
COMMENT

TROLLS & THE PREEMPTION DILEMMA

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Patent trolls account for most patent assertions and are often blamed for the increased costs of patent litigation. Congress and the courts have tried to wrangle the abusive practices of trolls. Through a post-grant review system, Congress tried to combat the growing litigation costs by streamlining invalidity challenges. The Supreme Court has also tackled the patent-troll problem in seminal remedy and venue cases, hampering trolls' ability to get injunctions and use certain venues. Yet the problem persists. Although Congress and federal courts recognize and sometimes try to alleviate the patent-troll problem, what can states do to protect small- and medium-sized businesses from these pesky trolls? For now, probably nothing. The Federal Circuit, through a preemption analysis influenced by the First Amendment's Petition Clause, often invalidates state laws that could regulate the problem. Still, states continue to try: most states have passed statutes regulating demand letters asserting patent infringement. These state anti-patent laws' goal is to protect companies and consumers from patent trolls. Regardless of whether the current state anti-patent laws will effectively deter egregious patent-troll behavior, the Federal Circuit's current preemption doctrine doesn't seem to let states promote a legitimate state interest—protecting businesses from bad-faith behavior so that the businesses can innovate.

But is the Federal Circuit properly reading Supreme Court precedent on preemption and the Petition Clause? Or are they unnecessarily developing a rigid rule to help ex ante patentholder decisionmaking? As this Comment argues, even though the Federal Circuit has improperly morphed the Noerr test into conflict preemption and doesn't effectively analyze whether Noerr applies to prelitigation communication and non-antitrust claims, the Federal Circuit's results aren't far off. There's good reason for petition immunity to apply to prelitigation activity, like

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demand letters, but the analysis should be separate from conflict preemption. It turns out that the Supreme Court's rigid approach to the sham exception is partly to blame.

This Comment makes three contributions. The first contribution is putting a state anti-patent law through a full implied-preemption analysis in accordance with Supreme Court precedent. The second contribution is giving and applying a proper framework to determine whether the Petition Clause applies to prelitigation communication and non-antitrust claims. The third contribution is suggesting a flexible petitioning-immunity framework that will leave states room to regulate patent-troll demand letters.

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INTRODUCTION

Patent trolls account for most patent assertions and are often blamed for the increased costs of patent litigation. Congress and the courts have tried to wrangle the abusive tactics of trolls and their financial consequences. Congress, in the Leahy-Smith America Invents Act, tried to combat the growing cost of patent-troll litigation. Congress created a post-grant review (PGR) system to streamline validity challenges of weak patents.¹ It’s unclear whether the PGR system is a success; the most popular form of review, inter partes review, has been praised, criticized, and even argued unconstitutional.²

The Supreme Court has also tackled the patent-troll problem. In *eBay Inc. v. MercExchange, L.L.C.*, Justice Kennedy, in concurrence,³ directed lower courts, when considering whether to grant an injunction, to consider whether the plaintiff was a patent troll.⁴ And in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the Court curbed patent trolls’ favorite litigation venue: the Eastern District of Texas.⁵ Although Congress and federal courts recognize and sometimes try to alleviate the patent-troll problem, can states do anything to protect small- and medium-sized businesses from these pesky trolls? For now, probably not. The Federal Circuit, through a preemption

¹ See 35 U.S.C. §§ 321–329 (2018) (creating and describing the post-grant-review process); *id.* §§ 311–319 (creating and describing the inter partes review process).

² Recently, the Supreme Court held that the inter partes review system was constitutional. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). Two Justices disagreed. *Id.* at 1380 (Roberts, C.J. & Gorsuch, J., dissenting).

³ Justice Kennedy was joined by three other Justices. 547 U.S. 388, 395 (2006) (Kennedy, J., concurring) (joined by Stevens, Souter & Breyer, JJ.).

⁴ *Id.* at 396.

⁵ See 137 S. Ct. 1514, 1517 (2017) (limiting a corporation’s place of residence under the patent venue statute); see also Joe Nocera, *The Town that Trolls Built*, BLOOMBERG: OPINION (May 25, 2017, 2:41 PM), <https://www.bloomberg.com/opinion/articles/2017-05-25/the-texas-town-that-patent-trolls-built-j34rlmjc> [<https://perma.cc/Z6QH-HB8X>] (discussing the Eastern District of Texas as a favored venue for patent trolls before *TC Heartland*).

analysis influenced by the First Amendment's Petition Clause, invalidates state laws targeting the problem.⁶ The Federal Circuit requires that the law does not punish prelitigation activity unless (1) the litigant's actions were objectively baseless and (2) the litigant had a subjective motivation "to interfere *directly* with the business relationships of a competitor, through the use of the governmental process—as opposed to the *outcome* of that process—as an anticompetitive weapon."⁷ This is the same test the Supreme Court uses to determine whether petition immunity is pierced.

Still, states continue to try: most states have recently passed statutes regulating demand letters asserting patent infringement.⁸ Most states prohibit "bad faith assertions of patent infringement"⁹ to protect companies and consumers from the abusive practices of "non-practicing entities" (NPEs) or "patent assertion entities"—entities that own and enforce patents but do not themselves manufacture the patented products.¹⁰ These companies are infamously known as "patent trolls."¹¹ The emerging statutes are coined "anti-patent laws": state or local laws that weaken patent rights or that make patents much harder to sell, license, or enforce.¹² States can also interfere with federal patent law by granting patent-like rights through statutes that give affirmative rights to inventors.¹³

Surprisingly, not all patent trolls are problematic. Mark Lemley and Douglas Melamed detail the three patent-troll models and their costs.¹⁴ First, the "lottery-ticket troll," the "most traditional" troll model, is a company "that owns a patent and hopes to strike it big in court" against big players in the industry.¹⁵ This troll, unlike the others, relies on the quality of its patents, so it isn't exacerbating the bad-faith-assertion-of-patent-infringement problem.¹⁶ Second, the "bottom-feeder troll," the most common troll model, is a company

⁶ See Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1628-38 (2015) (noting that if the infringement allegations aren't objectively baseless, the current Federal Circuit doctrine gives patentholders a legal right to lie).

⁷ *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc. (PRE)*, 508 U.S. 49, 60-61 (1993) (cleaned up); see *Globetrotter Software, Inc. v. Elan Comput. Grp., Inc.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004).

⁸ *E.g.*, VT. STAT. ANN. tit. 9, §§ 4195-4199 (West, Westlaw through 2019-2020 Reg. Sess.).

⁹ *E.g.*, *id.* § 4197.

¹⁰ See *id.* § 4195 (discussing the Vermont statute's goal of protecting companies and the state's economy as a whole); David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System*, 99 CORNELL L. REV. 425, 426 (2014) (detailing the various names given to NPEs).

¹¹ Schwartz & Kesan, *supra* note 10, at 426.

¹² Camilla A. Hrdy, *The Reemergence of State Anti-Patent Law*, 89 U. COLO. L. REV. 133, 137 (2018).

¹³ *Id.* at 137 & n.9.

¹⁴ Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 COLUM. L. REV. 2117, 2125-29 (2013).

¹⁵ *Id.* at 2126.

¹⁶ See *id.* at 2128 (describing how "lottery-ticket trolls" craft careful litigation strategies around patents they genuinely believe to be valuable).

“interested in quick, low-value settlements for a variety of patents.”¹⁷ This troll relies on the enormous cost of litigation to coerce settlement, regardless of the quality of their patents or actual infringement.¹⁸ Third, “patent-aggregator trolls” collect patents, creating patent portfolios that are licensed out as a bundle.¹⁹ This troll depends on the quantity of its owned patents rather than their quality.²⁰ The “sheer number[.]” of patents in a patent-aggregator’s portfolio lets this troll “license without litigation because defendants are reluctant to challenge an entire portfolio of patents.”²¹ The emerging state statutes are most concerned with the bottom-feeder troll and the patent-aggregator troll.²²

Current state anti-patent laws could effectively deter egregious patent-troll behavior. But the Federal Circuit, through its conflict-preemption doctrine, often invalidates these laws. In doing so, the Federal Circuit’s doctrine seems to prevent states from promoting a legitimate state interest: protecting businesses from bad-faith behavior so that they can use the saved resources on innovation instead of on litigation and bad licenses. But is the Federal Circuit, in these conflict-preemption decisions, properly reading Supreme Court precedent on preemption and the First Amendment’s Petition Clause? Or are they, as scholars have often complained, unnecessarily developing a rigid rule to help *ex ante* patentholder decisionmaking?²³

As this Comment argues, the Federal Circuit has improperly morphed the Supreme Court’s *petition-immunity test* into conflict preemption and doesn’t effectively analyze whether *petition immunity* applies to prelitigation communication and non-antitrust claims. But the Federal Circuit’s results aren’t far off. There’s good reason for petition immunity to apply to prelitigation activity, like demand letters, but the analysis should be separate from conflict preemption. It turns out that the Supreme Court’s rigid approach to the sham exception is partly to blame, at least when applied to non-antitrust claims involving prelitigation activity.

In five parts, this Comment makes three contributions:

¹⁷ *Id.* at 2126.

¹⁸ *Id.*

¹⁹ *Id.* at 2126-27.

²⁰ *Id.* at 2127.

²¹ *Id.*

²² For an overview of state statutes, see generally Patent Progress’s Guide to State Patent Legislation, PATENT PROGRESS, <http://www.patentprogress.org/patent-progress-legislation-guides/patent-progress-guide-state-patent-legislation/> [https://perma.cc/A3ZY-656H] (last updated May 1, 2019). The anti-patent statutes don’t target lottery-ticket trolls because these trolls rely on the quality of their patents and are therefore likely legitimately enforcing them.

²³ See, e.g., Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principle*, 101 NW. U. L. REV. 1619, 1660-62 (2007) (criticizing the ossification of the Federal Circuit’s rigid obviousness analysis).

1. It puts a state anti-patent law through a full implied-preemption analysis in accordance with Supreme Court precedent.
2. It gives and applies a proper framework to determine whether the Petition Clause applies to prelitigation communication and non-antitrust claims.
3. It suggests and applies a flexible petitioning-immunity framework that will leave states room to regulate patent-troll demand letters while still promoting the purposes of the Petition Clause.

Part I describes the emerging anti-patent laws passed by the majority of the states. Part II traces the Supreme Court's intellectual-property preemption doctrine and petitioning-immunity doctrine. Part III describes the Federal Circuit's implementation of Supreme Court precedent and how it morphs petitioning immunity into conflict preemption. That Part also describes federal patent law's enforcement policy. Part IV evaluates three professors' approaches to intellectual-property preemption before backing Jeanne Fromer's approach. This Part also suggests a proper framework for analyzing the Petition Clause's applicability to demand letters asserting patent infringement and the proper level of protection. Ultimately, for non-antitrust claims involving prelitigation activity, I suggest a flexible sham test. Part V showcases a stylized example: I apply the suggested preemption and petitioning-immunity tests to Vermont's anti-patent statute.

I. STATE ANTI-PATENT LAWS

Substantive patent law is exclusively federal. But state law controls several aspects of patents, like areas of ownership and enforcement. For example, state probate law controls who inherits a patent,²⁴ and state contract law controls assignment and licensing of a patent.²⁵ States can even expose a patentholder to liability through "unfair competition, interference with contract or prospective business advantage, abuse of process, business disparagement, and antitrust" claims.²⁶

Recently, states have asserted more control over patent enforcement. States enacted statutes that regulate bad-faith assertions of patent infringement, particularly demand letters.²⁷ There are four characteristics of

²⁴ See, e.g., *Enovsys LLC v. Nextel Commc'ns, Inc.*, 614 F.3d 1333, 1342 (Fed. Cir. 2010) ("Who has legal title to a patent is a question of state law.").

²⁵ See, e.g., *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1370 (Fed. Cir. 2008), amended by 557 F.3d 1377 (Fed. Cir. 2009) ("Construction of patent assignment agreements is a matter of state contract law.").

²⁶ Gugliuzza, *supra* note 6, at 1589-90 (footnotes omitted).

²⁷ As of May 2019, 33 states have passed laws outlawing types of patent enforcement. *Patent Progress's Guide to State Patent Legislation*, *supra* note 22.

these emerging state anti-patent statutes: (1) a bond requirement, (2) a private right of action, (3) protection of out-of-state recipients, and (4) statutory prohibition against filing a bad-faith patent-infringement lawsuit.²⁸ Most states' statutory schemes have several of these characteristics.²⁹

Take Vermont, the anti-patent movement leader. Its scheme exhibits three of the characteristics: a bond requirement, a private right of action, and a statutory prohibition against filing a bad-faith patent-infringement lawsuit.³⁰ Under this scheme, Vermont uses a nonexhaustive multifactor balancing test to determine whether a bad-faith assertion of patent infringement exists.³¹ The statute provides several factors to consider as evidence of a bad-faith assertion of patent infringement.³² For example, the Vermont court considers whether the demand letter lacks the patent number, the patentholder's name and address, and "factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent."³³ Another factor is whether the patentholder, before sending the demand letter, "fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent."³⁴

The statute also provides factors to determine whether an entity has made a good-faith assertion of patent infringement, although most are just the alternatives of the bad-faith factors.³⁵ When a Vermont court finds that the target of a demand letter established a "reasonable likelihood" that the patentholder "made a bad faith assertion of patent infringement," the court will require the patentholder to "post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be recovered."³⁶

In Vermont, the state Attorney General or a target can enforce the statute.³⁷ The potential private remedies consist of equitable relief, damages,

²⁸ Matt Levy, *More on State Patent Troll Laws*, PATENT PROGRESS (Nov. 19, 2015), <http://www.patentprogress.org/2015/11/19/state-patent-troll-laws-video/> [<https://perma.cc/7PYM-9PU8>].

²⁹ *Id.*

³⁰ VT. STAT. ANN. tit. 9, §§ 4197–4199 (West, Westlaw through 2019-2020 Reg. Sess.).

³¹ *Id.* § 4197.

³² *Id.* § 4197(b).

³³ *Id.* § 4197(b)(1).

³⁴ *Id.* § 4197(b)(2).

³⁵ *Id.* § 4197(c); *see infra* Part V (analyzing Vermont's statute under my suggested preemption and petitioning-immunity tests).

³⁶ VT. STAT. ANN. tit. 9, § 4198.

³⁷ *Id.* § 4199.

costs and fees, and either treble damages or \$50,000, whichever is greater.³⁸ Although Vermont has a geographical limitation for targets of demand letters, other states, such as Colorado, don't.³⁹ Because federal courts have used preemption and petitioning immunity to invalidate similar statutes, I turn to Supreme Court precedent in those areas.

II. THE SUPREME COURT ON PREEMPTION AND PETITIONING IMMUNITY

States know about preemption. The Vermont statute's statement of purpose, for example, notes that "Vermont is preempted from passing any law that conflicts with federal patent law."⁴⁰ But are the states actually worried about the Supreme Court's preemption jurisprudence?

In general, the federal patent laws' preemption powers come from the Constitution's Supremacy Clause: "This Constitution, and the Laws 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."⁴¹ There are two types of preemption: express and implied.⁴² Unlike copyright law, the Patent Act lacks an express preemption provision.⁴³

Implied preemption itself has two subcategories, field and conflict preemption. The implied-preemption inquiry "is a question of congressional intent."⁴⁴ The Supreme Court hasn't used field preemption to invalidate a state statute with the federal patent laws as the field, but two years ago the Federal Circuit, for the first time, did.⁴⁵ The Supreme Court, though, has invalidated state patent-related statutes using conflict preemption.⁴⁶

³⁸ *Id.* § 4199(b).

³⁹ See COLO. REV. STAT. ANN. § 6-12-101 (West, Westlaw through 2019 Reg. Sess.) ("Intended recipient means a person who purchases, rents, leases, or otherwise obtains a product or service in the commercial market that is not for resale in the ordinary business and that is, or later becomes, the subject of a patent infringement allegation." (internal quotation marks omitted)).

⁴⁰ VT. STAT. ANN. tit. 9, § 4195(a)(3).

⁴¹ U.S. CONST. art. VI, cl. 2. The Supremacy Clause is a rule of priority.

⁴² Hrdy, *supra* note 12, at 190.

⁴³ See 17 U.S.C. § 301 (2018) (describing the copyright act's "[p]reemption with respect to other laws"); Sharon K. Sandeen, *Kewanee Revisited: Returning to First Principles of Intellectual Property Law to Determine the Issue of Federal Preemption*, 12 MARQ. INTELL. PROP. L. REV. 299, 335-36 (2008) (comparing the two statutes).

⁴⁴ *English v. Gen. Elec. Co.*, 496 U.S. 72, 78-79 (1990). The distinction between field and conflict preemption in state patent law is explored *infra* subsections II.A.1-2.

⁴⁵ *Amgen Inc. v. Sandoz Inc.*, 877 F.3d 1315, 1326-27 (Fed. Cir. 2017).

⁴⁶ See, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 154-57 (1989) (finding a Florida statute prohibiting duplication of certain unpatented articles through direct molding to be preempted).

For conflict preemption in the intellectual-property context, two other constitutional provisions also matter: the Intellectual Property Clause⁴⁷ and the Tenth Amendment.⁴⁸ The IP Clause, in Article 1, Section 8, Clause 8, empowers Congress to promote the sciences by giving inventors exclusive rights to their inventions for a limited time: “To 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.”⁴⁹ The IP Clause thus sets “the means and ends to which Congress can legislate to protect intellectual property: Congress can act with the goal of promoting progress of science and useful arts, using only the means set out therein, of securing for limited times to authors and inventors the exclusive rights to their works.”⁵⁰ The Tenth Amendment, because Congress only has enumerated powers, presumably means that states have the power to regulate intellectual property outside the means and ends set in the IP Clause: “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”⁵¹

A. Implied Preemption

1. Conflict Preemption

Conflict preemption “arises when compliance with both federal and state regulations is a physical impossibility or where state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”⁵² Although the Supreme Court hasn’t recently applied its conflict-preemption test to anti-patent laws, the Supreme Court has tackled patent-like statutes.

In 1964, the Supreme Court, in *Compco Corp. v. Day-Brite Lighting, Inc.*⁵³ and *Sears, Roebuck & Co. v. Stiffel Co.*,⁵⁴ started patent law’s modern conflict-preemption jurisprudence. These two cases addressed the same issue: whether the federal patent laws preempted state unfair-competition laws protecting against the copying of unpatented industrial designs.⁵⁵ In *Compco*, the design was the subject of an invalidated design patent and was rejected

⁴⁷ U.S. CONST. art. I, § 8, cl. 8.

⁴⁸ *Id.* amend. X.

⁴⁹ *Id.* art. I, § 8, cl. 8.

⁵⁰ Jeanne C. Fromer, *The Intellectual Property Clause’s Preemptive Effect*, in *INTELLECTUAL PROPERTY AND THE COMMON LAW* 265, 265-66 (Shyamkrishna Balganesh ed., 2013).

⁵¹ U.S. CONST. amend. X.

⁵² *Pac. Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm’n*, 461 U.S. 190, 204 (1983) (cleaned up).

⁵³ 376 U.S. 234 (1964).

⁵⁴ 376 U.S. 225 (1964).

⁵⁵ *Sears*, 376 U.S. at 225; *Compco*, 376 U.S. at 237-38.

for a utility patent.⁵⁶ Similarly, in *Sears*, the design wasn't entitled to a design or to a utility patent.⁵⁷ The Supreme Court preempted both statutes because the state statutes pilfered the designs from the public domain, where the designs "can be copied in every detail by whoever pleases."⁵⁸

Specifically, the *Sears* Court reasoned that state patent-like protection impermissibly undermined the federal patent law's novelty and nonobviousness standards and its limited grant of exclusive rights:

To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that while federal law grants only [a limited number of years of] protection to genuine inventions, States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated.⁵⁹

But the Supreme Court was cautious when encroaching onto state powers. Indeed, in dicta, the *Sears* Court signaled to states that the Court didn't want to undermine legitimate state interests in promoting fair trade: "Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source"⁶⁰

Ten years later, the Supreme Court again considered conflict preemption with the federal patent laws. This time, in *Kewanee Oil Co. v. Bicron Corp.*, the Court held that state trade secret laws weren't preempted by federal patent law.⁶¹ Conflict preemption, the Court determined, must consider the "purposes and objectives" of patent and trade secret law to determine whether they "clash[]." ⁶² The Court articulated three purposes of patent law: (1) to provide an incentive for inventors; (2) to induce disclosure of inventions so that the public warehouse of knowledge is improved; and (3) to ensure that ideas in the public domain stay there.⁶³

The Court then identified two main purposes of trade secret law: (1) maintaining standards of commercial ethics and (2) encouraging invention.⁶⁴

⁵⁶ 376 U.S. at 234-35.

⁵⁷ 376 U.S. at 231.

⁵⁸ *Compro*, 376 U.S. 237-38; accord *Sears*, 376 U.S. at 226.

⁵⁹ 376 U.S. at 231-32 (cleaned up).

⁶⁰ *Id.* at 232.

⁶¹ 416 U.S. 470, 493 (1974).

⁶² *Id.* at 479-80.

⁶³ *Id.* at 480-81.

⁶⁴ *Id.* at 481.

The Court thought trade secret law might clash with only one purpose of patent law: inducing disclosure of inventions.⁶⁵ Without empirical evidence, the Court relied on the laws' different purposes and trade secret law's weaker protection to conclude that there was "no reasonable risk of deterrence from patent application by those who can reasonably expect to be granted patents."⁶⁶ But the Court recognized that "[i]f a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection," then the Court would preempt the statute.⁶⁷

That Court examined three more things. First, the Court considered the state's interest in regulating business ethics.⁶⁸ The Court found that state efforts to prevent industrial espionage by protecting trade secrets were "unchallengeable" because that activity threatens the "fundamental human right" of privacy.⁶⁹ Second, the Court stated that the patent policy of encouraging invention isn't disturbed by an *additional* incentive to invent.⁷⁰ Third, the Court considered history: namely, the fact that "trade secret law and patent law have co-existed in this country for over one hundred years" while Congress remained silent.⁷¹ To this Court, Congress's silence meant that trade secret law was important.⁷²

Five years later, the Supreme Court tackled a state contract law giving patent-like protection. In *Aronson v. Quick Point Pencil Co.*, the Court held that federal patent law didn't preempt a state contract law that forced a licensee "to pay royalties . . . on sales of articles embodying the [patent applicant's] invention, for so long as the contracting party sells them," even if a patent isn't granted.⁷³ The contract had a specific royalty rate that would decrease by half if the patent wasn't issued within five years.⁷⁴ The law, the Court concluded, didn't conflict with the purposes of patent law identified in *Kewanee*.⁷⁵ As in *Kewanee*, the Court determined that the contract added another incentive, which complemented patent law.⁷⁶ And the Court again

⁶⁵ *Id.* at 484.

⁶⁶ *Id.* at 489.

⁶⁷ *Id.*

⁶⁸ *Id.* at 487.

⁶⁹ *Id.*

⁷⁰ *Id.* at 484.

⁷¹ *Id.* at 493.

⁷² *Id.*

⁷³ 440 U.S. 257, 258-59 (1979).

⁷⁴ *Id.* at 261-62.

⁷⁵ *Id.* at 262-64.

⁷⁶ *Id.*

emphasized the state's interest, acknowledging that "[c]ommercial agreements traditionally are the domain of state law."⁷⁷

After another decade, the Supreme Court gave their last word on patent conflict preemption in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*⁷⁸ There, a Florida statute prohibited selling a duplicate of an unpatentable boat hull.⁷⁹ The machine in dispute was unpatentable because of the federal patent laws' public-use bar.⁸⁰ Conflict preemption, the Court reaffirmed, involved analyzing the purposes and objectives of the statutes.⁸¹ Considering the Florida statute's structure, the Court said that the Florida statute's purpose wasn't to prohibit unfair competition (concerned with protecting consumers from confusion by source) but to induce "the improvement of boat hull designs."⁸²

Next, the Court analyzed the federal patent laws' purposes. But this time the Court explicitly addressed the IP Clause. As the Court saw it, the IP Clause "reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the 'Progress of Science and useful Arts.'"⁸³ The Court also noted that the IP Clause is both a *grant* of power and a *limit* because "Congress may not create patent monopolies of unlimited duration, nor may it authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available."⁸⁴

To determine Congress's effectuated balance, the Court analyzed the federal patent laws' novelty and nonobviousness requirements. To this Court, these statutorily enacted requirements show that "the purposes behind the Patent Clause are best served by free competition and exploitation of either that which is already available to the public or that which may be readily discerned from publicly available material."⁸⁵ So the Court concluded that Florida's patent-like statute undermined Congress's effectuated balance and found troubling the "administrative problems" if states were allowed "to create patent-like rights in various products in public circulation."⁸⁶

Besides the three purposes identified in *Kewanee*, the Court considered a fourth possible purpose—national uniformity. After *Kewanee* and *Aronson*,

⁷⁷ *Id.* at 262.

⁷⁸ 489 U.S. 141, 143 (1989).

⁷⁹ *Id.* at 144.

⁸⁰ *Id.* at 159 (excluding a person from receiving a patent when "the invention was . . . in public use . . . more than one year prior to the date of the application for patent in the United States" (citing 35 U.S.C. § 102(b) (1952))).

⁸¹ *Id.* at 155.

⁸² *Id.* at 157-58.

⁸³ *Id.* at 146 (quoting U.S. CONST. art. I, § 8, cl. 8).

⁸⁴ *Id.* (cleaned up).

⁸⁵ *Id.* at 150.

⁸⁶ *Id.* at 161.

Congress created the Court of Appeals for the Federal Circuit, which has “exclusive jurisdiction of all patent appeals.”⁸⁷ Congress’s goal was “nationwide uniformity in patent law.”⁸⁸ And like the *Kewanee* Court, the *Bonito Boats* Court considered history: preemption is “particularly weak where Congress has indicated its awareness of the operation of state law in a field of federal interest, and has nonetheless decided to stand by both concepts and to tolerate whatever tension there is between them.”⁸⁹ History didn’t help the Florida statute. The statute was preempted.⁹⁰

2. Field Preemption

Under field preemption, federal law invalidates state law when there’s a “scheme of federal regulation so pervasive as to make reasonable the inference that Congress left no room to supplement it.”⁹¹ A scheme can be “so pervasive” for two reasons: (1) “the federal interest is so dominant” that it presumptively precludes any role for state law enforcement, or (2) “the object sought to be obtained by the federal law and the character of obligations imposed by it may reveal the same purpose.”⁹² Field preemption is more likely “when the federal statute deals with an area that the federal government has traditionally controlled.”⁹³ As described in Section III.B, the Supreme Court hasn’t used field preemption to invalidate a patent-related state statute, but the Federal Circuit has.⁹⁴

3. Presumption Against Preemption

In implied preemption, there’s “a reliable canon of interpretation” to presume that a federal statute “supplement[s] rather than displace[s] state law.”⁹⁵ In conflict preemption, “if federal law neither prohibits nor requires what state law forbids, state law prevails.”⁹⁶ In field preemption, when Congress has legislated in a field traditionally occupied by the states, the court “start[s] with the assumption that the historic police powers of the States were not to be superseded by the Federal Act unless that was the clear

⁸⁷ *Id.* at 162-63.

⁸⁸ *Id.* at 162 (quoting H.R. REP. NO. 97-312, at 20 (1981)).

⁸⁹ *Id.* at 166-67 (cleaned up).

⁹⁰ *Id.* at 168.

⁹¹ *Pac. Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm’n*, 461 U.S. 190, 204 (1983) (cleaned up).

⁹² *Id.* (cleaned up).

⁹³ ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 291 (2012).

⁹⁴ *See infra* Section III.B.

⁹⁵ SCALIA & GARNER, *supra* note 93, at 290.

⁹⁶ *Id.*

and manifest purpose of Congress.”⁹⁷ In patent-related conflict-preemption analysis, the Supreme Court and the Federal Circuit have rarely, if ever, applied this canon of interpretation.

4. A Text-Centered Implied-Preemption Approach

Three members of the current Supreme Court—Justices Thomas, Gorsuch, and Kavanaugh—have grown skeptical of the implied-preemption jurisprudence.⁹⁸ As these justices recently put it, a litigant, for both field and conflict preemption, “must point specifically to a constitutional text or a federal statute that does the displacing or conflicts with state law.”⁹⁹ “So any evidence of pre-emptive purpose, whether express or implied, must therefore be sought in the text and structure of the statute at issue.”¹⁰⁰ But congressional intent for conflict preemption may be inferred if “a state law . . . makes compliance with a federal statute impossible.”¹⁰¹

B. *Petitioning Immunity: Noerr and Its Progeny*

Some have argued that the real source of concern for these anti-patent laws is the First Amendment’s Petition Clause.¹⁰² The First Amendment says, “Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances.”¹⁰³

Petitioning immunity evolved in antitrust cases. In *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*,¹⁰⁴ a trucking company alleged antitrust violations for an alleged “vicious, corrupt, and fraudulent” publicity campaign by the railroad companies that “had attempted to influence legislation.”¹⁰⁵ It was alleged that the campaign “succeeded in persuading the Governor of Pennsylvania to veto a measure known as the ‘Fair Truck Bill.’”¹⁰⁶ The Supreme Court held that the Sherman Act didn’t extend to actions that “influence the passage or enforcement of laws”¹⁰⁷—unless the campaign is a

⁹⁷ *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947).

⁹⁸ *Va. Uranium, Inc. v. Warren*, 139 S. Ct. 1894 (2019) (Gorsuch, J.). This recent trend began with Justice Thomas. *Wyeth v. Levine*, 555 U.S. 555, 583 (2009) (Thomas, J., concurring in the judgment).

⁹⁹ *Va. Uranium, Inc.*, 139 S. Ct. at 1901 (cleaned up).

¹⁰⁰ *Id.* at 1907 (cleaned up); see *Wyeth*, 555 U.S. at 586 (Thomas, J., concurring in the judgment) (“The Supremacy Clause . . . requires that pre-emptive effect be given only to those federal standards and policies that are set forth in, or necessarily follow from, the statutory text that was produced through the constitutionally required bicameral and presentment procedures.”).

¹⁰¹ *Va. Uranium, Inc.*, 139 S. Ct. at 1908.

¹⁰² See generally Gugliuzza, *supra* note 6.

¹⁰³ U.S. CONST. amend. I.

¹⁰⁴ 365 U.S. 127 (1961).

¹⁰⁵ *Id.* at 129-30.

¹⁰⁶ *Id.* at 130.

¹⁰⁷ *Id.* at 135.

“mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor.”¹⁰⁸

But the Court, a leading treatise says, didn’t actually apply the Petition Clause. Rather, using a constitutional-avoidance-like analysis, the Court held that “given the lack of any congressional mandate in the Sherman Act’s legislative history to apply the statute to the political activity at issue, it would not construe the statute so as to warrant such an application.”¹⁰⁹ The First Amendment concern existed because it’s important for individuals to inform the government of their wants and because that information is valuable.¹¹⁰ Holding otherwise would “deprive the people of their right to petition in the very instances in which that right may be of the most importance to them.”¹¹¹

Noerr, however, left open four questions: First, does *Noerr* apply to judicial and administrative proceedings? Second, how broad is the sham exception? Third, does *Noerr* apply to non-antitrust claims? Last, does *Noerr* apply to prelitigation activity?¹¹² The next four subsections detail Supreme Court precedent and scholarly discussion of these questions while the fifth subsection discusses a patent-specific exception to petitioning immunity.

1. Judicial and Administrative Agencies

A decade later, the Supreme Court, in *California Motor Transportation Co. v. Trucking Unlimited*,¹¹³ answered yes to the first question. There, the Court held that the same reasons for immunizing conduct trying to influence legislative and executive efforts demanded the same protection for access to administrative agencies and courts.¹¹⁴ Later justices and scholars have doubted this interpretation of the Petition Clause.¹¹⁵ For example, in *Borough of Duryea, Pennsylvania v. Guarnieri*, Justices Thomas and Scalia, in concurrence, doubted that a lawsuit is a constitutionally protected petition.¹¹⁶

¹⁰⁸ *Id.* at 144.

¹⁰⁹ 1 PHILLIP E. AREEDA & HERBERT HOVENKAMP, *ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION* ¶ 201b (4th ed. 2013).

¹¹⁰ *Noerr*, 365 U.S. at 139.

¹¹¹ *Id.*

¹¹² The Supreme Court extended *Noerr* immunity to “[j]oint efforts to influence public officials.” *United Mine Workers v. Pennington*, 381 U.S. 657, 670 (1965).

¹¹³ 404 U.S. 508 (1972).

¹¹⁴ *Id.* at 510-11.

¹¹⁵ See, e.g., David McGowan & Mark A. Lemley, *Antitrust Immunity: State Action and Federalism, Petitioning and the First Amendment*, 17 HARV. J.L. & PUB. POL’Y 293, 397 (1994) (“If it is correct that petitioning immunity can rest only in the First Amendment, then the grant of immunity . . . seems too broad. When courts and regulatory agencies are at issue, the First Amendment has no meaningful role to play . . .”).

¹¹⁶ 564 U.S. 379, 399, (2011) (Thomas, J., concurring in the judgment); *id.* at 403 (Scalia, J., concurring in the judgment in part and dissenting in part).

2. The Sham Exception

The Supreme Court has elaborated on the sham exception. That exception has three relevant aspects: (1) the strength of the legal theory; (2) factual misrepresentation; and (3) repetitive filings.

The Strength of the Legal Theory. The leading case on the sham exception is *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc. (PRE)*.¹¹⁷ There, the defendant alleged an antitrust violation because the lawsuit's only legal theory was frivolous.¹¹⁸ The Court held that there were two requirements to pierce *Noerr* immunity: (1) the litigant's actions were objectively baseless and (2) the litigant had a subjective motivation "to interfere *directly* with the business relationships of a competitor, through the use of the governmental process—as opposed to the *outcome* of that process—as an anticompetitive weapon."¹¹⁹

For the majority, Justice Thomas suggested that "probable cause," from the common-law tort of "malicious prosecution," was the proper standard for objective baselessness.¹²⁰ In other words, a suit isn't objectively baseless when the plaintiff has a "reasonabl[e] belie[f] that there is a chance that [a] claim may be held valid upon adjudication."¹²¹ So the defendant must "disprove the challenged lawsuit's *legal* viability before the court will entertain evidence of the suit's *economic* viability."¹²² Here the plaintiff brought a copyright-infringement claim under a legal theory that other circuits had split on.¹²³ Because the lower circuits' jurisprudence was unclear, the majority concluded that the legal theory wasn't objectively baseless.¹²⁴

Justice Stevens, however, concurred only in the judgment.¹²⁵ Justice Stevens agreed that there must be an objective element but disagreed with the majority's narrow definition of objective baselessness.¹²⁶ To Justice Stevens, the objective component could be satisfied if the lawsuit were "objectively *unreasonable*."¹²⁷ Unlike the majority, the objective prong could still be satisfied when a plaintiff brings a lawsuit with an insignificant chance

¹¹⁷ *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc. (PRE)*, 508 U.S. 49 (1993).

¹¹⁸ *Id.* at 51-54.

¹¹⁹ *Id.* at 60-61 (cleaned up).

¹²⁰ *Id.* at 62.

¹²¹ *Id.* at 62-63.

¹²² *Id.* at 61.

¹²³ *Id.* at 64-65.

¹²⁴ *Id.* at 65.

¹²⁵ Justice O'Connor joined this concurrence. *Id.* at 67 (Stevens, J., concurring in the judgment). Justice Souter also concurred but only to comment on Justice Thomas's probable-cause language's connection to tort law and to emphasize that the facts were undisputed. *Id.* at 66-67 (Souter, J., concurring).

¹²⁶ *Id.* at 67-68 (Stevens, J., concurring in the judgment).

¹²⁷ *Id.*

of success on the merits.¹²⁸ Instead, the Court, as Justice Stevens argued, should be guided by the distinction between “abusing the judicial process to restrain competition and prosecuting a lawsuit that, if successful, will restrain competition.”¹²⁹ A sham should therefore involve a “plaintiff [who] is indifferent to the outcome of the litigation itself, but has nevertheless sought to impose a collateral harm on the defendant by, for example, impairing his credit, abusing the discovery process, or interfering with his access to governmental agencies.”¹³⁰ In essence, the concurrence disagreed with the rigidity of the objective component.

Factual Misrepresentations. In dicta, the *PRE* majority stated several broad conclusions that could implicate claims based on factual misrepresentations.¹³¹ Justice Thomas stated that *Noerr* protects “objectively reasonable effort[s] to litigate”; that *Noerr* protects lawsuits “reasonably calculated to elicit a favorable outcome”; and that a successful lawsuit is a reasonable petition.¹³²

At least one scholar urges caution. Hovenkamp argues that this dicta shouldn’t be read broadly but in the context that it was written.¹³³ Specifically, the dicta shouldn’t be applied “to a claim that may be successful but only because the underlying factual allegations were false.”¹³⁴ This follows the Court’s footnote deferring the question of fraudulent factual claims: “We need not decide here whether and, if so, to what extent *Noerr* permits the imposition of antitrust liability for a litigant’s fraud or other misrepresentations.”¹³⁵

Repetitive Claims. In *California Motors*, the Court hinted that a single successful claim does not immunize repetitive lawsuits:

Misrepresentations, condoned in the political arena, are not immunized when used in the adjudicatory process. Opponents before agencies or courts often think poorly of the other’s tactics, motions, or defenses and may readily call them baseless. One claim, which a court or agency may think baseless, may go unnoticed; but a pattern of baseless, repetitive claims may emerge which leads the factfinder to conclude that the administrative and judicial processes have been abused.¹³⁶

¹²⁸ *Id.* at 68. Justice Stevens was concerned that *Farrar v. Hobby*, 506 U.S. 103 (1992)—a case with “10 years of litigation and two trips to the Court of Appeals to recover one dollar from one defendant”—wouldn’t satisfy the majority’s objective component. *Id.* at 68 n.2 (cleaned up).

¹²⁹ *Id.* at 68.

¹³⁰ *Id.*

¹³¹ AREEDA & HOVENKAMP, *supra* note 109, ¶ 205b.

¹³² *PRE*, 508 U.S. at 57, 60 & n.5.

¹³³ AREEDA & HOVENKAMP, *supra* note 109, ¶ 205b.

¹³⁴ *Id.*

¹³⁵ *PRE*, 508 U.S. at 61 n.6.

¹³⁶ *Ca. Motors Transp. Co. v. Trucking Unlimited*, 404 U.S. 110, 513 (1972).

There, the Court still held 40 claims baseless even though another 21 of the claims were meritorious.¹³⁷ The *California Motors* Court, as Hovenkamp explains, seems to require that parties should consider the merits of each petition individually.¹³⁸

3. Non-Antitrust Claims

The Supreme Court hasn't directly answered whether *Noerr* applies to non-antitrust claims. Outside antitrust, the Supreme Court has struggled to establish a distinct Petition Clause doctrine, often transplanting Free Speech doctrine into their analysis. Paul Gugliuzza uses *McDonald v. Smith*¹³⁹ and *Borough of Duryea, Pennsylvania v. Guarnieri*,¹⁴⁰ two cases that intertwine with Free Speech doctrine and involve non-antitrust claims, to question *Noerr*'s application outside antitrust.¹⁴¹

In *McDonald*, the defendant wrote two letters to the president, with allegedly libelous statements, to hinder the plaintiff's "prospect of being appointed United States Attorney."¹⁴² The Court didn't hold that *Noerr* granted the defendant immunity because "there is no sound basis for granting greater constitutional protection to statements made in a petition to the President than other First Amendment expressions."¹⁴³ This leads Gugliuzza to conclude that *McDonald* suggests that "the Petition Clause allows state tort law room to operate, so long as that state law does not condemn speech that is protected by the [Free Speech Clause]."¹⁴⁴ In short, states can regulate patentholder statements if the statute isn't preempted or doesn't violate the Free Speech Clause.

Noerr was also not applied to the union grievance in *Guarnieri*.¹⁴⁵ In that case, the plaintiff filed a "union grievance challenging his termination as chief of police."¹⁴⁶ The arbitrator ordered the plaintiff's reinstatement.¹⁴⁷ Then the defendants "issued 11 directives" instructing the plaintiff on how to do his job.¹⁴⁸ The plaintiff sued the borough arguing that the directives were impermissible retaliation against his petition, the union grievance.¹⁴⁹ The

¹³⁷ AREEDA & HOVENKAMP, *supra* note 109, ¶ 204c.

¹³⁸ *Id.*

¹³⁹ 472 U.S. 479 (1985).

¹⁴⁰ 564 U.S. at 382.

¹⁴¹ Gugliuzza, *supra* note 6, at 1612-16.

¹⁴² 472 U.S. at 480-81.

¹⁴³ *Id.* at 485.

¹⁴⁴ Gugliuzza, *supra* note 6, at 1613-14.

¹⁴⁵ 564 U.S. at 383.

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 384.

Court refused to apply *Noerr* because “the Petition Clause is not an instrument for public employees to circumvent these legislative enactments [federal and state employment regulations] when pursuing claims based on ordinary workplace grievances.”¹⁵⁰ The Court then analogized to the Free Speech Clause’s public-concern test and applied it to the plaintiff’s claims under the Petition Clause.¹⁵¹ From this, Gugliuzza claims that “*Noerr* has limited relevance outside of antitrust law.”¹⁵²

Gugliuzza’s reasoning, respectfully, falls short. These Supreme Court cases do not show that *Noerr* always has limited relevance outside antitrust law. Rather, these cases show that the proper determination of the doctrinal standard outside antitrust is an analysis of the competing interests between the federal government, the state government, and the individual to determine whether the statute infringes the Constitution.¹⁵³

Both *McDonald* and *Guarnieri* involved interest balancing. In *McDonald*, the Court balanced the interests underpinning the Free Speech Clause and libel suits with an individual’s interest in petitioning the President about a potential hire.¹⁵⁴ And in *Guarnieri*, the majority assessed the administrability of the standard and the concerns presented by employee grievances.¹⁵⁵ Justice Thomas’s concurrence in *Guarnieri* also called for a balance of competing interests: “Even where a public employee petitions the government in its capacity as sovereign, I would *balance* the employee’s right to petition the sovereign against the government’s interest as an employer in the effective and efficient management of its internal affairs.”¹⁵⁶ These opinions recognize that it’s not the type of claim that changes the level of protection of petitioning immunity but the balancing of competing interests.

That the Court should balance competing interests is also shown by the Supreme Court’s treatment of attorney’s fee shifting in patent cases. In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, the Supreme Court held that *Noerr* immunity didn’t apply to a statute awarding attorney’s fees in exceptional cases.¹⁵⁷ The Court concluded this after balancing the purpose of the Petition Clause, protecting access to the courts, the interest of Congress in having fee shifting, and the burden of fee shifting on bringing lawsuits. The Supreme Court wrote, “But to the extent that patent suits are similarly

¹⁵⁰ *Id.* at 392.

¹⁵¹ *Id.* at 389-90.

¹⁵² Gugliuzza, *supra* note 6, at 1616.

¹⁵³ See Robert A. Zauzmer, *The Misapplication of the Noerr-Pennington Doctrine in Non-Antitrust Right to Petition Cases*, 36 STAN. L. REV. 1243, 1253 (1984).

¹⁵⁴ 472 U.S. at 484-85.

¹⁵⁵ 564 U.S. 379, 398-99 (2011).

¹⁵⁶ 564 U.S. at 400 (Thomas, J., concurring in the judgment) (emphasis added).

¹⁵⁷ 572 U.S. 545, 555-57 (2014).

protected as acts of petitioning, it is not clear why the shifting of fees in an 'exceptional' case *would diminish that right*. The threat of antitrust liability (and the attendant treble damages [in] 15 U.S.C. § 15)," the Court argued, "far more significantly chills the exercise of the right to petition than does the mere shifting of attorney's fees."¹⁵⁸ "In the *Noerr-Pennington* context," the Court explained, "defendants seek immunity from a judicial declaration that their filing of a lawsuit was actually unlawful; here, they seek immunity from a *far less onerous declaration* that they should bear the costs of that lawsuit in exceptional cases."¹⁵⁹

The balance there called for less protection. As the Court held, the burden of paying attorney's fees in exceptional cases, one that "stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated," doesn't violate the Constitution.¹⁶⁰ Most importantly, however, the Supreme Court didn't close the door to *Noerr* immunity's application outside the antitrust context.

Although in *McDonald*, *Guarnieri*, and *Octane Fitness* the competing interests warranted less protection than *Noerr* immunity, this doesn't mean that *Noerr* shouldn't apply to anti-patent statutes when the relevant interests are balanced. To be sure, Gugliuzza correctly observes that *McDonald* and *Guarnieri* rejected applying *Noerr* immunity in a non-antitrust context. But Gugliuzza lumps anti-patent statutes in with those cases without properly analyzing whether the Court, through a balancing of interests, should not apply *Noerr*'s strong protection to the conduct burdened by anti-patent statutes.

4. Prelitigation Activity

The Supreme Court hasn't addressed whether *Noerr* immunity applies to prelitigation activity. But most circuits hold that functionally it should.¹⁶¹ And Hovenkamp asserts that it's counterintuitive and unproductive to not include prelitigation activity under *Noerr* immunity.¹⁶² Others, however, adhere literally to the text.¹⁶³

¹⁵⁸ *Id.* at 556 (emphasis added).

¹⁵⁹ *Id.* at 557 (emphasis added).

¹⁶⁰ *Id.* at 545.

¹⁶¹ See *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1376 (Fed. Cir. 2004) ("[O]ur sister circuits, almost without exception, have applied the *Noerr* protections to prelitigation communications.").

¹⁶² AREEDA & HOVENKAMP, *supra* note 109, at ¶ 205f.

¹⁶³ See Marina Lao, *Reforming the Noerr-Pennington Antitrust Immunity Doctrine*, 55 RUTGERS L. REV. 965, 1019 (2003) ("[A] communication that does not attempt to persuade a governmental decision-maker to do something is *not* a petition . . ."). Circuit courts have argued the same. See, e.g., *Cardtoons, L.C. v. Major League Baseball Players Ass'n*, 208 F.3d 885, 891-92 (10th Cir. 2000) ("[S]tatements made in a letter threatening litigation are not absolutely protected by the petition

But if the Petition Clause’s purpose is to protect access to the legal decisionmaking process (including the courts), as I later argue, and prelitigation communication is a fundamental step in that process, as I also argue, then not extending the Petition Clause to those actions allows states to undermine the purpose of the Petition Clause. And, as argued in Section IV.B, the Constitution’s text does not foreclose its protection.

5. *Walker Process* Fraud: Patent-Specific Exception to Petitioning Immunity

Besides the sham exception, the Supreme Court has explicitly found a patent-specific exception to petition immunity. In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, the Supreme Court held that when a patentholder enforces a patent that was obtained by knowingly and willfully misrepresenting facts to the United States Patent and Trademark Office, the patentholder isn’t immune to an antitrust claim.¹⁶⁴ Like with the sham exception, the antitrust elements must still be proven.¹⁶⁵

III. THE FEDERAL CIRCUIT ON PREEMPTION, PETITIONING IMMUNITY, AND PATENT ENFORCEMENT

Recall that preemption occurs through either express or implied preemption. And recall that the Patent Act lacks an express preemption provision.¹⁶⁶ Again, implied preemption occurs in two ways: conflict and field preemption. Before late 2017, the Federal Circuit had never invalidated a statute by field preemption.¹⁶⁷

This Part has three sections. Section A details the Federal Circuit’s conflict-preemption jurisprudence. Then section B describes the Federal Circuit’s only field-preemption case. Last, section C discusses the federal patent act’s policy on enforcement.

A. *The Journey to a Conflict-Preemption Test Influenced by the Petition Clause*

Since its creation, the Federal Circuit has restricted states’ ability to enact anti-patent laws. The Federal Circuit, when facing patent-like laws, has adhered to the analysis created by the Supreme Court in *Kewanee, Aronson,*

clause of the First Amendment and are subject to the principles of state common law and state statutory law.”).

¹⁶⁴ 382 U.S. 172, 174 (1965).

¹⁶⁵ *Id.* Unlike *Walker Process* fraud, “a patentee’s activities in procuring the patent are not necessarily at issue” when determining whether the sham exception applies. *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1072 (Fed. Cir. 1998).

¹⁶⁶ Hrdy, *supra* note 12, at 190.

¹⁶⁷ *Amgen Inc. v. Sandoz Inc.*, 877 F.3d 1315, 1326 (Fed. Cir. 2017).

and *Bonito Boats*. But for anti-patent cases, the doctrine has shifted from analyzing the purposes of the federal patent laws and of the state statute to solely analyzing the conduct the statute covers.

Early on, the Federal Circuit preempted an anti-patent statute that gave an additional remedy for conduct that federal patent law already had a remedy for. In *Abbott Laboratories v. Brennan*, the Federal Circuit addressed “whether the state tort action for abuse of process can be invoked as a remedy for inequitable or other unsavory conduct of parties to proceedings in the Patent and Trademark Office.”¹⁶⁸ The court preempted the statute because an additional state action “would be an inappropriate collateral intrusion on the regulatory procedures of the PTO.”¹⁶⁹

Seven years later, the Federal Circuit assessed another statute implicating the inequitable-conduct defense. This time the statute survived. In *Dow Chemical Co. v. Exxon Corp.*, the Federal Circuit addressed whether federal patent laws preempted a state-law tort claim for intentional interference with actual and prospective contractual relations that implicated the inequitable-conduct defense.¹⁷⁰ After concluding that “it [was] difficult to fathom” that the tort obstructed the three purposes of federal patent law identified in *Kewanee*, the court held that the federal patent laws didn’t preempt the claim.¹⁷¹ Citing Supreme Court precedent, the *Dow* court recognized that “the protection of the integrity of commercial contracts” was “traditionally . . . the domain of state law.”¹⁷² The majority distinguished this state tort claim from the one in *Abbott*, as this claim required “elements entirely different to those required for inequitable conduct before the PTO” and allowed for a different remedy.¹⁷³

The Federal Circuit, however, then departed from the Supreme Court precedent of analyzing the purposes of the statutes and instead focused on applying a bad-faith standard to a patentholder’s conduct. In *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, the Federal Circuit evaluated the defendant’s “allegedly tortious conduct” to determine whether the state tort claim provided a remedy for “conduct that is protected or governed by federal patent law.”¹⁷⁴ Using an as-applied analysis of the state unfair-competition law, the court preempted the law because the “federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show that the patentholder acted in bad faith” and “requir[ing]

¹⁶⁸ 952 F.2d 1346, 1355 (Fed. Cir. 1991).

¹⁶⁹ *Id.* at 1357.

¹⁷⁰ 139 F.3d 1470, 1473 (Fed. Cir. 1998).

¹⁷¹ *Id.* at 1475, 1478-79.

¹⁷² *Id.* at 1475 (cleaned up).

¹⁷³ *Id.* at 1477-78.

¹⁷⁴ 153 F.3d 1318, 1335 (Fed. Cir. 1998).

less would impermissibly alter the balance between the competing purposes of federal patent law.”¹⁷⁵

This derailment continued. The Federal Circuit, in *Zenith Electronics Corp. v. Exzec, Inc.*, affirmed that bad faith was the proper conflict-preemption analysis.¹⁷⁶ Bad faith, the court said, is a case-by-case analysis and “a prerequisite to [an alleged infringer’s] state-law tortious interference claim; without it, the claim is preempted by patent law.”¹⁷⁷ The court also gave a clear example of bad faith: “[I]f the patentee knows that the patent is invalid, unenforceable, or not infringed, yet represents to the marketplace that a competitor is infringing the patent.”¹⁷⁸ And the court noted that statements that are impossible to confirm in advance, like whether you can design around a patent, are inherently suspect, making the bad-faith standard easier to satisfy.¹⁷⁹

Three years later, the Federal Circuit elaborated on actionable bad-faith statements in *Golan v. Pingel Enterprise, Inc.*¹⁸⁰ Statements are actionable when clear and convincing evidence exists that “the infringement allegations are objectively false, and that the patentee made them in bad faith.”¹⁸¹ Bad faith required the patentholder to allege infringement “with knowledge of their incorrectness or falsity, or disregard for either.”¹⁸²

Finally, the Federal Circuit linked the bad-faith standard with *Noerr* immunity in *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*¹⁸³ In that case, the court held that *Noerr* immunity applied to prelitigation communications for two reasons.¹⁸⁴ First, several sister circuits held so.¹⁸⁵ Second, not extending the protection to prelitigation activity would be anomalous and socially counterproductive.¹⁸⁶ In other words, it’s odd that someone would be protected if they “strike[] without warning” but not if they give notice to the other party, opening the possibility to settlement.¹⁸⁷ Thus, “[t]he federal patent laws preempt state laws that impose tort liability for a patentholder’s good faith conduct in communications asserting infringement of its patent and warning about potential litigation,” unless the statute satisfies the two-part test from *PRE*.¹⁸⁸

¹⁷⁵ *Id.* at 1336-37.

¹⁷⁶ 182 F.3d 1340, 1354-55 (Fed. Cir. 1999).

¹⁷⁷ *Id.*

¹⁷⁸ *Id.* at 1354.

¹⁷⁹ *Id.* at 1354-55.

¹⁸⁰ 310 F.3d 1374, 1375-77 (Fed. Cir. 2012).

¹⁸¹ *Id.* at 1371.

¹⁸² *Id.*

¹⁸³ 362 F.3d 1367 (Fed. Cir. 2004).

¹⁸⁴ *Id.* at 1376.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.* at 1376-77.

¹⁸⁷ *Id.*; accord AREEDA & HOVENKAMP, *supra* note 109, ¶ 205f.

¹⁸⁸ *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1377 (2004).

From the development of conflict preemption for anti-patent laws, there are three takeaways. One, the inquiry moved from a purpose-based analysis of the patent act and the disputed statute to a conduct-based analysis. Two, the First Amendment influenced the Federal Circuit's doctrine. Three, the current analysis is a rigid rule, which is typical of the Federal Circuit.¹⁸⁹

B. Field Preemption

For the first time in late 2017, the Federal Circuit used field preemption to invalidate a state unfair-competition law. In *Amgen Inc. v. Sandoz Inc.*, the Federal Circuit held that the Biologics Price Competition and Innovation Act (BPCIA) preempted the state-law claims because the BPCIA was a "comprehensive, carefully calibrated scheme" that "left no room for the States to supplement it."¹⁹⁰ The field-preemption-causing conflict, the Court argued, was the different "available remedies between federal and state law."¹⁹¹ The field wasn't patent law generally but specifically biosimilar patent litigation.¹⁹² Alternatively, the court concluded that there was also conflict preemption.¹⁹³

C. Federal Patent Law's Enforcement Policy

The Patent Act doesn't provide damages or injunctive relief for patentholder conduct, only invalidation or unenforceability.¹⁹⁴ Surprisingly, federal patent law hardly mentions enforcement. 35 U.S.C. § 287(a) gives patentholders the right to "give notice to the public that [their invention] is patented."¹⁹⁵ An inventor gives notice by marking an article, by filing for infringement, or by other means like demand letters.¹⁹⁶ Federal patent law also gives several affirmative defenses based on improper conduct by a patent owner: misuse, inequitable conduct, and estoppel.¹⁹⁷

In general, patent misuse occurs when a patentholder, through a license, imposes conditions that exceed the scope of the patent right.¹⁹⁸ When a court

¹⁸⁹ See, e.g., *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) (overturning the Federal Circuit's rigid obviousness test because it conflicted with the Court's previously established "expansive and flexible approach").

¹⁹⁰ *Amgen Inc. v. Sandoz Inc.*, 877 F.3d 1315, 1326-28 (Fed. Cir. 2017) (cleaned up).

¹⁹¹ *Id.* at 1328.

¹⁹² *Id.*

¹⁹³ *Id.* at 1328-30.

¹⁹⁴ Of course, patentholder conduct can lead to increased damages.

¹⁹⁵ 35 U.S.C. § 287(a) (2018).

¹⁹⁶ *Id.*

¹⁹⁷ See, e.g., *id.* § 282(b). Before 2017, laches was a defense for improper conduct, but the Supreme Court held that laches couldn't bar claims for damages under 35 U.S.C. § 286. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC.*, 137 S. Ct. 954, 959 (2017).

¹⁹⁸ *Princo Corp. v. U.S. Int'l Trade Comm'n.*, 616 F.3d 1318, 1326-31 (Fed. Cir. 2010) (en banc). Patent law provides several patent-misuse exceptions. 35 U.S.C. § 271(d).

finds misuse, the court withholds the remedy for infringement or for breach of a license agreement until the misuse stops.¹⁹⁹

Inequitable conduct, by contrast, only involves conduct before the Patent and Trademark Office. It requires both proof of a specific and deliberate intent to deceive the PTO and materiality.²⁰⁰ For intent, the patentee must know that the reference exists and is material and must deliberately withhold the reference.²⁰¹ For materiality, the Federal Circuit requires a high threshold of but-for materiality: a reference is material if the PTO wouldn't have allowed the claim if it had been aware of the undisclosed reference.²⁰² The Federal Circuit, however, carved out an exception for particularly egregious misconduct, such as filing false affidavits or affirmative egregious acts.²⁰³

Last, equitable estoppel occurs “when (1) the patent owner through conduct, positive statement, or misleading silence represents to the infringer that his business will be unmolested by claims of infringement, and (2) in reliance on that representation, the infringer continues or expands his business.”²⁰⁴ In short, the federal patent law gives defendants limited actions against patentholder conduct.

Considering these rights, the Federal Circuit declared a general policy that patentholders' good-faith enforcements were immune from liability. In *Mallinckrodt, Inc. v. Medipart, Inc.*, the plaintiff manufactured and sold to hospitals a patented medical device.²⁰⁵ The device was labeled “Single Use Only” and packaged with an insert stating that the medical device was “For Single Patient Use Only” and that “the entire contaminated apparatus [must] be disposed of in accordance with procedures for the disposal of biohazardous waste.”²⁰⁶ Hospitals instead sold the used device to the defendant for reconditioning and reuse.²⁰⁷ The Federal Circuit concluded that the plaintiff could send a notice to its customers that reuse was an infringement because the patentholder acted in good faith.²⁰⁸

Indeed, “[a] patentee that has a good faith belief that its patents are being infringed violates no protected right when it so notifies infringers: Patents,” wrote the Federal Circuit, “would be of little value if infringers of them could not be notified of the consequences of infringement or proceeded against in

¹⁹⁹ 6A CHISUM ON PATENTS § 19.04 (2018).

²⁰⁰ *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290-91 (Fed. Cir. 2011).

²⁰¹ *Id.* at 1290.

²⁰² *Id.* at 1291.

²⁰³ *Id.* at 1292.

²⁰⁴ 6A CHISUM ON PATENTS § 19.05 (2018).

²⁰⁵ 976 F.2d 700, 702 (Fed. Cir. 1992).

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Id.* at 701, 709.

the courts. Such action, considered by itself cannot be said to be illegal.”²⁰⁹ The court continued: “It is not an actionable wrong for one in good faith to make plain to whomsoever that it is his purpose to insist upon what he believes to be his legal rights, even though he may misconceive what those rights are.”²¹⁰ The Federal Circuit also gave three examples of punishable bad-faith infringement notices: (1) making threats without intending to sue; (2) sending notices indiscriminately to everyone in the trade; and (3) lacking a good-faith belief in the validity of its patent.²¹¹ At least outside preemption analysis, the Federal Circuit believed that patent policy required immunization of good-faith enforcements.

IV. REASSESSING PREEMPTION & PETITION IMMUNITY

Section A describes three prior proposals for the proper intellectual-property preemption analysis. None of these works suggest a framework for petition immunity or a change to the sham exception: the proposals either clarify the proper conflict-preemption analysis under precedent or argue that *Noerr* shouldn’t apply to demand letters. Section B suggests a framework for determining the level of protection under the Petition Clause and details the proper analysis of the objective requirement for *Noerr* immunity.

A. Other Academic Proposals

There are three relevant proposals on intellectual-property preemption. The first clarifies Supreme Court intellectual-property preemption doctrine and creates a framework. The other two address anti-patent laws and suggest changes to the Federal Circuit’s preemption and petition-immunity analysis.

1. The IP Clause as a Guide

Jeanne Fromer persuasively argues that the IP Clause guides the preemption analysis but doesn’t preempt state laws by its own force.²¹² As Fromer asserts, state laws are preempted “on satisfaction of two conditions: (1) they lie within the preemptive scope of the IP Clause, and (2) they upset the IP Clause’s balance, as effectuated by a federal law.”²¹³

First, Fromer’s argument requires an important understanding of the IP Clause and the structural purpose of the state law. In previous works, Fromer argued that “the best understanding of the IP Clause is that it both grants

²⁰⁹ *Id.* at 709 (cleaned up).

²¹⁰ *Id.* at 710.

²¹¹ *Id.*

²¹² Fromer, *supra* note 50, at 266.

²¹³ *Id.*

and limits Congress's powers to enact intellectual-property protection."²¹⁴ As she saw it, the purpose of the clause is "encouraging the advancement of systematic knowledge, cultural knowledge, and technology."²¹⁵ The means Congress may use is giving inventors exclusive rights to their inventions for a limited time.²¹⁶ When determining the state law's purpose, Fromer suggests ascertaining it from the law's structure, not from empirics.²¹⁷ But "state laws that piggyback off the federal laws passed pursuant to the IP Clause lie within its preemptive scope in certain ways, even if they lack structural purpose to promote progress of science and useful arts."²¹⁸

Second, to determine whether the state law upsets the statutorily implemented balance, the congressional intent of the particular balance between inventors and public entitlements must be assessed.²¹⁹ Then the analysis "will typically require an assessment of the effect on this balance by the state law at issue both facially and as applied."²²⁰

Fromer's framework for Supreme Court precedent is correct. Because, for intellectual property, Congress has only the power to promote the sciences through a grant of exclusive rights for a limited time to an inventor, states, through the Tenth Amendment, have powers to legislate in intellectual property. The Supreme Court has even denied, several times, that states lack a legitimate interest in regulating intellectual property.²²¹

And a structural analysis of the state statutes is the most effective approach because it shields judges from debating empirics that aren't likely available during the litigation. It also gives states notice and predictability in assessing the scope of the IP Clause and whether their statutes will be within the IP Clause's power. Last, Fromer captures the purpose of conflict preemption in her test: even if the statutes are within Congress's power, the statute still must be a sufficient obstacle to federal patent law. Thus, Fromer's two-part framework correctly characterizes Supreme Court precedent and should be applied to the state anti-patent laws.

²¹⁴ *Id.* at 278 (citing Jeanne C. Fromer, *The Intellectual Property Clause's External Limitations*, 61 DUKE L.J. 1329 (2012)).

²¹⁵ Fromer, *The Intellectual Property Clause's External Limitations*, *supra* note 214, at 1373.

²¹⁶ U.S. CONST. art. 1, § 8, cl. 8.

²¹⁷ Fromer, *supra* note 50, at 279.

²¹⁸ *Id.* at 266.

²¹⁹ *Id.* at 284.

²²⁰ *Id.* at 286.

²²¹ *See, e.g.*, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989) ("States may place limited regulations on the use of unpatented designs in order to prevent consumer confusion as to source.").

2. Returning to Equitable Good Faith

As mentioned, Gugliuzza argues that petition immunity shouldn't apply to demand letters.²²² Gugliuzza suggests that the Federal Circuit should bring back the malleable good-faith standard rather than equating bad faith with *Noerr* immunity.²²³ Traditionally, good faith was a "subjective concept: that the speaker sincerely believed in the truth of his statement."²²⁴ That test therefore opens up the door for "private plaintiffs and government law enforcers . . . to impose civil liability on unscrupulous patent holders without having to take the difficult additional step of disproving the merits of the underlying infringement claim."²²⁵

As discussed in Section II.B., Gugliuzza incorrectly analyzes whether the Petition Clause can protect demand letters and what the level of protection is. Although his ultimate suggestion—that one of Congress's intents was to protect good-faith enforcements—is correct, he only determines the effectuated balance by case law and not through the congressionally enacted rights and affirmative defenses in patent law.

3. The Dormant IP Clause

Most recently, Camilla Hrdy argues that the true origin of preemption is the IP Clause itself and recommends a reasonableness test.²²⁶ Hrdy suggests returning to the rule in *Allen v. Riley*,²²⁷ where courts "assess whether a particular state law unconstitutionally burdens the patent right itself as 'secured' by Congress based on the preemptive effect of the Intellectual Property Clause itself."²²⁸ The question is "what does it mean for a state to place an 'unreasonable' versus a 'reasonable' burden on a federal patent right?"²²⁹

To this, she gives two possibilities: (1) a clear ceiling or (2) a reasonableness test.²³⁰ But Hrdy's proposed interpretation of the IP Clause lacks textual standing.²³¹ Like the Dormant Commerce Clause, the IP Clause is only a positive grant. But the excuse the Supreme Court uses to justify the Dormant Commerce Clause doesn't apply to the IP Clause. As the Supreme

²²² Gugliuzza, *supra* note 6, at 1643-44.

²²³ *Id.*

²²⁴ *Id.* at 1618 (internal quotation marks omitted).

²²⁵ *Id.* at 1643-44.

²²⁶ Hrdy, *supra* note 12, at 140-41.

²²⁷ 203 U.S. 347 (1906).

²²⁸ Hrdy, *supra* note 12, at 202.

²²⁹ *Id.* at 203.

²³⁰ *Id.*

²³¹ *Cf.* Martin H. Redish & Shane V. Nugent, *The Dormant Commerce Clause and the Constitutional Balance of Federalism*, 1987 DUKE L.J. 569, 571-72 (arguing that the Dormant Commerce Clause is absent from the text or structure of the Constitution and is therefore illegitimate).

Court sees it, the fact that “the Commerce Clause by its own force restricts state protectionism is deeply rooted in our case law. And without the [D]ormant Commerce Clause, we would be left with a constitutional scheme that those who framed and ratified the Constitution would surely find surprising.”²³² The IP Clause, by contrast, lacks the history and established case law to warrant inferring a negative aspect. Hrды also doesn’t credit *Kewanee* and *Bonito Boats* overruling the early case law.²³³

B. *Reevaluating Noerr’s Application to Courts and Prelitigation Activity*

1. The Petition Clause’s Scope

The Petition Clause Applies to Courts. A proper determination of the Petition Clause’s original public meaning requires a textual and historical analysis. Let’s start with the text.²³⁴ The First Amendment says, “Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances.”²³⁵ There are three key definitions from founding-era dictionaries:

- Petition: “To make a request to; to ask from; to solicit; . . . to *petition a court* of chancery.”²³⁶
- Redress: “To remedy; to repair; to relieve from, and sometimes to indemnify for; as, to *redress* wrongs; to *redress* injuries; to *redress* grievances. Sovereigns are bound to protect their subjects, and *redress* their grievances.”²³⁷
- Grievance: “That which causes grief or uneasiness; that which burdens, oppresses or injures, implying a sense of wrong done, or a continued injury, and therefore applied only to the effects of human conduct; never to providential evils. The oppressed subject has the right to petition for a redress of grievances.”²³⁸

²³² Tenn. Wine & Spirits Retailers Ass’n v. Thomas, 139 S. Ct. 2449, 2460 (2019).

²³³ Hrды glosses over the argument in a footnote asserting that those cases apply only to patent-like statutes, as distinct from anti-patent statutes. Hrды, *supra* note 12, at 139 n.20.

²³⁴ For discussions on why original public meaning is the lodestar of constitutional analysis, see NEIL GORSUCH, A REPUBLIC, IF YOU CAN KEEP IT 108-27 (2019); SCALIA & GARNER, *supra* note 93, at 78-92; see also ROBERT H. BORK, THE TEMPTING OF AMERICA 143-85 (1990).

²³⁵ U.S. CONST. amend. I.

²³⁶ *Petition*, 2 NOAH WEBSTER, AN AMERICAN DICTIONARY OF THE ENGLISH LANGUAGE (New York, S. Converse 1828) (emphasis added); see *Petition*, 2 SAMUEL JOHNSON, A DICTIONARY OF THE ENGLISH LANGUAGE (London, W. Strahan 1773) (“to solicit; to supplicate”).

²³⁷ *Redress*, WEBSTER, *supra* note 236.

²³⁸ *Grievance*, WEBSTER, *supra* note 236.

Put together, this contemporary textual evidence reveals that the Petition Clause protects citizens' requests to the government (including courts) to remedy their problems.²³⁹

The text reveals something else: “[t]he reference to ‘the right of the people’ indicates that the Petition Clause was intended to codify a pre-existing individual right, which means that we must look to historical practice to determine its scope.”²⁴⁰ Maggie Blackhawk, in analyzing petitioning from the colonists to the Constitutional Convention, concludes that petitioning was “an intrinsic part of English political life” and was the “primary means of political engagement for the unenfranchised and for collective political activity.”²⁴¹

The public's understanding of the Petition Clause before and after ratification confirms this.²⁴² Based on a review of 600 petitions to the First Congress, Blackhawk determines that Congress plainly “afford[ed] equal, formal, and public process to petitioners.”²⁴³ Petitions involved mostly private concerns but also public concerns, such as requests for patent protection and pensions and commentary on slavery.²⁴⁴ Notably, Congress often “referred these petitions to the executive or to a congressional committee for review and routinely provided each a formal response.”²⁴⁵ Although Blackhawk

²³⁹ For a discussion of some shortcomings of Founding-era dictionaries, see Thomas R. Lee & James C. Phillips, *Data-Driven Originalism*, 167 U. PA. L. REV. 261, 283-89 (2019).

²⁴⁰ *Borough of Duryea, Pa. v. Guarnieri*, 564 U.S. 379, 403 (2011) (Scalia, J., dissenting).

²⁴¹ Maggie Blackhawk, *Lobbying and the Petition Clause*, 68 STAN. L. REV. 1131, 1144-56 (2016). Blackhawk also discusses legislative history. She contextualizes the First Amendment's text by analyzing the “most substantive discussion of the right to petition[,] . . . an effort to amend what would become the First Amendment to include a more restrictive right—the right to instruct representatives.” *Id.* at 1147. By rejecting the amendment, the Founders concluded that “petitioning . . . ought to form the limiting principle on how the public could engage in the lawmaking process outside of the vote, in order to maintain republican principles and those mechanisms of representation carefully designed and detailed elsewhere in the Constitution.” *Id.* at 1152.

But “[t]he private intent behind a drafter's rejection of one version of a text is shoddy evidence of the public meaning of an altogether different text.” *Gamble v. United States*, 139 S. Ct. 1960, 1965 (2019); see *United States v. Craft*, 535 U.S. 274, 287 (2002) (“[F]ailed legislative proposals are a particularly dangerous ground on which to rest an interpretation of a prior statute . . .” (cleaned up)). “Congressional inaction,” the Supreme Court says, “lacks persuasive significance because several equally tenable inferences may be drawn from such inaction, including the inference that the existing legislation already incorporated the offered change.” *Craft*, 535 U.S. at 287 (cleaned up). *But see Cook v. Gralike*, 531 U.S. 510, 521 (2001) (“The fact that the proposal was made suggests that its proponents thought it necessary, and the fact that it was rejected by a vote of 41 to 10 suggests that we should give weight to the views of those who opposed the proposal.” (cleaned up)).

²⁴² The Supreme Court seems split on the weight of post-enactment history. Recently, Justice Alito described the post-enactment history in *Heller* as only being “treated as mere confirmation of what the Court thought had already been established.” *Gamble*, 139 S. Ct. at 1976. Justice Scalia in *Heller*, by contrast, categorized post-enactment history as “a critical tool of constitutional interpretation.” *District of Columbia v. Heller*, 554 U.S. 570, 605 (2008).

²⁴³ Blackhawk, *supra* note 241, at 1152.

²⁴⁴ *Id.*

²⁴⁵ *Id.*

concludes that the “historical right concerned direct engagement with government only” and that advocacy outside formal channels isn’t protected by the Petition Clause but the Free Speech Clause, her findings help evaluate the competing interests in determining whether the Petition Clause applies to these anti-patent statutes.²⁴⁶

Besides the founding-era dictionaries, history bolsters the claim that the Petition Clause should apply to agencies and courts. In analyzing the outgrowth of the administrative state, Blackhawk points out that “the petition process resembled litigation in a court more closely than the rough and tumble public engagement process described by political scientists today. Petitioners would submit formal documents, like complaints, to trigger petition actions in Congress.”²⁴⁷ By tracking the creation of the administrative state from Congress’s perspective, Blackhawk shows that Congress transferred jurisdiction over certain petitions when Congress created commissions and the Court of Claims.²⁴⁸ In short, the Petition Clause, according to Blackhawk, protects a right to equal, formal, and public access to the *lawmaking* process.²⁴⁹

I, by contrast, read the history as assuring the right to petition the government’s *legal decisionmaking process* (includes the lawmaking process).²⁵⁰ This reading wouldn’t narrow the scope to the legislative or executive functions. Rather, to me, the history and ordinary meaning of *petition*, *redress*, and *grievance* support a broader protection, including asking for rights to be adjudicated. After all, “[i]t is a settled and invariable principle . . . that every right, when withheld, must have a *remedy*, and every injury its proper *redress*.”²⁵¹ And the court, according to Chief Justice Marshall, has a role in providing redresses.²⁵² It would therefore be passing strange for the enactment and enforcement of a law to be protected but not the action that

²⁴⁶ *Id.* at 1185-86.

²⁴⁷ Maggie Blackhawk, *Petitioning and the Making of the Administrative State*, 127 YALE L.J. 1538, 1547 (2018).

²⁴⁸ *Id.* at 1548-49.

²⁴⁹ *Id.* at 1550.

²⁵⁰ Perhaps we effectively mean the same thing but disagree on what’s included in the “lawmaking process.”

²⁵¹ *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 163 (1803) (emphasis added) (quoting 3 WILLIAM BLACKSTONE, COMMENTARIES *109).

²⁵² *Id.*

gives the law its “legal effect.”²⁵³ And courts do just that, especially when there are indeterminacies.²⁵⁴

But even if you believe that the court makes law,²⁵⁵ then you still will find under Blackhawk’s formulation that the Petition Clause’s scope will include courts. If the court makes law, then it is no doubt part of the lawmaking process.

The Petition Clause Applies to Prelitigation Activity. Where Blackhawk and I most fundamentally differ is whether the Petition Clause only applies to *direct* interaction with the government. Under Blackhawk’s conception of the Petition Clause, prelitigation activity or public campaigns like in *Noerr* wouldn’t be protected by the Petition Clause but by the Free Speech Clause.²⁵⁶

Courts and scholars have suggested that the First Amendment’s text is an insurmountable hurdle to petition immunity applying to prelitigation

²⁵³ *Gamble v. United States*, 139 S. Ct. 1960, 1985 (2019) (Thomas, J., concurring) (noting “the power of a court to give legal effect to prior judicial decisions” (quoting Gary Lawson, *The Constitutional Case Against Precedent*, 17 HARV. J.L. & PUB. POL’Y 23, 30 (1994))). See generally Lawrence B. Solum, *Communicative Content and Legal Content*, 89 NOTRE DAME L. REV. 479 (2013) (distinguishing between communicative content and legal content and concluding that courts give the text legal effect).

²⁵⁴ Human language, of course, isn’t “fully unequivocal in every context.” *Gamble*, 139 S. Ct. at 1986. As a result, “[w]ritten laws have a range of indeterminacy, and reasonable people may therefore arrive at different conclusions about the original meaning of a legal text after employing all relevant tools of interpretation.” *Id.* (cleaned up). Some scholars call this area of disagreement the construction zone. See Randy E. Barnett, *Interpretation and Construction*, 34 HARV. J.L. & PUB. POL’Y 65, 72 (2011) (discussing the construction zone and how originalists should handle it).

And when faced with indeterminacies, the court’s role is to liquidate—“to make clear or plain; ‘to render unambiguous; to settle (differences, disputes).” *Gamble*, 139 S. Ct. at 1982 (Thomas, J., concurring) (cleaned up); see THE FEDERALIST NO. 37, at 236 (James Madison) (Jacob E. Cooke ed., 1961) (“All new laws . . . are considered as more or less obscure and equivocal, until their meaning be *liquidated* and ascertained by a series of particular discussions and adjudications.” (emphasis added)); William Baude, *Constitutional Liquidation*, 71 STAN. L. REV. 1, 12 (“[T]o ‘liquidate’ the meaning of a term is to ‘clarify’ or ‘settle’ it.”).

²⁵⁵ Judge Pryor’s and Judge Rosenbaum’s recent clash illustrates the doctrine–law dispute. *Lester v. United States*, 921 F.3d 1306 (11th Cir. 2019). Here’s a taste:

- Judge Pryor: “[W]e should be mindful of the difference between a change in judicial doctrine and a change in law. . . . Although *Booker* radically changed judicial doctrine with respect to the Guidelines, neither of its holdings was the equivalent of a legislative or constitutional amendment to the substance of the law.” *Id.* at 1312–14 (Pryor, J.) (emphasis omitted).
- Judge Rosenbaum: “So while we can pretend that the Supreme Court’s decisions do not ‘change the law,’ the reality is that in our constitutional system, sometimes they can and they do.” *Id.* at 1333 (Rosenbaum, J.) (internal citations and alterations omitted).

See generally Stephen E. Sachs, *Finding Law*, 107 CALIF. L. REV. 527 (2019).

And more recently, Judge Haynes clashed with Judges Oldham and Ho on whether federal courts make law. Compare *Collins v. Mnuchin*, 938 F.3d 553, 591–95 (5th Cir. 2019) (en banc) (Haynes, J.) (severing and removing an unconstitutional provision from a statute), *with id.* at 608–11 (Oldham & Ho, JJ., concurring in part and dissenting in part) (explaining that courts lack the power to make, change, or strike down a statute).

²⁵⁶ Blackhawk, *supra* note 241, at 1185–86.

activity.²⁵⁷ But the text of the Petition Clause does not foreclose protecting prelitigation activity. To start, “we must never forget, that it is a constitution we are expounding.”²⁵⁸ The goal is a fair reading, not hyperliteralism.²⁵⁹ That is why the Second Amendment, surely, protects manufacturing and selling firearms, despite the text only speaking to “keep[ing] and bear[ing] arms.”²⁶⁰ True, these might not be considered the core of the right, but that doesn’t mean they receive no protection, just less protection.²⁶¹ The same should hold true under the Petition Clause for prelitigation activity, as “the right to settle generally accompanies the right to litigate in the first place.”²⁶² Otherwise, states or Congress may heavily regulate indirect activity, styming direct interaction with the courts.

In short, I think the key question is how much protection the Petition Clause should give to prelitigation activity—not whether it’s protected at all. As I discussed in Subsection II.A.3, I propose a competing-interests analysis, balancing the interests of petitioning the courts, free speech, state governments, and the federal government, to determine the level of protection.

2. How Much Protection: Competing-Interests Analysis

To determine the proper level of regulation allowed under the Constitution, the competing interests should be balanced. Here the ultimate doctrinal limitation, however, should promote the purpose of the Petition Clause: access to the legal decisionmaking process. The current state anti-patent statutes implicate four interests: (1) access to courts; (2) compelled speech; (3) the state and federal governments’ legitimate interest in protecting businesses and promoting invention; and (4) the individual’s interest in decisionmaking not based on false information. The first two interests outweigh the burdens on the last two, so demand letters should have heightened protection.

First, access to courts. Prelitigation communication helps people access the courts. Demand letters “provide useful notice and facilitate the resolution of controversies.”²⁶³ Often, these demand letters result in settlements,

²⁵⁷ See *supra* note 163.

²⁵⁸ *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 407 (1819); see *Gamble*, 139 S. Ct. at 1982 (Thomas, J., concurring) (“[J]udicial discretion is not the power to ‘alter’ the law; it is the duty to correctly ‘expound’ it.”).

²⁵⁹ SCALIA & GARNER, *supra* note 93, at 39-40.

²⁶⁰ See David B. Kopel, *Does the Second Amendment Protect Firearms Commerce?*, 127 HARV. L. REV. F. 230, 230 (2014); see also Josh Blackman, *The 1st Amendment, 2nd Amendment, and 3D Printed Gums*, 81 TENN. L. REV. 479, 491-98 (2014).

²⁶¹ This is the case in the scrutiny context. *Ass’n of N.J. Rifle & Pistol Clubs v. Att’y Gen. N.J.*, 910 F.3d 106, 126 (3d Cir. 2019) (Bibas, J., dissenting) (“[W]e pick a tier of scrutiny based only on whether the law impairs the core right.”).

²⁶² *F.T.C. v. Actavis, Inc.*, 570 U.S. 136, 169 (2013) (Roberts, C.J., dissenting).

²⁶³ AREEDA & HOVENKAMP, *supra* note 109, ¶ 205f.

allowing the “legal system to develop . . . public and private structures that allow for the relatively efficient and effective compensation of those harmed in mass society.”²⁶⁴ These virtuous functions will be curtailed if the government could punish an inherent first step in patent-infringement lawsuits but not if the patentholder sued first. Indeed, in the words of Chief Justice Roberts, “the right to *settle* generally accompanies the right to *litigate* in the first place.”²⁶⁵ And punishing the attempt to settle before litigation would provide little incentive to do it.²⁶⁶ So a standard only protecting direct interaction with the government hurts the Petition Clause’s purpose—access to the courts—because litigation costs will increase and because dockets won’t be streamlined. Importantly, most states, like Vermont, allow treble damages to be awarded.²⁶⁷ The Supreme Court in *Octane Fitness* found the potential for treble damages from antitrust a strong reason for *Noerr* immunity.²⁶⁸ So at least with some anti-patent statutes, the burden on petitioning is high.

Second, compelled speech. Regulating prelitigation communication can cause compelled speech. This strongly implicates free-speech principles, where protection is great. Protection of “the First Amendment against state action includes both the right to speak freely and the right to refrain from speaking at all.”²⁶⁹ Although outside the scope of this Comment, there’s good reason to believe that the compelled-speech doctrine will apply to demand letters.²⁷⁰

Third, state and federal government’s legitimate interest. States and the federal government have an interest in protecting businesses, but the states and federal government can still use procedure in litigation to deter this behavior. Some scholars have suggested anti-SLAPP methods and fee shifting to deal with bad-faith lawsuits.²⁷¹ As seen in *Octane Fitness*, the competing

²⁶⁴ Samuel Issacharoff & Robert H. Klonoff, *The Public Value of Settlement*, 78 FORDHAM L. REV. 1177, 1201-02 (2009).

²⁶⁵ *Actavis*, 570 U.S. at 169 (Roberts, C.J., dissenting) (emphasis added).

²⁶⁶ See *id.* at 170 (arguing that opening settlements to antitrust liability provides no incentive to settle).

²⁶⁷ See VT. STAT. ANN. tit. 9, § 4199(b)(4) (West, Westlaw through 2019-2020 Reg. Sess.).

²⁶⁸ 572 U.S. 545, 555-57 (2014).

²⁶⁹ *Wooley v. Maynard*, 430 U.S. 705, 714 (1977); see also *Riley v. Nat’l Fed’n of the Blind of N.C., Inc.*, 487 U.S. 781, 796-97 (1988) (“There is certainly some difference between compelled speech and compelled silence, but in the context of protected speech, the difference is without constitutional significance, for the First Amendment guarantees ‘freedom of speech,’ a term necessarily comprising the decision of both what to say and what *not* to say.”).

²⁷⁰ See Adam Mossoff, *Demand Letters and Mandatory Disclosures: First Amendment Concerns*, ANTONIN SCALIA SCH. OF LAW (Apr. 29, 2014), <https://cpip.gmu.edu/2014/04/29/demand-letters-and-mandatory-disclosures-first-amendment-concerns/> [<https://perma.cc/8RAN-FPRB>] (discussing the implications of the compelled-speech doctrine for regulating demand letters).

²⁷¹ See generally Rebecca Schoff Curtin, *Slapping Patent Trolls: What Anti-Trolling Legislation Can Learn from the Anti-SLAPP Movement*, 18 STAN. TECH. L. REV. 39 (2014).

interests change once the parties are in litigation, letting the government regulate the activity more.²⁷²

Last, decisionmaking on false information. An individual's interest in deciding whether to get a license based on accurate information isn't greatly hindered by protecting demand letters. As Hovenkamp argues, making false material statements can lead to piercing *Noerr* immunity.²⁷³ Thus, states can regulate when the false information is material, so the worst offenses are punishable under the Petition Clause.²⁷⁴ To be sure, the current formulation of the sham exception creates a near absolute immunity for demand letters. But next, I describe a solution that will properly balance the competing interests within the two-part test from *PRE*. In sum, petitioning is best protected by strong, but not near absolute, protection of demand letters.

3. Reevaluating the *Noerr* Doctrine's Objective-Baselessness Prong

PRE created a rigid rule for the objective-baselessness requirement: "no reasonable litigant could realistically expect success on the merits."²⁷⁵ As Justice Stevens noted, this rule isn't workable for complex cases.²⁷⁶ Patent troll demand-letter practices are just this complex situation that the current rule doesn't work for. So I propose that the Court adopts Justice Stevens's flexible standard that considers more than the merits of the single claim before the Court. This will give states more room to regulate a legitimate state interest in protecting businesses from bad-faith assertions of patent infringement while still promoting the purpose of the Petition Clause.

Justice Stevens's sham test focuses on a "plaintiff [who] is indifferent to the outcome of the litigation itself, but has nevertheless sought to impose a collateral harm on the defendant by, for example, impairing his credit, abusing the discovery process, or interfering with his access to governmental agencies."²⁷⁷ Judge Posner, in *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*,²⁷⁸ captures the flexible standard for objective baselessness. Judge Posner suggests considering the probability of winning, the remedy, and the cost of litigation.²⁷⁹ He also gave examples of objectively unreasonable suits:

Suppose a monopolist brought a tort action against its single, tiny competitor; the action had a colorable basis in law; but in fact the monopolist would never

²⁷² 572 U.S. at 557-58.

²⁷³ AREEDA & HOVENKAMP, *supra* note 109, ¶ 205c2.

²⁷⁴ Of course, this depends on whether the statutes survive conflict preemption.

²⁷⁵ Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc. (*PRE*), 508 U.S. 49, 60 (1993).

²⁷⁶ *Id.* at 68 (Stevens, J., concurring in the judgment).

²⁷⁷ *Id.*

²⁷⁸ 694 F.2d 466 (7th Cir. 1982), *disapproved of by PRE*, 508 U.S. at 65-66.

²⁷⁹ *Id.* at 472.

have brought the suit—its chances of winning, or the damages it could hope to get if it did win, were too small compared to what it would have to spend on the litigation—except that it wanted to use pretrial discovery to discover its competitor’s trade secrets; or hoped that the competitor would be required to make public disclosure of its potential liability in the suit and that this disclosure would increase the interest rate that the competitor had to pay for bank financing; or just wanted to impose heavy legal costs on the competitor in the hope of deterring entry by other firms.²⁸⁰

Thus, immunity is pierced “when [the party’s] purpose is not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself—regardless of outcome—of litigating.”²⁸¹ Notably, the outcome can change because the parties are competitors: “[t]he irrationality of pursuing a given claim against a noncompetitor need not transform the same claim against a competitor into a sham, even under the position of the concurring opinion.”²⁸² Although this analysis—finding the true purpose of the litigation—is difficult, courts already have to do this in other areas of law.²⁸³ This flexible approach will let states enact statutes directed at bottom-feeder and patent-aggregator trolls while preserving access to the legal decisionmaking process.

V. STYLIZED EXAMPLE: VERMONT’S PATENT-ENFORCEMENT STATUTE

For states to combat bad practices of patent trolls, their well-intentioned anti-patent statutes must survive conflict preemption, field preemption, and petition immunity. The three analyses are separate, as the focus of conflict and field preemption is the federal patent laws while petition immunity’s source is the First Amendment incorporated by the Fourteenth Amendment.

This Part has three sections. Section A recounts the story of MPHJ Technology Investments, an infamous bottom-feeder patent troll.²⁸⁴ Section B uses Fromer’s proper understanding of the Supreme Court’s conflict-preemption doctrine to see whether, both facially and as-applied to MPHJ, the Vermont anti-patent statute survives conflict preemption. That section also determines whether the statute survives field preemption. Finally, Section C applies my suggested petition-immunity test to MPHJ’s conduct to see whether the Petition Clause immunizes MPHJ.

²⁸⁰ *Id.*

²⁸¹ *Id.*

²⁸² AREEDA & HOVENKAMP, *supra* note 109, ¶ 205b.

²⁸³ *Grip-Pak*, 694 F.2d at 472.

²⁸⁴ See *Vermont v. MPHJ Tech. Invs., LLC*, 763 F.3d 1350, 1352 (Fed. Cir. 2014); *State v. MPHJ Tech. Invs., LLC*, No. 282-5-13, 2014 WL 5795264, at *2 (Vt. Super. Ct. Aug. 28, 2014).

Recall that Vermont uses a nonexhaustive multifactor balancing test to determine whether there's a bad-faith assertion of patent infringement.²⁸⁵ The statute provides several factors to consider as evidence of bad-faith assertions of patent infringement:

- The demand letter lacks the patent number, the patentholder's name and address, and "factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent."²⁸⁶
- Before sending the demand letter, the patentholder "fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent."²⁸⁷
- The demand letter lacks the above information, the receiver of the letter requests the missing information, and "the person fails to provide the information within a reasonable period of time."²⁸⁸
- "The demand letter demands payment of a license fee or response within an unreasonably short period of time."²⁸⁹
- The patentholder "offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license."²⁹⁰
- "The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless."²⁹¹
- "The claim or assertion of patent infringement is deceptive."²⁹²
- The patentholder or "its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement" and they lacked information above or in court were found to be meritless.²⁹³

The statute also provides factors in considering whether a person hasn't made a bad-faith assertion of patent infringement, although most are just the alternatives of the bad-faith factors.²⁹⁴ In short, Vermont instructs courts to

²⁸⁵ VT. STAT. ANN. tit. 9, § 4197 (West, Westlaw through 2019-2020 Reg. Sess.).

²⁸⁶ *Id.* § 4197(b)(1).

²⁸⁷ *Id.* § 4197(b)(2).

²⁸⁸ *Id.* § 4197(b)(3).

²⁸⁹ *Id.* § 4197(b)(4).

²⁹⁰ *Id.* § 4197(b)(5).

²⁹¹ *Id.* § 4197(b)(6).

²⁹² *Id.* § 4197(b)(7).

²⁹³ *Id.* § 4197(b)(8).

²⁹⁴ *Id.* § 4197(c).

consider objective and subjective factors, but it doesn't require both for bad faith. The Vermont Attorney General or a target of a demand letter can enforce the statute.²⁹⁵ The potential private remedies consist of equitable relief, damages, costs and fees, and treble damages or \$50,000, whichever is greater.²⁹⁶

A. *Bottom-Feeder Patent Troll: MPHJ Technology Investments*

In September 2012, MPHJ bought from another NPE four U.S. patents and one pending U.S. patent application, which later issued in 2013.²⁹⁷ Soon after, MPHJ, through 81 of its subsidiaries, sent thousands of demand letters to thousands of small businesses throughout the United States.²⁹⁸ MPHJ targeted small businesses.²⁹⁹ In less than a year, MPHJ sent 16,465 letters.³⁰⁰ MPHJ did this in three stages.³⁰¹

The first demand letter alleged that the small business could be “using the patented technology” and expressed that the letter was meant to “initiate discussions regarding [the small business’s] need for a license.”³⁰² Next, the letter listed the four patents and the patent application.³⁰³ The letter then shallowly analyzed the patents’ claims, asserting that the claims had a broad scope.³⁰⁴ MPHJ also gave a nonexhaustive list of examples of alleged infringing systems, and MPHJ asserted patent infringement because the small business “almost certainly uses in its day-to-day operations digital copier/scanner/multifunction equipment which is interfaced to a separate central office computer (an office network), so that digital images may be scanned and transmitted to one or more destinations such as email accounts and other applications.”³⁰⁵ If this was the case, then the target “should enter into a license agreement with [MPHJ].”³⁰⁶ The letter also suggested a “fair price” of \$1200 per employee.³⁰⁷ MPHJ gave the targets two weeks to respond.³⁰⁸

²⁹⁵ *Id.* § 4199.

²⁹⁶ *Id.* § 4199(b).

²⁹⁷ Complaint ¶ 6, MPHJ Tech. Invs., LLC, No. 142 3003 (F.T.C. Mar. 13, 2015), <https://www.ftc.gov/system/files/documents/cases/150317mphjtechcmpt.pdf> [<https://perma.cc/LCF5-ZFQ4>].

²⁹⁸ *Id.* ¶¶ 7, 14.

²⁹⁹ *Id.* ¶ 13.

³⁰⁰ *Id.* ¶ 17.

³⁰¹ *Id.* ¶ 12.

³⁰² Exhibit A at 1, MPHJ Tech. Invs., LLC, No. 142 3003 (F.T.C. Mar. 13, 2015), <https://www.ftc.gov/system/files/documents/cases/150317mphjtechexhibitsa-c.pdf> [<https://perma.cc/WKE5-RHUA>].

³⁰³ *Id.*

³⁰⁴ *See id.* at 2.

³⁰⁵ *Id.* at 3-4.

³⁰⁶ *Id.* at 4.

³⁰⁷ *Id.* at 4. Some letters suggested a price of \$1000 per employee. Complaint, *supra* note 297, ¶ 30.

³⁰⁸ Exhibit A, *supra* note 302, at 5.

In the second stage, MPHJ sent demand letters referencing the first letter to over 10,000 small businesses.³⁰⁹ Each letter, sent on law-firm letterhead, said that MPHJ “reasonably assumes you have an infringing system and need a license” because there wasn’t a response to the first letter.³¹⁰ The letter also stated that although there can be litigation, MPHJ’s preference was to “make all reasonable efforts to reach agreement on a license.”³¹¹ Again, the small business was given two weeks to respond.³¹²

In the last stage, the third letter referenced the first two letters and stated that if the small business didn’t respond in two weeks, then it would be sued for patent infringement.³¹³ The letter included a complaint.³¹⁴ MPHJ sent the letter to over 4,800 small businesses.³¹⁵ At that point, according to the FTC, MPHJ was “not prepared to initiate legal actions for infringement . . . against the small businesses that did not respond . . . and did not intend to promptly initiate such litigation.”³¹⁶ Eventually, MPHJ filed some lawsuits but against large corporations, not the small businesses they targeted with the letters.³¹⁷

B. Implied Preemption

1. Conflict Preemption

According to Fromer, federal patent law preempts the Vermont anti-patent statute “on satisfaction of two conditions”: (1) the statute “lie[s] within the preemptive scope of the IP Clause,” and (2) the statute “upset[s] the IP Clause’s balance, as effectuated by a federal law.”³¹⁸

First, to determine whether the Vermont statute is within the IP Clause’s preemptive scope, the structural purpose of Vermont’s statute must be determined. This must be done by looking “both at its facial purpose and

³⁰⁹ Complaint, *supra* note 297, ¶¶ 19, 21.

³¹⁰ *Id.* ¶ 19.

³¹¹ Exhibit B, MPHJ Tech. Invs., LLC, No. 142 3003 (F.T.C. Mar. 13, 2015), <https://www.ftc.gov/system/files/documents/cases/150317mphjtechexhibitsa-c.pdf> [<https://perma.cc/WKE5-RHUA>].

³¹² *Id.*

³¹³ Exhibit C, MPHJ Tech. Invs., LLC, No. 142 3003 (F.T.C. Mar. 13, 2015), <https://www.ftc.gov/system/files/documents/cases/150317mphjtechexhibitsa-c.pdf> [<https://perma.cc/WKE5-RHUA>].

³¹⁴ *Id.*

³¹⁵ Complaint, *supra* note 297, ¶ 26.

³¹⁶ *Id.* ¶ 38.

³¹⁷ Gugliuzza, *supra* note 6, at 1582 n.17. Although MPHJ’s behavior was egregious, only 17 businesses bought licenses. Exhibit F ¶ 28, MPHJ Tech. Invs., LLC v. F.T.C., No. 14-cv-11 (W.D. Tex. Jan. 13, 2014), http://cdn.arstechnica.net/wp-content/uploads/2014/01/FTC-MPHJ.draf_complaint.pdf [<https://perma.cc/89L8-UA5R>].

³¹⁸ Fromer, *supra* note 50, at 266.

its purpose as applied in the particular enforcement scenario.”³¹⁹ According to the legislative findings and statement of purpose of Vermont’s anti-patent statute, the statute’s purpose is “to build an entrepreneurial and knowledge-based economy,” and attract small- and medium-size companies.³²⁰ Vermont seeks to help businesses reduce the costs of resolving litigation, so that the funds are available to “invest, produce new products, expand, or hire new workers.”³²¹

Facially, this is within the IP Clause’s preemptive scope. Like the IP Clause, Vermont wants to encourage the advancement of knowledge and technology except with a different means—reducing the funds lost from litigation, so that companies can spend it on innovation, among other things. Even as applied to a claim from the Attorney General or a private party, the statute is within the IP Clause’s preemptive scope.³²² For a claim by the Attorney General, the statute would have deterred MPHJ from continuing to send demand letters in bad faith, preventing small- and medium-sized businesses from losing money that would be spent on research and development. And for a target claim, damages return R&D money to the targeted business and serves the same function as a public suit by the Attorney General. Thus, the Vermont anti-patent statute scheme satisfies the first condition for conflict preemption both facially and as applied to MPHJ.

Second, Congress’s effectuated balance must be determined. The “dominant premise underlying American patent and copyright laws is that the incentive of exclusive rights is granted to creators for a limited time to encourage their productions, which are valuable to society.”³²³ The IP Clause “reflects a balance between granting creators rights to create (and disseminate) works that are valuable to the public to consume and build on, but restricting them so that the public is not hurt.”³²⁴ Because congressional intent is important here,³²⁵ the statute giving a patentholder the right to provide notice, the affirmative defenses, *Walker Process* fraud, and the four factors from *Bonito Boats* are helpful for this analysis.

35 U.S.C. § 287(a) gives patentholders the right to “give notice to the public that [their invention] is patented.”³²⁶ This can be done by marking

³¹⁹ *Id.* at 280-81.

³²⁰ VT. STAT. ANN. tit. 9, § 4195(a)(1) (West, Westlaw through 2019-2020 Reg. Sess.).

³²¹ *Id.* § 4195(a)(4)–(7).

³²² *See id.* § 4199(a)–(b) (authorizing either the Vermont Attorney General or the target of a letter to sue).

³²³ Fromer, *supra* note 50, at 268.

³²⁴ *Id.*

³²⁵ *Id.* at 284; *see* APPELLATE JUDGES CONFERENCE, AM. BAR ASS’N, THE LAW OF PREEMPTION 14-15 (1991) (discussing the importance of congressional intent in preemption analysis).

³²⁶ 35 U.S.C. § 287(a) (2018).

an article, by filing for infringement, or by other means like demand letters.³²⁷ Federal patent law also provides several affirmative defenses based on improper conduct by a patent owner: misuse, inequitable conduct, and estoppel.³²⁸ Each affirmative defense has a high standard; several require but-for materiality and specific intent. And unlike the Vermont statute, which provides equitable relief and damages, federal patent law only provides invalidity or unenforceability as a remedy. Congress's effectuated balance, at least with enforcement, could be viewed as showing a policy that patentholder shouldn't be punished for good-faith enforcement because the federal patent laws only punish patentholders for extremely bad-faith behavior. Federal patent law also appears to view the heavy punishment under the affirmative defenses, along with *Walker Process* fraud, as enough deterrence of bad behavior. A malleable bad-faith standard in the Vermont statute wouldn't conflict with the federal patent laws' objective to protect good-faith assertions of patent infringement.

But Vermont's anti-patent statute does potentially conflict with three of the four factors from *Bonito Boats*: to provide an incentive to inventors, to induce disclosure of inventions, and to unify patent law.³²⁹

Incentive to Invent. The Vermont statute doesn't provide patent-like protection, but it still can incentivize inventors. By protecting potential inventors from unnecessary expenses, the inventors can spend it on R&D, potentially creating patentable inventions. Yet the Vermont statute perhaps hampers the federal patent laws' incentive to invent. Although the financial burdens in satisfying the Vermont statute don't seem large, the statute gives an unpredictable multifactor balancing test that can severely reduce enforcement rights. As of now, it's unclear which factors are necessary or most important.³³⁰ Some factors of the Vermont statute may be expensive, like a patentholder having to seek legal advice for a claim comparison. With the uncertainty of the law, risk-averse parties might choose not to enforce their patents. On the other hand, most patentholders are sophisticated corporations capable of navigating this landscape; small- and medium-sized businesses might be the only ones greatly affected. Overall, Vermont's anti-patent statute could be an obstacle to patent law's incentives, but it likely only complements the incentive to invent.

Incentive to Disclose. If patent rights are weakened, inventors will be encouraged to seek protection through trade secret law. Pushing inventors to

³²⁷ *Id.*

³²⁸ *See, e.g., id.* § 282(b). Before 2017, laches was a possible defense for improper conduct, but the Supreme Court held that laches couldn't bar claims for damages in 35 U.S.C. § 286. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 959 (2017).

³²⁹ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146-57 (1989).

³³⁰ Note that Vermont's statutory scheme shifts the burden from alleged infringers to patentholders.

trade secret law stymies the incentive to disclose. Although in *Kewanee* the Supreme Court didn't think that inventors would choose trade secret law over patent law, empirics rebut this.³³¹ But, as noted above, sophisticated corporations, capable of navigating vague legal landscapes, are unlikely to be hindered by the anti-patent statute. It is therefore unlikely for the Vermont statute to discourage disclosure of inventions, at least not more than what the Supreme Court has already allowed with trade secrets.

National Uniformity. Letting states regulate patent enforcement will most likely obstruct patent law's national uniformity in patent enforcement. Because each state could have different requirements, the transaction costs to learn each state's requirements could be high. Many states, however, have modeled their statute on Vermont's, reducing the potential transaction costs.³³² And again the increased transactions costs might only heavily affect small- and medium-sized businesses because sophisticated corporations can navigate diversity in the law and absorb the cost. So because the statute arguably complements the incentive to invent, wouldn't burden disclosure more than trade secret law, and the current landscape of states wouldn't fracture enforcement policies, the statute facially survives conflict preemption using Fromer's framework.

The same is true as applied to MPHJ. As applied to MPHJ, only the analysis of the incentive to invent and incentive to disclose changes. Here, the burdens on the patent system are even more tangential and hypothetical. MPHJ is an NPE, so it doesn't invent itself. Of course, MPHJ and other NPEs theoretically contribute to inventing by buying the patents and thus financing the original inventors. But this (theoretical) contribution is far outweighed by the detriment NPEs cause to the incentive to invent.

Plus, NPEs are unlikely to resort to trade secret law because it isn't in their business model. Because NPEs don't commercialize their inventions, they don't have the trade-secret-worthy know-how for licensing. So it's unlikely that, as applied to MPHJ, the Vermont statute disturbs Congress's effectuated balance. Thus, the Vermont statute will survive conflict preemption.³³³ But it must also survive a field-preemption and petitioning-immunity analysis.

³³¹ Fromer, *supra* note 50, at 284; *see, e.g.*, Jeanne C. Fromer, *Trade Secrecy in Willy Wonka's Chocolate Factory*, in *THE LAW AND THEORY OF TRADE SECRECY: A HANDBOOK OF CONTEMPORARY RESEARCH* 3, 16 (Rochelle C. Dreyfuss & Katherine J. Strandburg eds., 2011) ("Counter to the Court's assumption, many of the innovations of the fictional Willy Wonka and the factual Mars and Hershey appear to be patentable, yet their creators opt for secrecy on the basis that its protection will outlast the term of patent protection.").

³³² Gugliuzza, *supra* note 6, at 1582.

³³³ The analysis is plainer if the court uses the presumption against preemption because federal law doesn't prohibit or require what these laws forbid. So too under the text-centered implied-preemption approach, as there's no specific enforcement statute to point to.

2. Field Preemption

Vermont's statute is unlikely to be preempted under field preemption. Federal law invalidates state law when there's a "scheme of federal regulation so pervasive as to make reasonable the inference that Congress left no room to supplement it."³³⁴ A scheme can be so pervasive for two reasons: (1) because "the federal interest is so dominant" that it presumptively precludes any role for state law enforcement or (2) because "the object sought to be obtained by the federal law and the character of obligations imposed by it may reveal the same purpose."³³⁵

Unlike the BPCIA for biosimilar patents in *Amgen*, the Patent Act has no comprehensive scheme for enforcement. Only one statute mentions notice and enforcement, and there are only a few affirmative defenses. Because of this, Congress has thus far unsuccessfully tried to pass legislation to elaborate on the field, and agencies like the FTC have started to regulate enforcement.³³⁶ Thus, Vermont's anti-patent statutes shouldn't be invalidated through field preemption.

C. *The Rehashed Petition-Immunity Test*

My proposed two-part test for piercing petition immunity is: (1) the litigant's actions were objectively unreasonable and (2) the litigant is "indifferent to the outcome of [potential litigation or] litigation itself, but has nevertheless sought to impose a collateral harm on the defendant."³³⁷ To determine the objective reasonableness, Judge Posner suggests considering the probability of winning, the remedy, and the cost of litigation.³³⁸ Notably, the outcome can change based on whether the parties are competitors.³³⁹

First, MPHJ's actions are objectively unreasonable. Here the court should look to the strength of the case, the possible remedy, and cost of litigation. MPHJ's suggestion that its claims covered general products isn't very strong. And because MPHJ was targeting small- and medium-size businesses without large profit margins and these businesses aren't competitors, the remedy from the lawsuit doesn't seem objectively

³³⁴ *Pac. Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm'n*, 461 U.S. 190, 204 (1983).

³³⁵ *Id.* (cleaned up).

³³⁶ Gugliuzza, *supra* note 6, at 1636-38.

³³⁷ *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc. (PRE)*, 508 U.S. 49, 68 (1993) (Stevens, J., concurring in the judgment).

³³⁸ *Grip-Pak, Inc. v. Ill. Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982), *disapproved of by PRE*, 508 U.S. at 65-66.

³³⁹ AREEDA & HOVENKAMP, *supra* note 109, ¶ 205b.

worthwhile.³⁴⁰ Every patent-infringement lawsuit is also extremely expensive with attorney's fees only granted in exceptional circumstances.³⁴¹ Taken together, suing these targets is unreasonable.³⁴² Thus, the first element is satisfied, and the court should go into the subjective motivation of MPHJ.

Second, MPHJ's actions show a subjective motivation to abuse the judicial system. MPHJ repetitively sent demand letters that contained several false or deceptive facts, asked for an unreasonable decision time, wasn't prepared to bring any lawsuit, and didn't plan on suing. There's only one reasonable inference: MPHJ wanted to use the threat of the financial burdens of the judicial system to force quick settlements. Petition immunity is therefore pierced. Still, a private party or Vermont's Attorney General must prove the requirements of their statute. Because the Vermont statute is a multifactor balancing test that's likely a lower standard than the suggested test, MPHJ would be liable under the statute.

CONCLUSION

This Comment relies on Supreme Court implied-preemption doctrine and the First Amendment's Petition Clause doctrine to show the proper framework for analyzing the validity of state anti-patent laws. This Comment also shows whether Vermont's anti-patent laws will survive a proper conflict-preemption analysis, both facially and as applied to an infamous patent troll. And this Comment shows whether Vermont's anti-patent laws as applied to an infamous patent troll could satisfy a proper petition-immunity analysis. This framework suggests that many anti-patent laws will survive conflict preemption, but that some applications of the statute might not satisfy the floor of the Constitution.

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³⁴⁰ One could argue that, because patent law grants a right to exclude, if MPHJ sought an injunction, then the demand letter wouldn't be objectively unreasonable. This doesn't change the objective reasonableness of the actions; this should be considered in the subjective component of the test. The purpose is to lower the objective bar, so that the court can handle complex cases. Thus, if MPHJ was genuinely enforcing the patent laws' right to exclude, then MPHJ would survive the subjective component of the test.

³⁴¹ Lemley & Melamed, *supra* note 14, at 2126.

³⁴² Perhaps this explains why MPHJ never sued any small businesses and only sued large companies.