THE UNSTABLE ENVIRONMENT OF PRIVATE ORDERING IN PATENT LAW

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Tension is growing in the patent system between private parties and federal courts. This tension is an outgrowth of recent technological and economic changes, which are in part manifested in the changing (and unstable) role of contract law in patent law. Recent research by Professors Gilson, Sabel, and Scott suggests that private parties are responding to technological change by becoming more innovative in their contracting practices. Through the instrument of a contract, parties are able to narrow or expand particular rights or protection in their intellectual property to fit their changing business needs. In short, there is a "movement to contract" in patent law. In contrast, however, Federal Circuit and Supreme Court opinions point towards an increasing discomfort with the expanding role of contract law generally, and licensing law specifically, in patent law. Most notably, the Federal Circuit is creating its own "Federal Circuit contract law," which so far has resulted in confusing patent licensing law that is also at odds with current licensing practices of patent practitioners.

In this article, I examine the intersection and relationship of contract and patent law. As technology evolves and parties become more sophisticated, the boundary lines of the two fields are further blurred. Although there have been numerous occasions for the Supreme Court and Federal Circuit in recent years to define (or perhaps redefine) these blurred lines, no opportunity has yet fully been seized. I set the landscape for a future opportunity by highlighting intersections between contract law and patent law where courts and parties are struggling to find the appropriate balance between innovative contracting and raw adherence to the Patent Act. This struggle is most apparent when courts are tasked with interpreting patent licenses and assignments. I propose that before parties and courts can agree on whether parties must look to state law or recently created "Federal Circuit Common Law" when drafting asset purchase agreements, or if parties may draft licensing agreements to get around the patent exhaustion doctrine, for example, we need to identify whether these are default or immutable rules under the Patent Act. This requires an analysis of when particular rules in the Patent Act will affect more than just the two contracting parties—in other words, where the rules directly or indirectly intersect the "public good" aspect of patents. I argue that although the vast majority of recent Supreme Court and Federal Circuit opinions involve rules of the Patent Act that only involve the contracting private parties, and not the public generally, the Supreme Court and Federal Circuit are nevertheless treating these rules as immutable rules that parties may not contract around. This is stifling the creative and problem-solving contracting practices of today's sophisticated parties.