

RESPONSE

Standing to Challenge Patents, Enforcement Risk, and Separation of Powers

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ABSTRACT

Standing to challenge patent validity depends not only on factual assessments about the risk of patent enforcement, but also on legal judgments about the limits of judicial power under Article III of the Constitution, the specific causes of action granted by Congress through its Article I powers, and the degree of Article II executive branch power exercised in enforcing patents. Consumer suits show the importance of the legislative power, for Congress has created two causes of action that differ dramatically in their ability to provide consumers with an effective means for challenging patents. Competitor suits show the importance of Article II considerations. Because patents are enforced largely by private parties, courts should be more willing to grant standing to plaintiffs challenging the validity of patents than to plaintiffs challenging the validity of statutes or regulations that can be enforced only by governmental actors in the executive branch.

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INTRODUCTION

Enforcement risk is key to understanding current controversies over standing to challenge patents. It is easy to understand why. If the minute a patent issued the patentee vowed in a binding way that she would never enforce it, then no one—or perhaps no one other than a competing claimant for the patent right—would have standing to challenge the validity of the patent. A patent with zero probability of enforcement would have no effects on the market and therefore impose no legally cognizable injury on anyone. At the other end of the spectrum, if the patentee’s lawyers have repeatedly sent demand letters accusing someone of infringement and are close to serving an infringement complaint on that person—in other words, if the wolf is at the door—then everyone agrees that the would-be defendant has standing to challenge the patent’s validity.

The hard part in determining standing to challenge patent validity has always involved the degree of enforcement risk necessary to establish standing. The difficult issues are how much risk must there be that the patentee will enforce her rights, and how much of that enforcement risk must be directed at the party seeking to challenge the patent. At the extremes, the results are clear; it’s the middle that’s up for grabs.

It is now evident that the Federal Circuit’s test for standing prior to 2007 was too restrictive. That test required the party challenging a patent to have a “reasonable apprehension” that it would face an infringement suit by the patentee.¹ As applied by the Federal Circuit, that test was not satisfied even where the party seeking to challenge the patent has received a letter from the patentee that seems designed

¹ *Phillips Plastics Corp. v. Kato Hatsujou Kabushiki Kaisha*, 57 F.3d 1051, 1053 (Fed. Cir. 1995).

precisely to generate apprehension—i.e., a letter stating that the party “needs a license” to continue making its products because the products are “covered by” the patentee’s patent.² In other words, the wolf really did have to be right at the threshold of the party’s door—even a few steps away might not do—for the party to have standing under the Federal Circuit’s old doctrine.

Indeed, the Federal Circuit’s pre-2007 case law was even a bit more restrictive than that. The case law held that a licensee in good standing could not challenge the licensed patent “because the license agreement ‘obliterate[d] any reasonable apprehension’ that the licensee will be sued for infringement.”³ In other words, even if the wolf was at the door, diligently patrolling to ensure that the licensee did not step outside the redoubt of its license, and the licensee was indeed too afraid to step outside, the old Federal Circuit test denied standing. That test obviously conflicted with standard principles of standing; the only interesting question is why it took so long before the Supreme Court reversed the doctrine in *MedImmune v. Genentech*.⁴

In his article, Michael Burstein’s thesis is that the Federal Circuit’s test for standing remains too restrictive.⁵ I agree with him, and I think he makes a persuasive case that the Federal Circuit’s current law may once again be courting yet another reversal by the Supreme Court. But I’ll go one step further. I think Burstein’s test for standing is still too restrictive. My disagreement with Professor Burstein centers primarily on consumer standing, and I will address that issue first. I also, however, have a small but theoretically interesting quibble with his analysis of competitor standing that will be addressed in Part II.

Finally, this Response concludes with a discussion of the practical effects of expanded standing. Professor Burstein appears to believe the broader standing can make a significant difference especially in combating the negative effects of so-called patent trolls. I’m extremely skeptical. Standing to challenge patents presents intellectu-

² *Id.* at 1052–53. The court reasoned that, even if the patentee’s assertions create a “nervous state of mind of the potential infringer,” such nervousness was not enough to establish a “reasonable apprehension” of suit. *Id.* at 1053–54.

³ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 122 (2007) (describing the Federal Circuit’s doctrine and quoting *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376 (2004)).

⁴ *MedImmune, Inc. v. Genentech, Inc.*, 549 US 118 (2007). The difficulties with the Federal Circuit’s old standing test were pointed out a full decade before the Court’s *MedImmune* decision. See Lisa A. Dolak, *Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer*, 38 B.C. L. REV. 903 (1997).

⁵ Michael J. Burstein, *Rethinking Standing in Patent Challenges*, 83 GEO. WASH. L. REV. 498 (2015).

ally interesting issues, and it's important to get the law right because, quite frankly, I think it's important to get the law right generally. Nevertheless, if I could have a wish list of legal doctrines to change to improve the patent system meaningfully, patent standing would be far down on that list.

Before moving more deeply into this discussion, I should note that one theme of this Response will be the constitutional separation of powers. Standing doctrine is itself one component of the separation of powers—a point Justice Scalia famously made in a law review article published shortly after he left academia⁶ and later made into law through his majority opinion for the Court in *Lujan v. Defenders of Wildlife*.⁷ Separation of powers is particularly important to this Response because standing to challenge patent validity depends not only on the limits of judicial power under Article III, but also on the specific causes of action granted by Congress through its Article I powers, and on the degree of Article II Executive Branch power exercised in enforcing patent law.

I. CONSUMER SUITS AND THE SCOPE OF STATUTORY CAUSES OF ACTION

Professor Burstein states that “[c]onsumers usually will not experience the type of injury that gives rise to standing under the analysis here.”⁸ That conclusion is based, at least in part, on his assertion a bit earlier in the article that “the Patent Act is not a consumer welfare statute.”⁹ I disagree strongly with that assertion and, not surprisingly, I also disagree with Professor Burstein’s conclusions about consumer standing, though my ultimate views on consumer standing depend on the context in which the consumer is challenging a patent.

The more important issue for consumers who seek to challenge patents is not the Article III issue of standing, but instead what might be called the Article I issue of whether Congress has provided a cause of action that consumers can effectively invoke to challenge patents. Challenges to patent validity can, as Professor Burstein notes, take two forms: (i) a suit for judicial review of an administrative action by the Patent and Trademark Office (“PTO”), or (ii) a declaratory judg-

⁶ Antonin Scalia, *The Doctrine of Standing as an Essential Element of the Separation of Powers*, 17 SUFFOLK U. L. REV. 881 (1983).

⁷ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 559–60 (1992).

⁸ Burstein, *supra* note 5, at 536.

⁹ *Id.* at 532.

ment action against the patentee.¹⁰ Congress has, I conclude, provided an effective cause of action for consumer challenges to patents where the consumer is seeking judicial review of agency action—i.e., the action of the PTO in issuing or (more commonly) in refusing to invalidate an issued patent. Congress has probably not provided an effective cause of action for consumers otherwise because consumers will have severe difficulties invoking the Declaratory Judgment Act.¹¹ Because actions for judicial review present the issue of consumer standing most clearly (and show my disagreement with Professor Burstein most starkly), I will address that context first.

A. *Consumer Suits for Judicial Review of Agency Action*

Under current law, Congress has provided at least two ways for parties dissatisfied with a patent to challenge the validity of the patent through an action against the PTO.¹² Both of these mechanisms begin with an administrative proceeding. Within nine months of the PTO issuing a patent, anyone can file a petition for “post-grant review” under 35 U.S.C. § 321. More than nine months after the patent is granted, anyone can file a petition for “inter partes review” under 35 U.S.C. § 311. Both types of petition allow any person to challenge the validity of any claim (or claims) in an issued patent, though the permissible grounds for challenging validity are more limited in inter partes review.¹³ The decision to grant such petitions (and thus to initiate administrative proceedings reviewing a patent’s validity) might perhaps be committed to unreviewable agency discretion, but if the agency does initiate the proceeding, any “party dissatisfied with the final written decision” of the agency can seek judicial review in the

¹⁰ *Id.* at 501–02.

¹¹ 28 U.S.C. §§ 2201–2202 (2012).

¹² There may be a third way as well. Parties adversely affected by the grant of a patent might be able to seek judicial review of the agency’s initial decision to issue the patent. While the Federal Circuit has held that such an action for judicial review is “impliedly precluded” by the structure of the Patent Act, *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1358 (Fed. Cir. 2012), that decision seems in tension with modern Supreme Court case law, which dramatically restricts the ability of administrative agencies to avoid or delay judicial review through the implied preclusion doctrine. *See, e.g., Sackett v. EPA*, 132 S. Ct. 1367, 1373–74 (2012).

¹³ In post-grant review, the petitioner may raise any invalidity ground that could be raised as a defense in infringement litigation. 35 U.S.C. § 321(b) (2012). In inter partes review, the petitioner can challenge a patent’s validity “only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.” *Id.* § 311(b).

Federal Circuit.¹⁴ Thus, these administrative petitions are avenues by which patent validity issues can ultimately be brought to court.

It is clear that consumers can challenge patents in these post-issuance *administrative* procedures, for Article II administrative agencies do not have to follow (and typically do not follow) Article III standing doctrines. The interesting issue is whether consumers could seek judicial review of disappointing decisions in the Article III Federal Circuit.

Both D.C. Circuit law and Federal Circuit law now require parties to administrative proceedings to demonstrate Article III standing if and when they seek judicial review,¹⁵ and mere disappointment with the agency's decision is not sufficient injury to sustain standing.¹⁶ That lower court case law seems correct. Nevertheless, consumers disappointed with a PTO decision almost certainly would have Article III standing to challenge the decision.

The analysis of consumer standing is complicated a bit—but not too much—by the statutory issue of whether, in granting rights of judicial review to “a party dissatisfied” with the agency's decision,¹⁷ the Patent Act (i) expands standing to the constitutional maximum, or, alternatively, (ii) leaves in place the conventional restrictions on standing found in the Administrative Procedure Act (“APA”).¹⁸ Though I believe consumers would have standing under either alternative, I will treat the possibilities separately.

Congress can expand standing to a constitutional maximum, and that sort of expansion happens frequently, if not usually, in statutes affording judicial review of administrative action. A classic case is *Bennett v. Spear*,¹⁹ in which the Supreme Court held that the Endangered Species Act's (“ESA”)²⁰ authorization for “any person” to seek judicial review of certain agency actions did in fact authorize *any* person to sue, provided that the person satisfied an “irreducible constitutional minimum” of standing.²¹ The language authorizing judicial

¹⁴ *Id.* §§ 319, 329.

¹⁵ *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014); *Ams. for Safe Access v. Drug Enforcement Admin.*, 706 F.3d 438, 443 (D.C. Cir. 2013).

¹⁶ *Consumer Watchdog*, 753 F.3d at 1261–62.

¹⁷ 35 U.S.C. § 329.

¹⁸ Administrative Procedure Act, Pub. L. No. 79-404, 60 Stat. 237 (1946) (codified at 5 U.S.C. §§ 551–559, 701–706 (2012)).

¹⁹ *Bennett v. Spear*, 520 U.S. 154 (1997).

²⁰ Endangered Species Act of 1973, Pub. L. No. 93-205, 87 Stat. 884 (codified at 16 U.S.C. §§ 1531–1544 (2012)).

²¹ *Bennett*, 520 U.S. at 162, 164–66 (internal quotation marks omitted).

review of the PTO's post-issuance decisions is perhaps not so clear as that in the ESA, which included the unmistakably broad phrase "any person." Yet the PTO's post-issuance procedures were—like the ESA procedures—designed to encourage challenges to agency action. Indeed, because it is clear that the administrative procedures have no standing requirement whatsoever, the most sensible interpretation of the provisions authorizing judicial review is that, as in the ESA, Congress wanted to expand standing to its constitutional maximum, for otherwise the judicial review provisions would be at cross purposes with the overarching statutory structure. An expansive interpretation of the judicial review provisions is also consistent with the plain language of the statute, which merely requires that the person seeking judicial review be "[a] party dissatisfied with" the agency's decision.²²

If the judicial review provisions applicable to post-issuance review procedures do expand standing to the constitutional maximum, then many—and indeed most—consumers of patented products would have standing to challenge PTO decisions sustaining patent validity. Take for example the easy case of a consumer prescribed a patented drug for a chronic condition. Such a consumer would have no difficulty finding an expert witness in economics (if one were even required) to testify that the patent was holding the drug's price above marginal cost and that a ruling invalidating the patent would allow competition by generic drug companies, which, in turn, would lower the drug's price and thus benefit the consumer. Such testimony would seem to be more than sufficient to confirm the consumer's standing under the canonical three-part test of Article III standing.²³

That basic economic story is, however, not unique to the patented drug context. Patents in general allow prices to be held above marginal cost; they allow royalties to be collected. Those royalties have to come from somewhere, and basic economics predicts that, except in unusual circumstances not typically present in otherwise competitive markets, some or all of those royalties will come from consumers' pockets. That's an injury to consumers and is also clearly traceable—to use the conventional language of standing doctrine—to the presence of patent protection. Indeed, even to supporters of the patent system (a category in which I would include myself), the traceability of higher-than-marginal costs to patent protection is not an embarrassment for the patent system, but is rather the system's expected and healthy operation. For the promise of prices at higher-than-mar-

²² 35 U.S.C. § 329.

²³ See *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992).

ginal costs is precisely what the patent system uses to create incentives for invention. Yet, the promise of high prices is economically beneficial only if the patent is deserved—i.e., only if it is valid. Judicial review of the PTO’s patent decisions is part of a well-designed system to ensure the quality of issued patents and to help consumers.

The statutes authorizing judicial review of the PTO’s post-issuance rulings could also be interpreted as being limited by the APA, which restricts the availability of judicial review to (i) persons “suffering legal wrong because of agency action,” and (ii) persons “adversely affected or aggrieved by agency action within the meaning of a relevant statute.”²⁴ That interpretation is not unreasonable because section 12 of the APA provides that statutes enacted after the APA (such as the statutes authorizing review of the PTO’s post-issuance decisions) shall not be interpreted to supersede or modify the APA standards except to the extent that those subsequent statutes do so “expressly.”²⁵ In other words, the APA supplies its own “clear statement” canon of construction; it puts a thumb on the scales of maintaining its framework (including its framework for judicial review) across all administrative statutes.

The primary test for determining whether a party has standing under the APA—in particular, the “zone of interests” test discussed below—has recently been extended generally to provide a presumptive baseline for determining the class of persons who may sue under any private right of action conferred by federal law.²⁶ Thus, the APA’s “zone of interests” test is worth reviewing for the additional reason that it might be relevant for deciding whether consumers may invoke—i.e., have standing to invoke—the cause of action provided by the Declaratory Judgment Act.

A party may seek judicial review under the APA only if that party (i) suffers “legal wrong” or (ii) is “adversely affected or aggrieved” within the meaning of relevant statute.²⁷ Even under the first part of that test, consumers may have standing in many instances because patent law makes end users of technology liable for infringement.²⁸ If the PTO wrongfully sustains the validity of an invalid patent, the agency’s action frequently imposes a direct constraint on the liberty of consumers to “use” a patented technology, with civil

²⁴ 5 U.S.C. § 702 (2012).

²⁵ 5 U.S.C. § 559.

²⁶ *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1388 (2014).

²⁷ 5 U.S.C. § 702.

²⁸ 35 U.S.C. § 271(a) (2012).

liability if they fail to abide by that restriction on their freedom. That restriction on consumers' freedom may not always occur; as discussed below, some process patents may never be infringed by consumers, even though they may enjoy products produced by the patented process. Still, many patents cover products that ordinary consumers do use, and if the PTO wrongfully grants someone the exclusive rights to use that technology (or wrongfully sustains the validity of the exclusive rights), consumers suffer an unjustified diminishment of their legal rights that would seem to qualify as "legal wrong."

Yet even without regard to any "legal wrong" they may suffer, consumers also have standing to challenge a post-issuance PTO decision if they are "adversely affected or aggrieved . . . within the meaning of a relevant statute."²⁹ The Supreme Court has taken a "lenient approach" to the scope of standing under that language, requiring the parties seeking judicial review to show merely that they are "arguably" within the zone of interests contemplated by Congress in enacting the statute, and giving "the benefit of any doubt" to the parties seeking standing.³⁰

Professor Burstein argues that "the Patent Act is not a consumer welfare statute,"³¹ and that the statute is instead designed to "promote the Progress of Science and useful Arts" or to promote innovation.³² But who are the beneficiaries of such progress and innovation? Surely not the private firms that invest in innovation. As the Supreme Court has repeatedly said, the patent system does not exist to create "private fortunes for the owners of patents."³³ Moreover, in a competitive economy, firms earn normal economic returns *with or without* a patent system, for as long as firms can compete with each other to invent, no firm can secure super-competitive profits by investing in innovation.³⁴ (If firms ever were earning such returns on investments in innovation,

²⁹ 5 U.S.C. § 702.

³⁰ *Lexmark*, 134 S. Ct. at 1389; *see also* *Nat'l Credit Union Admin. v. First Nat'l Bank & Trust Co.*, 522 U.S. 479, 492 (1998) (holding that "there does not have to be an 'indication of congressional purpose to benefit the would-be plaintiff'" in order for the plaintiff to be able to establish standing under the APA's zone-of-interests test (quoting *Clarke v. Sec. Indus. Ass'n*, 479 U.S. 388, 399–400 (1987))).

³¹ Burstein, *supra* note 5, at 532.

³² *Id.* at 531 (quoting U.S. CONST. art. I, § 8, cl. 8); *see also id.* at 532 (asserting that the Patent Act "aims to induce innovation through supracompetitive pricing").

³³ *See, e.g.,* *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626 (2008) (quoting *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917)).

³⁴ *See* John F. Duffy, *Rethinking the Prospect Theory of Patents*, 71 U. Chi. L. Rev. 439, 464 (2004) (concluding that rivalry between competing firms will dissipate any supracompetitive rents associated with the patent grant).

the effect would be transitory; capital would move toward the innovation sector until new entry and increased competition pushed down returns on investment to normal competitive levels.)

The beneficiaries of a well-functioning patent system are consumers, both in the short run and the long run. In the short run, a well-functioning patent system delivers new options to consumers that, presumably, they would not have otherwise had. True, in the short run, those consumers have to pay higher-than-marginal-costs for the new technology, but the new technology is always in competition with the old. The newly-patented technology gives consumers an additional choice—an option—that they would not otherwise have, and those new options are a benefit to consumers. In the long run, of course, consumers are the clear winners from the patent system, for the patented technology eventually falls into the public domain where it adds to the storehouse of freely-available information.³⁵

The restrictions on granting patents—especially the conditions for patentability—are even more plainly designed to benefit consumers. As the Supreme Court has accurately observed, patent law involves a “balance between . . . encourag[ing] innovation” and avoiding the “stifl[ing] [of] competition without any concomitant advance in the ‘Progress of Science and useful Arts.’”³⁶ Free competition in technology that is not entitled to be patented—e.g., a non-novel or obvious technology—keeps the prices of those technologies low, and such low prices benefit consumers. Thus, where consumers sue to enforce the limits of patent law—e.g., by challenging in court a wrongful decision by the PTO to sustain a patent—the consumers are asserting interests in free competition that are not only arguably within the zone of interests meant to be protected by statutes such as sections 102 and 103 of the Patent Act,³⁷ but are at the very core of the interests that those statutory provisions attempt to balance.

One final point should be noted here: not only should consumers of patented technology have standing to challenge the patents underlying that technology, consumers may in fact have less difficulty than competitors in seeking judicial review of agency action. This is true because covenants not to sue might destroy standing for competitors but not necessarily for consumers. Consumers are adversely affected or aggrieved by the grant of an invalid patent not so much because

³⁵ See 35 U.S.C. § 154(a)(2) (2012) (establishing a general term of 20 years for patents).

³⁶ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (quoting U.S. CONST. art. I, § 8, cl. 8).

³⁷ 35 U.S.C. §§ 102–103.

they might be potential targets for infringement actions (the injury experienced by competitors) but because they will experience higher prices due to the patent's restriction of competition. A covenant not to sue can eliminate any injury from a threat of an infringement action, but it cannot eliminate the injury caused by higher prices unless the patentee is willing to grant a covenant not to sue to all of its competitors (or at least to many of its competitors). A patentee's competitor does not suffer any injury from higher prices, and indeed if the patentee grants a single competitor a covenant not to sue, then the patent thereafter benefits that competitor because the competitor and the patentee will function as a duopoly, which may still be able to hold prices at supra-competitive levels.

B. Declaratory Judgment Actions by Consumers

None of the standing analysis set forth above changes for the declaratory judgment actions brought by consumers. Nonetheless, for two reasons, consumers are going to have much more difficulty bringing declaratory judgment actions. First, and most importantly, the Declaratory Judgment Act is limited to providing a remedy in any "case of actual controversy."³⁸ The statute is typically interpreted as merely a procedural device permitting the inversion of parties who would otherwise be the plaintiff and defendant in a more traditionally structured dispute.³⁹ Under that interpretation of the Declaratory Judgment Act, consumers should not be able to invoke the Declaratory Judgment Act unless there is some possibility of an infringement suit by the patent holder. It is easy to imagine situations where that will not be so. Consider, for example, a questionable patent on a *process* for manufacturing cell phone chips. Consumers who use cell phones might have concrete interests in challenging such a patent, for invalidation of the patent would lead to greater competition and lower prices. Nevertheless, consumers may not be able to demonstrate any legal controversy between them and the patentee simply because the consumers do not own chip fabrication plants and thus are highly unrealistic targets of infringement actions.

Even outside the category of patents on manufacturing processes, consumers could have a difficult time invoking the cause of action provided in the Declaratory Judgment Act. Consider, for example, a *product* patent on a cell phone chip. Because the chips are used by

³⁸ 28 U.S.C. § 2201(a) (2012).

³⁹ See *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937); see also *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671–72 (1950).

ordinary consumers when they use their phones, the consumers are potential targets for infringement actions. The patent owner might be able to foreclose the possibility of any infringement suit against consumers by granting to consumers (or at least to the consumers who were plaintiffs in any declaratory judgment action) a covenant not to sue them for any of their uses. Such a covenant could provide realistic legal protection for consumers—i.e., it could guarantee that the consumers would never be in a courtroom as defendants in a patent infringement action. If the covenant provides that sort of protection, it would likely be viewed as destroying declaratory judgment jurisdiction, *even though the consumers' interests would still be adversely affected by the higher prices caused by the patent*. While that adverse effect on consumer interests might well be enough to support Article III standing, and enough to seek judicial review under the APA, it does not create a cause of action where Congress has provided none.

A second reason why the Declaratory Judgment Act is likely to prove inadequate for consumers is that the Act is fundamentally discretionary—it provides that a court “may” declare the rights of the parties.⁴⁰ Even if consumers have Article III standing and even if they are potential targets of infringement actions (i.e., consumers are using the patented technology and the patentee does not provide a covenant not to sue), a district court *might* still decline to provide a declaratory judgment remedy if it believes the possibility of any suit against the consumer is sufficiently remote.⁴¹

In sum, the issue of whether consumers can challenge patent validity highlights the importance of Article I legislative power in creating causes of action and defining the scope of standing for those causes of action. Under the causes of action Congress provided for parties “dissatisfied with” the PTO’s post-issuance decisions on patent

⁴⁰ 28 U.S.C. § 2201(a); *see also* *Teva Pharm. v. Novartis Pharm.*, 482 F.3d 1330, 1338 n.3 (Fed. Cir. 2007) (noting that, “unlike non-declaratory judgment actions, even if there is an actual controversy, the district court is not required to exercise jurisdiction to address the merits of the action, as it retains discretion under the Act to decline declaratory judgment jurisdiction”).

⁴¹ The word “might” is emphasized because the factors governing the exercise of declaratory judgment jurisdiction are not clear. The crucial issue is whether, in deciding to decline jurisdiction, a district court may look to factors that are relevant for the Article III standing inquiry—such as the likelihood of an infringement action between two parties. Some authority suggests that, when the plaintiff in declaratory judgment actions has standing and hearing the case “would ‘serve the objectives for which the Declaratory Judgment Act was created,’” district courts should exercise their discretion to dismiss only “rarely.” *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008) (quoting *Capo, Inc. v. Diophtics Med. Prods., Inc.*, 387 F.3d 1352, 1355 (Fed. Cir. 2004)).

validity,⁴² consumers have a clear cause of action and excellent standing—perhaps even better than competitors. Under the Declaratory Judgment Act, the opposite is true. Even though consumers would still have constitutional standing, they may lack a cause of action because of the limits in the Declaratory Judgment Act. And even in those cases where they do have a cause of action, that cause of action is contingent on the district judge’s discretion and the patentee’s strategic decision about whether to grant a covenant not to sue.

II. COMPETITOR SUITS AND PUBLIC VS. PRIVATE ENFORCEMENT RISK

Most of Professor Burstein’s analysis concerning competitor standing seems quite correct. I have only one small point to add, but it is, I think, theoretically interesting and worth discussion.

Professor Burstein writes that, under his analysis, a competitor’s standing to challenge patent validity should be governed by “the *same structure* described in the cases allowing pre-enforcement challenges to government statutes or rules.”⁴³ He also reads the Supreme Court’s decision in *MedImmune* as deciding that “it makes no difference whether the enforcement of proscriptions on primary conduct is in the hands of the government or private individuals.”⁴⁴ That’s not a direct quote from the Supreme Court’s decision, and it is not at all clear that a threat of private enforcement should be treated the same as a threat of governmental enforcement. From the standpoint of separation of powers theory, governmental enforcement should probably be treated differently—though the difference suggests that, if anything, courts should be more liberal in granting standing where the plaintiff claims to fear private enforcement rather than governmental enforcement.

Under Article II of the federal Constitution (and under similar provisions of state constitutions), governmental enforcement of statutes or regulations is generally committed to the executive branch, and the executive branch typically has discretion whether, and under what circumstances, it will enforce the law. Although it could be said that private firms also have discretion whether, and under what circumstances, they will enforce their patents, there are at least two good reasons why courts should be less willing to grant standing where the threat of enforcement lies within executive discretion rather than private discretion.

⁴² 35 U.S.C. §§ 319, 329.

⁴³ Burstein, *supra* note 5, at 523 (emphasis added).

⁴⁴ *Id.*

First, one prominent theme in modern case law is that standing limitations on judicial power are in part designed to prevent conflicts between the executive and judicial branches. Thus, as the Supreme Court stated in *Lujan*, one significant concern with recognizing broad rights to challenge “executive officers’ compliance with the law” is that “[i]t would enable the courts, with the permission of Congress, ‘to assume a position of authority over the governmental acts of another and co-equal department,’ and to become ‘virtually continuing monitors of the wisdom and soundness of Executive action.’”⁴⁵ In other words, one reason for restricting standing is that the courts should avoid confrontations with a co-equal branch of government and should perhaps also assume that the executive branch will usually follow the law rather than violate it.

Such considerations seem absent from the context of challenges to patent validity. The executive branch’s function is at an end once it has decided on the validity of patent rights, and the dispute over the validity of the private patent rights much more closely resembles what has long acknowledged to be “[t]he province of the court,” which is “to decide on the rights of individuals.”⁴⁶

Private parties can also be presumed to behave in economically predictable ways, and this provides a second reason that the courts should be more willing to recognize standing where the threat of enforcement is private rather than governmental. Unlike private actors, whose behavior is expected to conform to a certain economic logic, governmental officers and institutions are not profit-maximizing. They are subject to both political forces and various legal constraints, including a legal duty to follow the law.⁴⁷ More generally, executive officers typically have some degree of discretion to pursue their own vision of the public interest. How that discretion will be exercised is likely less predictable than how profit-maximizing actors will behave, and even if some accurate predictions about executive behavior could be made, such predictions would almost certainly require political assessments that courts might rightly hesitate to make.

The difference between public and private actors explains what otherwise might seem to be a puzzling inconsistency in the law of

⁴⁵ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 577 (1992) (citations omitted).

⁴⁶ *Id.* at 576 (internal quotation marks omitted) (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 170 (1803)).

⁴⁷ *Susan B. Anthony List v. Driehaus*, 134 S. Ct. 2334, 2345 (2014) (noting that government officers may behave differently from private parties because government officers “are constrained by explicit guidelines or ethical obligations”).

standing. In some cases, such as the Supreme Court's decision in *Clapper v. Amnesty International*,⁴⁸ standing has been found too speculative because the threat of injury "require[s] guesswork as to how independent decisionmakers will exercise their judgment."⁴⁹ Yet in other cases, such as the D.C. Circuit's decision in *Sherley v. Sebelius*,⁵⁰ the courts have been willing to rely on "economic logic" and "basic law[s] of economics" in assuming that the competitors to a particular litigant will behave in predictable ways that will produce a sufficient injury to sustain standing.⁵¹ Indeed, outside of its patent docket, the Federal Circuit adheres to that latter rule and has held that, where "the government acts in a way that . . . aids the plaintiff's competitors," the plaintiff could rely on "economic logic" to establish that it would more likely than not be injured by governmental action favoring its competitors.⁵²

What explains the difference between these two strands of doctrine? In other words, when should courts refuse to speculate about how independent decisionmakers will exercise their judgment and when should courts follow economic logic and predict how independent actors will behave? At least at the margins, the distinction between public and private actors is important. Public actors—like the defendant federal agencies in *Clapper*—are not bound to follow any particular economic strategy.⁵³ Indeed, in that very case, which involved a program for monitoring overseas communications, the executive agencies would likely balance *both* national security interests *and* privacy interests of the very sort asserted by the plaintiffs in the case.⁵⁴ Precisely how that balance would be struck is not necessarily predictable, and a judicial attempt at prediction inevitably draws the judicial branch into potential conflict with the executive. By contrast, the "economic logic" cases typically involve predictions about the behavior of private parties.⁵⁵ Not only is that behavior more amenable to the science of economics, but judicial predictions about private competitive behavior raise no interbranch tensions.

⁴⁸ *Clapper v. Amnesty Int'l*, 133 S. Ct. 1138 (2013).

⁴⁹ *Id.* at 1150.

⁵⁰ *Sherley v. Sebelius*, 610 F.3d 69 (D.C. Cir. 2010).

⁵¹ *Id.* at 72 (internal quotations and citations omitted).

⁵² *Canadian Lumber Trade Alliance v. United States*, 517 F.3d 1319, 1332–33 (Fed. Cir. 2008).

⁵³ *See, e.g., Clapper*, 113 S. Ct. 1138.

⁵⁴ *See id.*

⁵⁵ *See Sherley*, 610 F.3d at 72; *Canadian Lumber*, 517 F.3d at 1332.

In sum, I do not want to overstate the difference between my position on competitor standing and Professor Burstein's. Professor Burstein argues that injuries based on risk of private enforcement of patent rights should be judged to be *at least as* concrete and non-speculative as injuries based on risk of governmental enforcement of a statute or regulation constraining conduct.⁵⁶ I agree, but would go a bit further. Courts should be more willing to find injuries from risk of private enforcement (as opposed to public enforcement) to be concrete and nonspeculative. Indeed, even within the Federal Circuit's own jurisprudence, there's a glaring inconsistency in how the court measures standing to challenge governmental grants of patent rights versus how it measures standing to challenge other governmental grants to competitors.⁵⁷

III. PRACTICAL CONSEQUENCES AND CONCLUSIONS

Michael Burstein is to be commended for writing an excellent article that both draws attention to the issue of standing to challenge patents and articulates theoretically solid reasons for believing the Federal Circuit's approach to standing remains too restrictive. He also writes that "broader standing should help to rein in some of the abuses of the patent system that have become increasingly prevalent in recent years."⁵⁸ For three reasons, I'm skeptical that his prediction will be true in any substantial measure. My skepticism should not be taken to detract from the intellectual value of Professor Burstein's article. Nonetheless expectations about reform should be realistic.

My first reason for skepticism is that Professor Burstein identifies so-called patent trolls as a possible problem to be addressed by broader standing.⁵⁹ That claim seems most unlikely to be true. Patent trolls of the sort discussed in public policy debates typically do not remain silent holders of patents. So-called trolls are also known as "patent assertion entities" precisely because they issue demand letters and they sue. Indeed, part of the complaint about their behavior is

⁵⁶ Burstein, *supra* note 5, at 516–25.

⁵⁷ Compare *Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, 599 F.3d 1377, 1382 (Fed. Cir. 2010) (holding that, even with evidence demonstrating the competitor's prior behavior in asserting patents, the plaintiff could not establish standing "in the absence of any act directed toward [it]"), with *Canadian Lumber*, 517 F.3d at 1332–33 (holding that, even without evidence specifically linking the challenged agency action to any "demonstrated economic harms," the plaintiffs could establish standing by relying on "economic logic" to predict probable competitor behavior).

⁵⁸ Burstein, *supra* note 5, at 553.

⁵⁹ *Id.* at 539–42.

that they issue demand letters too easily and threaten too many industry participants with infringement actions.⁶⁰ Even under pre-*MedImmune* Federal Circuit case law, the typical targets of trolls would almost certainly be able to achieve standing to challenge the trolls' patents.⁶¹ An additional expansion of standing is not likely to reach many more cases.

The second reason to suspect only limited benefits from broader standing is already discussed in Professor Burstein's article—the high cost of patent litigation. Patent litigation in district court typically costs millions of dollars, and even if declaratory judgment actions limited to patent validity issues might cost less than full infringement actions, it is difficult to believe that the cost will not run into the hundreds of thousands or even millions of dollars. Parties invoking such an expensive procedure are going to have pretty concrete interest in most instances, and if the issue is whether broader standing can address any systematic problems, then the focus has to be on most instances, not on exceptional cases.

Costs are also a major practical hurdle even for administrative proceedings. As mentioned previously, anyone (with or without Article III standing) can file a petition for post-grant review or for inter partes review.⁶² That person, however, must be ready to pay at least \$30,000 for post-grant review, or \$23,000 for inter partes review, *just for filing fees to institute the proceedings*.⁶³ There are no discounts to those filing fees for small entities or micro entities.⁶⁴ While those fees may be trivial for a profit-making corporation, that's only because a profit-making company would also anticipate spending hundreds of thousands or even millions of dollars in attorney fees to prosecute such an administrative action. For nonprofit entities, such as the Pub-

⁶⁰ See Christopher A. Harkins, *Fending Off Paper Patents and Patent Trolls: A Novel "Cold Fusion" Defense Because Changing Times Demand It*, 17 ALB. L.J. SCI. & TECH. 407, 439 (2007).

⁶¹ *Id.* at 464–68.

⁶² See *supra* note 13 and accompanying text; see also 35 U.S.C. § 321 (2012).

⁶³ See 37 C.F.R. § 42.15(a)–(b) (2014). The numbers in the text include both the fees for the initial request and the “post-institution fee,” which must be paid if the agency grants the initial request to institute a proceeding. *Id.*

⁶⁴ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10(b), 125 Stat. 284, 316 (2011) (authorizing discounts for small and micro entities on some fees but not on the fees for post-issuance review proceedings); U.S. PATENT & TRADEMARK OFFICE, SMALL ENTITY COMPLIANCE GUIDE: SETTING AND ADJUSTING PATENT FEES 4 (2013), available at http://www.uspto.gov/sites/default/files/aia_implementation/AC54_Small_Entity_Compliance_Guide_Final.pdf (confirming that no small or micro entity discounts are available on post-grant or inter partes review fees).

lic Patent Foundation or the Electronic Frontier Foundation (two nonprofits mentioned specifically by Professor Burstein), those filing fees are likely to be significant hurdles because, while such entities might be able to obtain pro bono attorney assistance, they cannot avoid those filing fees.⁶⁵ Thus, even for nonprofits that can attract free legal assistance, they will not be able to challenge many patents before they run up six or seven figure bills in PTO filing fees.⁶⁶

A third and final reason to doubt the benefits of broader standing is that, in many industries, a suit to invalidate a patent offers only small benefits to the party challenging the patent. Patent rights are, after all, negative rights only; they give the right to exclude from practicing a technology, not the affirmative right to practice. The patent system is designed to accommodate overlapping property rights, so that a particular product can infringe dozens or even hundreds of patents. A successful challenge to one, two, or even a dozen patents may give an industry participant little peace of mind that it can place a product on the market without fear of infringement actions being brought by other patent holders. Thus, many companies are content to do nothing until a patentee has demonstrated a willingness and ability to bring an infringement suit. In other words, they are willing to wait until the wolf is at the door, and they generally do not have standing problems then. Broader standing will not make such companies eager to move sooner.

Nevertheless, despite my skepticism that broader standing will do much to remedy any systematic problems in the patent system, I still applaud Professor Burstein for making a valuable contribution to the academic literature. His approach would quite clearly lead to better results in cases like *Innovative Therapies, Inc. v. Kinetic Concepts*,

⁶⁵ Those nonprofit groups might also have trouble getting standing under Professor Burstein's views. Indeed, under his approach, the nonprofit entity would likely have to identify some competitor to the patentee, but identifying such a competitor would be quite burdensome to the competitor because, under the statutes governing post-issuance PTO proceedings, that competitor would then be estopped from challenging the patents in future infringement litigations. A patentee's competitor might be happier funding the efforts of nonprofits to bring administrative challenges in their own names, with the understanding that there would be no judicial review after any unsuccessful challenge. Under the approach articulated in this Response, nonprofits could achieve standing more easily by asserting the rights of consumers.

⁶⁶ If such public interest groups can obtain adequate funds to file administrative challenges to patents, it is not at all clear that broader Article III standing would much change their calculus in deciding whether to file. Broad standing law affects only the possibility of judicial review, and since PTO decisions are affirmed at a very high rate by the Federal Circuit, standing to obtain what is often futile judicial review is likely to be a quite marginal consideration.

Inc.,⁶⁷ where a firm sought to market a new medical product but needed to know whether patents held by the market incumbent were valid and whether the proposed new product infringed those patents. As Professor Burstein demonstrates, the Federal Circuit's denial of standing in such circumstances cannot be justified under general principles of standing law routinely applied in other areas of administrative law. For such circumstances, fixing the Federal Circuit's standing law is worthwhile, both intellectually and practically, even if that improvement does little to address more general systematic issues in the patent system.

⁶⁷ *Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, 599 F.3d 1377 (Fed. Cir. 2010).