on the constitutionality of these laws, the Supreme Court finally settled once and for all in Allen v. Riley (1906) that, notwithstanding the Intellectual Property Clause, states had some degree of authority to create restrictions on patent transfers in their jurisdiction for the purposes of preventing fraud, but not unlimited authority.54

47 Id. at 432 (“If the states may tax one instrument, employed by the government in the execution of its powers . . . they may tax any and every other instrument. They may tax the mail; they may tax the mint; they may tax patent right. . . . This was not intended by the American people. They did not design to make their government dependent on the states.”).
48 Edison Elec. Illuminating Co. v. Bd. of Assessors of Brooklyn, 51 N.E. 269, 270 (1898) (“[P]atent rights being created under the Federal Constitution and laws for a federal purpose, the states are without the right to interfere with them. The right to tax a federal agency constitutes a right to interfere with, to obstruct, and even to destroy the agency itself, for conceding the right of the state to tax at all, then it may tax to the point of destruction.”).
49 Ex parte Robinson, 20 F. Cas. at 963.
51 Id. (emphasis added).
52 Id. at 312–13.
53 See, e.g., Haskell v. Jones, 86 Pa. 173, 173 (1878) (“The Act of April 12th 1872, regulating the execution and transfer of notes given for patent rights, is not in conflict with art. 1, sect. 8, of the Constitution of the United States.”).
In a majority opinion written by Justice Peckham, the Supreme Court held that the Intellectual Property Clause did not fully divest states of authority to pass laws to protect citizens from patent frauds, so long as the state law did not impose a burden on patentees that was “so great...as to be regarded as oppressive or unreasonable.”

Under Article I, Section 8, Clause 8, states could never act in a way that “would result in a prohibition of the sale of this species of property within its borders” and thereby “nullify the laws of Congress which regulate its transfer, and destroy the power conferred upon Congress by the Constitution. Such a statute would not be a reasonable exercise of the powers of the state.”

Allen’s “reasonableness” standard is essentially a balancing test that requires courts to balance the state’s interest in regulating patents against the burden on the federal right. An analogy can be drawn to the Dormant Commerce Clause doctrine, where courts balance the state’s interest in passing a law against the burden the law places on interstate commerce. A more controversial analogy is to the “undue burden” test the Supreme Court uses in “fundamental rights” litigation to assess whether a state, in pursuing its own interests, has unconstitutionally undermined a fundamental right.

The Allen test has three prongs. First, the state law must serve a valid purpose—that is, be designed to combat what the Allen court termed a “well-known evil,” such as a state’s desire to combat meritless assertions of patents for the purpose of obtaining a forced license fee. Second, the law must not impose an “oppressive or unreasonable” burden on the patentee’s ability to enforce the patent—meaning that the costs of patentee compliance with the state law must not be too great. Third, if the cost imposed on patentees is far too great in light of the harm the state seeks to combat, the law is unconstitutional.

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55 Id. at 357.
56 Id. at 355 (quoting Ex parte Robinson, 2 Biss. 309, Fed. Cas. No. 11,932 (1870)).
58 See Planned Parenthood of Se. Pa. v. Casey, 505 U.S. 833, 874–75 (1992) (“Only where state regulation imposes an undue burden on a woman’s ability to make [the decision to terminate or continue her pregnancy before viability] does the power of the State reach into the heart of the liberty protected by the Due Process Clause. . . . In our view, the undue burden standard is the appropriate means of reconciling the State’s interest with the woman’s constitutionally protected liberty.”).
59 203 U.S. at 356.
60 Id. at 355–57.
61 203 U.S. at 357.
For example, in Allen, the court found that Kansas’s registration statute had the purpose of “checking a well-known evil” as it was designed “to prevent, so far as possible, fraud and imposition in regard to the sales of rights under patents.”62 The Court also found that the cost of compliance that the law imposed on patentees was not unduly great in light of the state’s goal. Specifically, the Court found, “[t]he expense of filing copies of the patent and the making of affidavits in the various counties of the State in which the owner of the rights desired to deal with them is not so great in our judgment as to be regarded as oppressive or unreasonable.”63

Importantly, passing the constitutional standard—not imposing an “oppressive” or “unreasonable” burden on the patent right—does not mean a state law is not preempted. Rather, the court must also address whether the state law directly conflicts with some specific provision of the Patent Act. For instance, in Allen, the Court assessed whether the Kansas law at issue, requiring registering a patent with the state before assigning the patent, conflicted with a provision of the Patent Act authorizing written assignments and providing that those assignments would be void against subsequent purchasers unless recorded in the federal Patent Office. (Today, this is 35 U.S.C. § 261.) The Allen Court found that no conflict existed because all the provision said was that “every patent, or interest therein, shall be assignable in writing, leaving to the various states the power to provide for the safeguarding of the interests of those dealing with the assumed owner of a patent, or his assignee.”64

VIII. THE FEDERAL CIRCUIT’S ERROR

Modern courts, and particularly the Federal Circuit, have lost sight of the older, and I think clearer, way of seeing things. Instead of employing the Intellectual Property Clause and assessing the burden a state places on the exclusive right “secured” under Article I, the Federal Circuit employs statutory preemption, which assesses whether the legislature has preempted a state law or an entire “field” state law, either expressly or impliedly.65 Since the Patent Act has no express preemption provision, the Federal Circuit uses “implied conflict” preemption, which requires courts to perform an open-ended analysis of whether a state law interferes with the “purposes and objectives” of federal patent law. If it does so interfere then—like the “patent-like” law in Bonito

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62 Id. at 356.
63 Id. at 356–57.
64 See id. at 352, 356 (discussing argument that Kansas law conflicted with what was then Rev. Stat. § 4898 U.S. Comp. Stat. 1901).
65 Nelson, supra note 4, at 226–29 (discussing taxonomy Supreme Court uses for preemption).
Boats—it is preempted. If it does not interfere then—like the trade secret statute in *Kewanee*—it is not preempted.

The Federal Circuit delineated this standard in a series of cases in the 1980s and 1990s: *Concrete Unlimited, Inc. v. Cementcraft, Inc.*[^66^], *Abbott Labs. v. Brennan*[^67^], *Dow Chemical Co. v. Exxon Corp.*[^68^] and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*[^69^]. The Federal Circuit most fully discussed patent law’s preemptive effect on state anti-patent law in *Dow*, where it held that implied conflict preemption (not, for instance, “field” preemption) is the proper standard to apply to a state anti-patent law, and intuited that this standard leaves intact many kinds of state claims leveled against patentees.[^70^]

The facts of the *Dow* case are as follows.[^71^] Patentee Exxon threatened Dow’s customers with patent infringement, both in-person and by letter. Anticipating it would be sued, Dow filed an action against Exxon in federal district court seeking a declaratory judgment that Dow’s technology did not infringe the patent and that in any event, the patent was invalid and unenforceable. Dow also brought a state law unfair competition claim against Exxon, the gist of which was that Exxon had made unfounded assertions of patent infringement against Dow’s customers and that Dow was harmed by this activity. *Dow* also contended Exxon’s patent was

[^66^]: 776 F.2d 1537 (Fed. Cir. 1985) (reversing district court and preempting a state unfair competition claim based on patentee “taking business away from the Defendant by threats and infringement actions based on the fraudulently obtained patent” when the patentee was found not to have engaged in inequitable conduct even though the patent was held to be invalid for obviousness).

[^67^]: 952 F.2d 1346, 1356–57 (Fed. Cir. 1991) (preempting a state tort abuse of process claim based on a patent holder’s conduct before the PTO as an “inappropriate collateral intrusion on the regulatory procedures of the PTO” and “contrary to Congress’ preemptive regulation in the area of patent law” and concluding that such claim is “not remediable by state action in tort, at least unless it is shown that the entire federal agency action was a ‘sham.’ ” (quoting E.R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961) (narrowly construing the Sherman Act to avoid a conflict with the First Amendment’s Petition Clause))).

[^68^]: 139 F.3d 1470, 1473 (Fed. Cir. 1998) (holding that state common law claims which implicate patent law issues, such as state claims that address fraudulent conduct before the patent office, are not necessarily preempted “provided the state law cause of action includes additional elements not found in the federal patent law cause of action and is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law”).

[^69^]: 153 F.3d 1318, 1336 (Fed. Cir. 1998) (“Federal patent law bars the imposition of liability for conduct before the PTO unless the plaintiff can show that the patent holder’s conduct amounted to fraud or rendered the patent application process a sham.”), overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999) (quoting *Noerr*, 365 U.S. at 144).

[^70^]: *Dow*, 139 F.3d at 1475 (“Under the standard mandated by the Supreme Court, the state law cause of action at issue here does not present an ‘obstacle’ to the execution and accomplishment of the patent laws... It is difficult to fathom how such a state law cause of action could have any discernible effect on the incentive to invent, the full disclosure of ideas, or the principle that ideas in the public domain remain in the public domain.”).

[^71^]: These facts come from the Federal Circuit’s summary on appeal. *Id.* at 1471–72.
unenforceable as a matter of federal patent law because Exxon had obtained the patent by inequitable conduct before the PTO.72

Thereafter, Exxon abandoned its patent infringement case against Dow, filing a “Statement of Non-Liability” with the district court that gave Dow and its customers, at no cost, perpetual immunity from suit for infringement of the patent.73 This made Dow’s request for declaratory judgment moot. All that was left was the state law unfair competition claim. Dow wanted to at least come away with some form of compensation for the patentee’s harassing acts. State law, but not federal law, presented this possibility now that the patentee had dropped its infringement claim.

The Federal Circuit was therefore presented with a conundrum. Should defendant Dow’s remedy be limited to federal patent law? Or should it be able to obtain relief under state law, and potentially (once all federal claims were dismissed), in state court? The analogy under the state anti-patent laws we have seen thus far—that is, the registration statutes passed by states in the nineteenth century—would be Exxon attempting to enforce its patent in the jurisdiction against Dow’s customers without first registering its patent with the state.

To answer this question, the Federal Circuit drew on Kewanee v. Bicron and other cases in which the Supreme Court has assessed whether state “IP-like” rights such as trade secrets conflict with federal patent law’s purposes and objectives to promote innovation and disclosure and to retain the integrity of the public domain.74 Applying this case law, the Federal Circuit concluded that like in the trade secrets context, the proper preemption test was implied conflict, not field preemption.75 Thus, according to the Federal Circuit, regardless of whether the state law at issue is an “IP-like” incentive like a trade secret or a state common law claim asserted against a harassing patentee, the law should not be preempted unless it conflicts with the Court’s understanding of Congress’s “purposes and objectives” in passing the Patent Act—to promote innovation and disclosure, and

72 Id. at 1472.
73 Id.
74 139 F.3d at 1473–75.
75 Id. at 1471–79. In Hunter, the court elaborated: there is no reason to believe that the clear and manifest purpose of Congress was for federal patent law to occupy exclusively the field pertaining to state unfair competition law. Because of the lack of such congressional intent, in conjunction with the underlying presumption disfavoring preemption, there is no field preemption of state unfair competition claims that rely on a substantial question of federal patent law.

to keep known knowledge in the public domain. This is the case even though the IP Clause gives Congress power to grant patents, and even though a state law, such as a counterclaim brought against a patentee, directly weakens that federally-secured right. In the *Dow* case itself, the majority of the Federal Circuit determined that “[u]nder the standard mandated by the Supreme Court, the state law cause of action at issue here”—a counterclaim alleging that Exxon made frivolous assertions of infringement against Dow’s clients—does not present an “obstacle” to the execution and accomplishment of the patent laws.”

Importantly, in so holding the Court did not assess the cost that the state counterclaim would place on the patentee. It only assessed whether the law conflicted with congressional goals—which in the court’s view it did not, largely because the law did not interfere with the public domain. That analysis seems highly unsuited to the context given that only state exclusive rights that prevent copying of known subject matter will do that.

This result may not be wrong—maybe the state law counterclaim did not create an undue burden on the Exxon patent. My point here is that the doctrines the Federal Circuit uses to ask this question are wrong. While Supreme Court case law addressing implied Congressional preemption of state “IP-like” rights is theoretically relevant, it does not address the very different issue implicated by the new state laws: whether state law can restrain the enforcement of federal patents. As I explained above, the two scenarios are in fact quite different. In the first circumstance, states indirectly interfere with federal patents when they supply state-level alternatives that might theoretically lead to less investment in innovating and disclosing under the Patent Act. But in the latter scenario, states interfere with federal patents quite directly by restricting patentees’ ability to enforce their patents against potential infringers or sell or license their rights before infringement occurs.

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76 Dow, 139 F.3d at 1474 (citing *Kewanee*, 416 U.S. at 480). In the Federal Circuit’s reading of the Supreme Court’s holding in *Kewanee*, these objectives are “threefold: providing an incentive to invent, promoting the full disclosure of inventions, and ensuring that ‘that which is in the public domain cannot be removed therefrom by action of the States.’” *Id.* (citing *Kewanee*, 416 U.S. at 480–81).

77 *Id.*

78 *Id.*; see also *Hunter*, 153 F.3d at 1333 (“In *Dow Chemical*, we understood the Supreme Court precedent to preempt state laws that ‘seek to offer patent-like protection to intellectual property inconsistent with the federal scheme.’”).

79 *Bonito Boats*, 489 U.S. at 161 (“[W]e cannot dismiss as hypothetical the possibility that [the state’s “patent-like” rights] will become a significant competitor to the federal patent laws, offering investors similar protection without the *quid pro quo* of substantial creative effort required by the federal statute. The prospect of all 50 States establishing similar protections for preferred industries . . . could pose a substantial threat to the patent system’s ability to accomplish its mission of promoting progress in the useful arts.”).
Judge Lourie noted this difference in his dissent in *Dow*. Unlike the majority, Lourie would have held that the state law was preempted as applied, because it permitted imposing liability against a patentee for enforcing a patent and that state liability effectively duplicated federal liability for engaging in inequitable conduct.\(^{80}\) In his dissent, Lourie observed that the Supreme Court implied conflict preemption case law used by the majority was completely inapposite because it involved “an alternative form of intellectual property protection or enforcement of a contract, rather than an attack on the enforceability (or validity) of a patent which is basically at issue here.”\(^{81}\)

The majority did not heed Lourie’s dissent and went on in *Hunter* to confirm its view that federal patent law does not preempt all state torts that create liability for patentee misconduct. “To avoid this result,” the Federal Circuit wrote in *Hunter*, “it has been suggested that we should preempt all state law torts premised on federal patent law.\(^{82}\) We believe, however, that such an outcome would cause more harm to federal-state relations than the result here.”\(^{83}\)

### VIII. DOCTRINAL DISPLACEMENT

I am not arguing that we should preempt all state laws premised on federal patent law or all state unfair competition claims wielded against state patentees. However, I am arguing that the whole line of case law stemming from *Dow* is incorrect, and the modern implied conflict preemption rule is doctrinally and conceptually flawed. It is derived from Supreme Court case law assessing preemption of state innovation incentives, which only indirectly interfere with patents, not state laws that directly and intentionally weaken patents. Moreover, at a policy level, it is effectively a rubber stamp for state law liability against patentees: the implied conflict preemption standard is in theory very easy for a state law to meet. Almost any state regulation can be deemed in accordance with patent law’s goals.

As shown, implied conflict preemption is very different from how courts addressed state regulation of patent enforcement historically. The question then was not whether state law conflicted with the goals of federal patent law; it was the degree to which state law conflicted with the patent right itself. Because the Intellectual Property Clause gives the federal government authority
to secure “exclusive rights” in inventions, the reasoning goes, states cannot undermine this power by passing laws that work in contravention of these rights once they had been secured. Under Allen, a conflict exists if the state places an “unreasonable” burden on the patent right (or otherwise creates a direct conflict with some provision of the Patent Act).

Perhaps precisely because it makes little doctrinal or policy sense, the Federal Circuit has abandoned its conflict preemption approach and supplemented it with the First Amendment. As Professor Paul Gugliuzza has discussed, the Federal Circuit has supplemented its patent preemption decisions with an analysis of whether state laws that restrict patent enforcement violate the First Amendment’s Petition Clause. Drawing on the so-called Noerr-Pennington doctrine, used to limit antitrust liability for certain anticompetitive actions taken in the course of “petitioning” the government, the Federal Circuit has derived a rigid two-part test that requires assessing both the objective merits of the patentee’s assertion of infringement and the patentee’s subjective motives in making the assertion.

In Globetrotter Software, Inc. v. Elan Computer Group, Inc., the Federal Circuit cited antitrust law cases, including the Supreme Court’s holding in Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., which immunized a copyright plaintiff from antitrust liability under Noerr-Pennington. The Federal Circuit explained its rule that state laws that seek to penalize blameworthy conduct taken in the course of enforcing a patent would not be upheld as applied unless the patent is “obviously invalid” or “plainly not infringed.” This outcome, the court stated, was required by “both federal patent preemption and the First Amendment.”

In sum, the Federal Circuit’s reading of Petitioning Immunity essentially preempts any state law that creates liability for enforcing a patent that is not “obviously invalid” or “plainly not infringed.” The upshot for patentees is robust protection from state law liability. “Since Globetrotter,” Gugliuzza

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84 Gugliuzza, supra note 22, at 1616.
86 Gugliuzza, supra note 22, at 1625.
87 362 F.3d 301 at 1375–77.
89 Globetrotter, 362 F.3d at 1377.
90 Id. at 1375–77.
91 Id. at 1375.
recounts, “the Federal Circuit has barred the state law claims in all but one case raising the issue.”

So what is the problem? The Federal Circuit is not entirely unreasonable in its usage of this Petitioning Immunity doctrine as applied to state anti-patent law. The First Amendment Petition Clause obviously applies to states. That said, there are some legal problems here. The first is that Noerr-Pennington immunity, like antitrust law’s state action doctrine, comes from the Supreme Court’s interpretation of the Sherman Act, which in the Court’s view must be construed narrowly to avoid a conflict with the Petition Clause. There is no inherent reason this doctrine could not be applied to state laws as well—assuming bringing a patent suit is a “petition,” which the Supreme Court case law suggests it is. But the Federal Circuit has not explicitly performed this narrowing construction of state law or at least has not been particularly clear about what it is doing. Second, the Federal Circuit seems to have an exceptionally strong idea about how much protection the Petition Clause provides to a petitioner—something the Supreme Court recently pointed out in Octane Fitness, LLC v. Icon Health & Fitness, Inc., where it addressed the Federal Circuit’s protective rule for awarding damages against a losing patent plaintiff. Third, the focus of Petitioning Immunity analysis is ill-suited to this situation—where a state (or federal) law seeks to impose liability for pre-litigation conduct, partly in order to save potential defendants the costs of going to court. The test asks courts to assess the objective merits of a patent assertion claim. Courts simply cannot reasonably do this prior to infringement. Lastly, relying on the First Amendment rather than patent preemption raises a significant policy issue, clearly identified by Gugliuzza—that the First Amendment would limit federal regulation of patents as well.

The irony here is that the impact of Noerr-Pennington immunity—stricter preemption of state law—is not dissimilar to the impact of applying the historic preemption rule under the Intellectual Property Clause. In effect, the Federal

92 Gugliuzza, supra note 22, at 1627, n.297 (citing cases).
95 See Octane Fitness, LLC v. Icon Health & Fitness, Inc., 134 S. Ct. 1749, 1756–57 (2014) (casting doubt on Federal Circuit’s suggestion that the Petition Clause significantly limits courts ability to impose attorney’s fees on losing patentees).
96 See Gugliuzza, supra note 22, at 1586.
Circuit has unwittingly *displaced* the Intellectual Property Clause’s preemptive effect with Petitioning Immunity under the First Amendment.97

Again, there is no inherent reason the Federal Circuit cannot use the First Amendment to address this issue instead of the Intellectual Property Clause. But along with the legal and policy issues stated above, my larger problem with *Noerr-Pennington* is that it is simply unnecessary. The court should just be using preemption under the Intellectual Property Clause instead.

**IX. CONCLUSION**

I am not arguing that courts should preempt all state laws that impede enforcement of federal patents. To the contrary, I am arguing that the Federal Circuit’s approach to preemption of these laws—specifically, the whole line of case law stemming from *Dow*—is wrong. These cases mandate that courts seek signs of implicit congressional intent to preempt a given state law. This rule stems from case law addressing state patent-like rights and is doctrinally and conceptually flawed. As a matter of policy, it allows courts to uphold state anti-patent laws largely at their discretion so long as those anti-patent laws do not create exclusive rights against the world or remove known subject matter from the public domain—which they essentially never do. Moreover, as Gugliuzza has shown, the Federal Circuit has effectively displaced this rule with First Amendment Petitioning Immunity, which has its own problems—not least of which that it applies to federal as well as state attempts to regulate of patent.98

The Federal Circuit, and ultimately the Supreme Court, could solve these problems by returning to the Intellectual Property Clause, rather than congressional intent or the First Amendment, as the source of preemption with respect to state anti-patent laws. When states weaken patents, they interfere quite directly with a federally “secured” constitutional right. In these circumstances, courts should ask whether the state law imposes a burden on the federal patent—that is, creates compliance costs for patentees—that are unreasonably great in light of the problem the state seeks to combat.

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97 David L. Schwartz has discussed the issue of doctrinal displacement: where courts displace one doctrine with another. Schwartz gave the example of the Federal Circuit displacing the “doctrine of equivalents” with claim construction as the vehicle for assessing whether products that are not literally infringing of the patentee’s claims are nonetheless infringing. *See* David L. Schwartz, *Explaining the Demise of the Doctrine of Equivalents*, 26 BERKELEY TECH. L.J. 1157 (2011).

98 *See* Gugliuzza, *supra* note 22, at 1684–86.