
THE REEMERGENCE OF STATE ANTI-PATENT LAW

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The majority of states have now passed laws prohibiting bad faith assertions of patent infringement. These laws are heralded as a new tool to protect small businesses and consumers from harassment by so-called patent trolls. But state anti-patent laws—laws that weaken patents or make them substantially more difficult to sell or enforce—are not a new phenomenon. In the late nineteenth century, states passed a variety of regulations to prevent fraud by patentees who aggressively marketed fake or low-value patents. However, courts initially found the laws were unconstitutional under the Intellectual Property Clause, which gives Congress power to “secur[e]” inventors’ “exclusive right[s]” and prevents states from placing an “oppressive or unreasonable” burden on those rights. The Federal Circuit has completely ignored the Intellectual Property Clause’s preemptive effect on state anti-patent laws, instead relying on conflict preemption under the Patent Act and an expansive reading of the First Amendment’s Petition Clause. This article argues that the Federal Circuit should abandon its current hybrid approach and return to the historic rule, which recognizes that the true limit on states’ power to regulate patents is the Intellectual Property Clause itself.

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INTRODUCTION

Starting with Vermont in May 2013, most states have passed new laws prohibiting “bad faith assertions of patent infringement.”¹ Generally speaking, the laws create a private cause of action under which targets of patent infringement assertions can sue patentees in state court for damages and an injunction, and give the state’s attorney general authority to enforce the law on behalf of the public.² The laws’ purpose is to deter so-called patent trolls—i.e., non-practicing patent owners who aggressively enforce their patents by seeking excessive royalties or by making empty threats designed to force settlements from small businesses or other end users who lack the resources to defend themselves.³ Recognizing trolls as the

1. See Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1582 (2015); see also Camilla A. Hrды, *What is Happening in Vermont? Patent Law Reform from the Bottom Up*, PATENTLY-O (Mar. 27, 2013), <https://patentlyo.com/patent/2013/05/what-is-happening-in-vermont-patent-law-reform-from-the-bottom-up.html> [<https://perma.cc/2FTP-CBDK>] (discussing VT. STAT. ANN., tit. 9, § 4197).

2. See VT. STAT. ANN. tit. 9, § 4197 (2016). Many states have copied Vermont’s model. See also Gugliuzza, *supra* note 1, at 1590–94; Andrew Baluch & Jason Mock, *Survey of State Laws Against Bad-Faith Patent Assertion*, BLOOMBERG BNA (Aug. 27, 2014), <https://www.bna.com/survey-state-laws-n17179894188/> [<https://perma.cc/C8FF-TS43>]. For more updates on state anti-troll bills, see *Patent Progress’s Guide to State Patent Legislation*, PATENT PROGRESS, <http://www.patentprogress.org/patent-progress-legislation-guides/patent-progress-guide-state-patent-legislation/> (last updated Feb. 7, 2017) [<https://perma.cc/JVN9-EGX5>].

3. There is a vibrant debate over the merits of patent trolls. Some argue trolls target vulnerable companies or otherwise behave “opportunistically”, and that this is bad for innovation. See, e.g., LAUREN COHEN ET AL., PATENT TROLLS: EVIDENCE FROM TARGETED FIRMS 3 (2014). Others argue that non-practicing entities play a valuable role as intermediary between invention and commercialization, and that patent assertions are no more opportunistic than in other areas of law. TED SICHELMAN, ARE PATENT TROLLS ‘OPPORTUNISTIC?’ (2015). See also Mark A. Lemley & A. Douglas Melamed, *Missing the Forest For the Trolls*, 113 COLUM. L. REV. 2117, 2120–21 (2014) (arguing “patent assertions by practicing entities can create just as many problems as assertions by patent trolls” and that “while trolls exploit problems with the patent system, they are not the only ones that do so”). On suits against end users of patented technology, see Gaia Bernstein, *The Rise of the End User in Patent Litigation*, 55 B.C. L. REV. 1443 (2014).

target, several media commentators have dubbed the laws “anti-patent-troll laws.”⁴ The anti-patent-troll laws are not lying fallow. In Vermont, for example, the State Attorney General quickly put the state law to work, suing a patentee that was allegedly sending harassing demand letters to businesses in Vermont and across the country.⁵ In other states, accused infringers have already begun to bring private actions.⁶ As one media commentator puts it, targets of patent trolling seek to use the laws to “turn the tables” on patentees by filing counterclaims under state law with the hope that plaintiffs will dismiss the infringement suits to avoid potential

4. See Update: Patent Demand Letter Practices and Solutions: Hearing Before the H.R. Subcomm. on Commerce, Mfg., and Trade, 114th Cong. (2015) (statement of Paul Gugliuzza, Associate Professor of Boston University School of Law); see also, e.g., Joe Mullin, *Ten States Pass Anti-Patent-Troll Laws*, ARS TECHNICA (May 15, 2014, 2:47 PM), <http://arstechnica.com/tech-policy/2014/05/fight-against-patent-trolls-flags-in-the-senate-but-states-push-ahead> [<https://perma.cc/CT9S-8PK9>]. For a discussion of the media’s role in framing the debate on patent trolls, see Ryan T. Holte, *Patent Trolls or Great Inventors: Case Studies of Patent Assertion Entities*, 59 ST. LOUIS U. L. J. 1, 5–17 (2014).

5. Notably, the State initially filed the original complaint in Vermont Superior Court on May 8, 2013 relying on general Vermont consumer protection law, itself another form of state anti-patent law. *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 638 (Fed. Cir. 2015). The Vermont Superior Court will soon decide whether the law is being applied unconstitutionally. *State v. MPHJ Tech. Invs., LLC*, No. 282-5-23, 2014 WL 5795264, at *3 (Vt. Super. Ct., Aug. 28, 2014) (denying MPHJ’s motion to dismiss for lack of jurisdiction and finding that mailings that allegedly violated consumer protection laws created sufficient grounds for specific jurisdiction); see also *Vermont v. MPHJ Tech. Invs., LLC*, 763 F.3d 1350 (Fed. Cir. 2014) (staying MPHJ’s declaratory judgment action seeking a ruling that the law is unconstitutional pending a decision in state court). The U.S. District Court of Vermont and the Federal Circuit have, so far, found that they lack jurisdiction over the case. *Vermont v. MPHJ Tech. Invs., LLC*, No. 2:13-CV-170, 2014 WL 1494009, at *10 (D. Vt. Apr. 15, 2014) (granting the State’s motion to remand the case to state court for lack of jurisdiction), *appeal dismissed*, 763 F.3d 1350, 1353–54 (Fed. Cir. 2014) (holding the court did not have jurisdiction to review remand order by virtue of 28 U.S.C. § 1447(d)); *Vermont v. MPHJ Tech. Invs.*, 803 F.3d at 635 (finding no basis for removal to federal court under 28 U.S.C. § 1442(a)(2)).

6. For instance, in Florida, IP owners expressed concerns that the state’s anti-patent law was being over-used, leading to a bill to revise it. To give one example, in October 2016, “Demandware Inc. settled the first lawsuit brought under the [Florida] Patent Troll Prevention Act. The software company had been hit with patent infringement claims by ArrivalStar SA and retaliated with counterclaims under the anti-patent troll law.” Carolina Bolado, *Fla. Anti-Patent Troll Law Scaled Back To Protect IP Rights*, LAW360 (Mar. 15, 2016, 4:39 PM), <https://www.law360.com/articles/769965/fla-anti-patent-troll-law-scaled-back-to-protect-ip-rights> [<https://perma.cc/M7AT-6ZZA>].

liability.⁷

Commentators have represented these laws as the first of their kind and suggested they represent the possibility of more state regulation of patent assertions than we have had in the past.⁸ However, the recent state anti-patent-troll laws are just a species of a larger genre that this article terms “state anti-patent law,” which is defined here as state or local laws that weaken patent rights or make them substantially more difficult to sell, license, or enforce.⁹ State anti-patent law is distinct from state patents¹⁰ or from state laws that resemble patents, such as trade secrets.¹¹ What’s more, state anti-patent law is not a new phenomenon. During what Professor Christopher Beauchamp calls “the first patent litigation explosion” of the

7. Ryan Davis, *Patent Troll Targets Getting Boost From State Laws*, LAW360 (Nov. 24, 2015, 8:13 PM), <https://www.law360.com/articles/731287/patent-troll-targets-getting-boost-from-state-laws> [<https://perma.cc/AE6F-KGSM>]. For example, when North Carolina company Sumitomo Electric Lightware Corp. was accused of patent infringement, Sumitomo asserted a counterclaim under the North Carolina Abusive Patent Assertions Act. The patentee agreed to dismiss the suit without any payment. *See id.*

8. *See, e.g.*, Eric Goldman, *Vermont Enacts the Nation’s First Anti-Patent-Trolling Law*, FORBES (May 22, 2013, 2:22 PM), <https://www.forbes.com/sites/ericgoldman/2013/05/22/vermont-enacts-the-nations-first-anti-patent-trolling-law/#72f86c1251f8> [<https://perma.cc/4S9V-92JS>].

9. I am not the first to use the term “state anti-patent law.” *See, e.g.*, Roger Ford, *The Uneasy Case for Patent Federalism*, 2017 WIS. L. REV. 551, 551 (2017) (arguing that “[s]tates pushing back with anti-patent laws, then, may represent an effective second-best solution to the problem of harmful patent assertions”). However, my definition of state anti-patent law is different from, and more precise than, others’ definitions. Importantly, I conceptualize state anti-patent law as a different field of law from state “patent-like” incentives, such as state patents, state trade secrets, or other kinds of state incentives for innovation that *resemble* patents or other intellectual property rights. One important implication of this distinction is that the Supreme Court’s admonitions in *Goldstein* and *Kewanee*, stating that the Intellectual Property Clause itself does not preempt states from creating “patent-like” incentives such as trade secrets, does not apply to preemption of state anti-patent laws. *See Goldstein v. California*, 412 U.S. 546, 552–61 (1973); *Kewanee v. Bicon Corp.*, 416 U.S. 470, 489–90 (1974). For a discussion of the Federal Circuit’s erroneous implication that the two areas of law are the same, see *infra* Section III.A.

10. Prior to ratification of the U.S. Constitution, federalization of the patent system under the Intellectual Property Clause (Article I, Section 8, Clause 8), and the Patent Act of 1790, states were exclusively responsible for granting patents in America. Camilla A. Hrdy, *State Patent Laws in the Age of Laissez Faire*, 28 BERKELEY TECH. L.J. 45 (2013) [hereinafter Hrdy, *State Patent Laws*]. *See also* discussion *infra* Part I.

11. On the distinction between state patent-like laws and state anti-patent laws, see *infra* Section III.A.3.

nineteenth century,¹² state legislatures passed a variety of laws “to regulate the sale of patent rights and to prevent frauds in connection therewith”¹³ in response to complaints from poor farmers and housewives aggrieved by “the outrages of the patent right system.”¹⁴ The history of state anti-patent laws and the rules courts applied when assessing challenges to their legality have been little discussed.¹⁵ This article provides a detailed history of state anti-patent laws in the United States and the rules courts have applied to determine whether they were preempted or otherwise prohibited by the Constitution.¹⁶ This history reveals something that is likely to surprise

12. Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L. J. 848 (2016).

13. See, e.g., *Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870) (striking down Indiana law of April, 1869 “[St. Ind. (Davis’ Supp.) p. 364], entitled ‘An act to regulate the sale of patent rights and to prevent frauds in connection therewith’”); see also laws and cases discussed *infra* Part II.

14. Earl W. Hayter, *The Patent System and Agrarian Discontent, 1875–1888*, 34 MISS. VALLEY HIST. REV. 59, 59 (1947).

15. The last extensive discussion of state anti-patent law, as opposed to state patents or patent-like rights, appears in Hugo E. Weisberger, *State Control Over Patent Rights and Patented Articles*, 20 J. PAT. OFF. SOC’Y 183 (1938). A few recent legal historians have noted states’ historic attempt to regulate patents, but only discuss them in passing. For instance, Beauchamp notes that “[i]n response [to complaints about ‘patent swindlers’], states passed, and courts regularly upheld, statutes that regulated the format of promissory notes given for patent rights” Beauchamp, *supra* note 12, at 931. He cites *Brechbill v. Randall*, 1 N.E. 362 (Ind. 1885), which is one of the many cases discussed in Part II and summarized in the Appendix. Another example is Steven Wilf, who mentions several of these cases in a footnote. See Steven Wilf, *(Re)Contextualizing Intellectual Property: Copyright, Patent, and Social Conflict in Nineteenth Century America*, 43 n. 152 (Working Paper 2016) (on file with author) (noting several state regulations and citing some of the cases addressed in this article). In their extensive work on patent agents and other intermediaries in the nineteenth century, economic historians Naomi R. Lamoreaux, Kenneth L. Sokoloff, and Dhanoos Sutthiphisal note that “[s]everal states enacted legislation to prevent agents from selling patents that were invalid or for which they had no power of attorney.” Naomi R. Lamoreaux et al., *Patent Alchemy: The Market for Technology in U.S. History*, 87 BUS. HIST. REV. 3, 10 (2013). They cite only one case, *Ex parte Robinson*, 20 F. Cas. at 961, which overruled Indiana’s law, and then state (misleadingly) that “[*Ex parte Robinson*,] was never appealed to the Supreme Court”; that other states repealed their own statutes in light of the decision; and that thereafter any remaining laws “do not seem to have been seriously enforced.” *Id.* at 10–11. This is not accurate, as I show in Part II. One other example is Herbert Hovenkamp, who briefly discusses the phenomenon of state regulation of patents in his 2016 article on nineteenth century American “classical” patent law, after having corresponded with me on this issue. Herbert Hovenkamp, *The Emergence of Classical American Patent Law*, 58 ARIZ. L. REV. 263, 297–300 (2016) [hereinafter Hovenkamp, *Emergence of Classical American Patent Law*].

16. See *infra* Part II and Part III.

modern readers: states' early attempts to regulate federal patent law nearly failed. They stumbled not necessarily as a matter of policy, but as a matter of law. In the 1860s, courts *uniformly* found state anti-patent laws were per se unconstitutional due to Congress's authority to "secur[e]" inventors' exclusive rights in their discoveries under the Intellectual Property Clause.¹⁷ After a circuit split emerged among the lower courts, the Supreme Court saved state power in this field—or at least a slice of it—by holding in *Allen v. Riley* in 1906 that, under the Intellectual Property Clause, states could enact *some* laws in order to "safeguar[d] the interests of those dealing with the assumed owner of a patent, or his assignee."¹⁸ But the Court made clear that states could never impose an "oppressive or unreasonable" burden on patentees that would "result in a prohibition of the sale of [patent rights] within [the state's] borders, and in this way nullify the laws of Congress . . . and destroy the power conferred upon Congress by [the Intellectual Property Clause of] the Constitution."¹⁹ In other words, according to the latest Supreme Court case on this precise question—which has never been overruled²⁰—the Intellectual Property Clause itself provides a preemptive barrier against state anti-patent laws.

This revelation is particularly important in light of the fact that, since the 1980s, the Federal Circuit has used an entirely different rule for assessing the constitutionality of state anti-patent laws.²¹ Rather than relying on *Allen's* interpretation of the Intellectual Property Clause, the Federal Circuit uses two doctrines: (1) statutory conflict preemption analysis derived from Supreme Court case law addressing preemption of state trade secrets and other patent-like rights,²² and (2) First

17. See discussion *infra* Part II.

18. *Allen v. Riley*, 203 U.S. 347, 356 (1906).

19. *Id.* at 355 (internal quotation omitted) (upholding Kansas law requiring filing copies of the patent and the making of affidavits swearing their genuineness in the counties of the state in which the patentee seeks to deal with them because the law's requirements are "not so great, in our judgment, as to be regarded as oppressive or unreasonable"); see also detailed discussion of *Allen* *infra* Section II.E.

20. One could argue that *Allen* was overruled by conflict preemption decisions in cases like *Kewanee* and *Bonito Boats*. But I argue that state anti-patent laws and state patent-like rights are distinct fields of law that need to be assessed under different preemption rules. See discussion *infra* Section III.A.1.

21. See *infra* Section III.A.

22. See *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470 (Fed. Cir. 1998) (citing,

Amendment “Petitioning Immunity” analysis derived from antitrust law.²³ The Federal Circuit’s departure from historic norms has been almost entirely neglected in the scholarly debates over the legality of the new bad faith assertion laws.²⁴

This article concludes that the Federal Circuit’s approach is erroneous as a matter of precedent, doctrine, and policy.²⁵ The court should replace its current hybrid of conflict preemption and Petitioning Immunity with the historic analysis based upon (what Professor Jeanne Fromer has called) “the Intellectual Property Clause’s preemptive effect.”²⁶ Under the Intellectual Property Clause analysis, a state anti-patent law survives preemption if it imposes only a “reasonable”

e.g., *Kewanee Oil Corp. v. Bicron Corp.*, 416 U.S. 470 (1974)).

23. *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004) (citing *Profl Real Estate Inv’rs, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993)). As explained in Part III, the Federal Circuit currently relies on two sources of law for addressing preemption of state laws that attack the validity or enforceability of patent rights: implied conflict preemption, which preempts state laws when they are deemed to conflict with the goals and objectives of the Patent Act; and Petitioning Immunity under the First Amendment, derived from antitrust law’s *Noerr-Pennington* doctrine, under which assertions of patent infringement are treated like “petitions” that are protected from state (and federal) regulation by the First Amendment’s Petition Clause. Neither standard is correct. *See infra* Part III.

24. Professor Paul Gugliuzza has astutely analyzed the Federal Circuit’s odd usage of the First Amendment Petition Clause analysis to address state anti-patent law and has effectively brought to light the fact that the Federal Circuit has equated the preemption standard with the Petitioning Immunity standard. *See* Gugliuzza, *supra* note 1, at 1624–28. But Gugliuzza assumes that the Federal Circuit’s preemption analysis is correct. *See id.* at 1584 (urging adoption of modern statutory preemption doctrine and stating that “[u]nder an orthodox, Supremacy Clause-based preemption analysis, state laws regulating patent enforcement likely avoid preemption”).

25. *See infra* Sections III.B, III.C.

26. *See infra* Sections III.B, III.C. In asserting that courts should return to the Intellectual Property Clause as the “touchstone” for preemption, rather than the Patent Act and courts’ understandings of Congressional intent, I follow to some degree in the footsteps of Professor Jeanne Fromer, who has suggested that, even though the Intellectual Property Clause is not technically seen as preempting state’s authority to “regulate” in the area of Intellectual Property law, it nonetheless is a useful guidepost. *See* Jeanne C. Fromer, *The Intellectual Property Clause’s Preemptive Effect*, in *INTELLECTUAL PROPERTY AND THE COMMON LAW* 265 (Shyamkrishna Balganesh ed., 2013). I take a different approach, drawing a distinction between state intellectual property-like laws, where the Supreme Court has held that the Intellectual Property Clause does not divest states’ of authority on its own, and *state-anti-intellectual* property laws, where I assert that the Intellectual Property Clause creates a much stronger preemptive barrier against state regulation of federal rights. For clarification, *see* Hayter, *supra* note 14, and discussion *infra* Part III.

burden on a patentee's exclusive right; but the law must be preempted if it imposes an "unreasonable" burden on the patentee's exclusive right.²⁷ This analysis has many advantages over the Federal Circuit's current hybrid approach—not least of which is that it is conceptually cleaner and more practical to apply.²⁸

In Part I, I return to the nineteenth century and explain the context in which state anti-patent laws were first adopted. In Part II, I explain in detail how courts dealt with these laws and the preemption rules they applied from around 1860 to the early 1900s, when the Supreme Court finally laid down a firm rule in *Allen*. In Part III, I recount the Federal Circuit's current approach to preemption and reveal how it is flawed. I then provide an alternative approach based on historical caselaw. I contend the Federal Circuit should return to the correct preemption standard based on the Intellectual Property Clause standard. I offer two different ways to interpret the Intellectual Property Clause's preemptive effect against state anti-patent law and explain in detail how courts should perform this analysis.

I. THE ORIGIN OF STATE ANTI-PATENT LAW

This is not the first time states have sought to pass laws designed to curb aggressive licensing and enforcement of federal patent rights. In fact, this Part shows that the first U.S. state patent reform movement took place in the second half of the nineteenth century, not 2013. It shows how the first state anti-patents laws evolved and how they fit into the federalist system.

A. *The Nineteenth Century Patent Trolls*

There was a tremendous amount of patent litigation in the nineteenth century. As Professor Beauchamp has documented, in some cities, such as Philadelphia, Pennsylvania, there was more patent litigation per capita than there is today.²⁹ One of

27. See detailed discussion *infra* Section III.B.

28. See discussion *infra* Sections III.B, III.C.

29. CHRISTOPHER BEAUCHAMP, *INVENTED BY LAW* 6–7 (2015) [hereinafter *INVENTED BY LAW*]; Beauchamp, *supra* note 12, at 848–49 (“In 1850, New York City and Philadelphia alone had ten times more patent litigation, per U.S. patent

the major political issues of the day was the growing phenomenon of patent owners seeking to profit off their patents not simply through practice and commercialization of new inventions, but through patent sales, licensing, litigation, or the threat of litigation.³⁰ As Professor Gerard N. Magliocca puts it in his article, which discusses legislative proposals to address this litigation boom, during the “surge of patents granted in the 1870s and 1880s”³¹ “these patent imposters started commanding public attention.”³²

Professor Beauchamp has drawn on a wide range of resources to document these complaints. For instance, Beauchamp quotes U.S. Senator William Windom of Minnesota’s declaration in 1879 that:

There is not a farmer in this country today who is not liable to a score of suits or more for the infringement of patents on his farming implements. . . . There are a dozen things in your kitchen, your library, your dining room, your workshop . . . [on] which you must pay or be subjected to harassing suits.³³

Like today, such complaints were directed at a variety of bad actors.³⁴ One was the “patent shark”—a derogatory term for an inventor, attorney, or business person who bought up patents of unknown quality “and then sued farmers who were

in force, than the entire United States did in 2013.”); *see also* B. ZORINA KHAN, *THE DEMOCRATIZATION OF INVENTION: PATENTS AND COPYRIGHTS IN AMERICAN HISTORICAL DEVELOPMENT, 1790–1920*, at 66–105 (2005) (discussing patent litigation in the early nineteenth century).

30. John F. Duffy, *Reviving the Paper Patent Doctrine*, 98 *CORNELL L. REV.* 1359, 1360 (2013) (discussing the origins of the “paper patent” doctrine in the nineteenth century, which “authorized courts to differentiate among patents based on whether the patentee had ever practiced the patented technology in the real world”); *see also* Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 *NOTRE DAME L. REV.* 1809, 1811 (2007).

31. Magliocca, *supra* note 30, at 1819–20.

32. *Id.* at 1822.

33. Beauchamp, *supra* note 12, at 925 (quoting Hayter, *supra* note 14, at 66–73).

34. Hayter, *supra* note 14. *See also* David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System*, 99 *CORNELL L. REV.* 425, 429–31, 440–41 (2014) (distinguishing the various forms of non-practicing entities (NPEs), including universities, individual inventors, failed businesses, and so-called “patent assertion entities” (PAEs), that may fall under the pejorative term “troll”).

unknowingly using protected technology.”³⁵ According to Magliocca, the sharks—like the “trolls” today—often directed their accusations of infringement and demands for license fees at unwitting users of the infringing articles, rather than their manufacturers.³⁶

Another frequent source of complaint were the “circulars” that patentees or their representatives sent out in order to “warn against infringement.”³⁷ Conducive to both legitimate and illegitimate infringement assertions, patentees frequently sent circulars—what we might call demand letters—containing notices of infringement and requests for royalties to those they believed were or would soon be using the covered technology.³⁸ Federal courts frequently used their equitable authority³⁹ to grant (or deny) motions for injunctions to enjoin patentees from sending notices of infringement to putative defendants or their customers⁴⁰—though there was some uncertainty over whether

35. Magliocca, *supra* note 30, at 1811 n.10 (citing 1878 testimony of J.H. Raymond complaining of “patent sharks”); *see also* Beauchamp, *supra* note 12, at 925–26 (“With new farm machinery proliferating and the patent system growing rapidly, the countryside began to fill with “patent sharks”—agents of the various patent interests who demanded license fees directly from users.”); Adam Mossoff, *Patent Licensing and Secondary Markets in the Nineteenth Century*, 22 GEO. MASON L. REV. 959, 959, 968–70 (2015) (discussing market intermediaries known as “patent agents,” who invested in patents in order to sell or enforce them, without the intention to make the covered technology).

36. Magliocca, *supra* note 30, at 1822–23.

37. *See, e.g.*, A.B. Farquhar Co. v. Nat’l Harrow Co., 102 F. 714, 715 (3d Cir. 1900); *see also* cases cited *infra* note 40.

38. *See, e.g.*, Beauchamp, *supra* note 12, at 894 (discussing various mass licensing campaigns by patent owners, most including subsequent patent litigation as well); Mossoff, *supra* note 35, at 966–68 (discussing transfers and classified ads as well as litigation).

39. During this period, the courts were divided into courts of law, who dealt with claims for monetary damages, and courts of equity, who had authority to issue injunctions. Paul Gugliuzza, *Patent Law Federalism*, 2014 WIS. L. REV. 11, 18 (2014) (noting that “it was not until 1819 that Congress granted federal courts jurisdiction over equity actions . . . seeking injunctions against future infringement”); *see also* Daryl Lim, *Patent Misuse and Antitrust: Rebirth or False Dawn?*, 20 MICH. TELECOMM. & TECH. L. REV. 299 (2014) (tracing the history of the equitable law of patent misuse).

40. Examples where injunctions were granted include *Emack v. Kane*, 34 F. 46, 52 (C.C.N.D. Ill. 1888) (“I am, therefore, of opinion that the complainant has made a case entitling him to the interposition of a court of equity to prevent the issue of circulars, or other written or oral assertions, that the slates made by the complainant are an infringement upon the defendant’s patent”); *A.B. Farquhar Co. v. Nat’l Harrow Co.*, 102 F. 714, 715 (3d Cir. 1900) (“Where notices are given or circulars distributed in good faith to warn against infringement, no wrong whatever is committed; but where, as is here averred, they are not made or

they had authority to enjoin patentees in such circumstances on the basis of equitable, versus statutory, authority alone.⁴¹

A slightly different target of public scorn was the “itinerant

issued with such intent, but in bad faith, and solely for the purpose of destroying the business of another, a very different case is presented. In such a case property rights are fraudulently assailed, and a court of chancery, whose interposition is invoked for their protection, should not refuse to accord it.”). Examples where injunctions were denied while recognizing courts power to grant injunctions include, *Chase v. Tuttle*, 27 F. 110, 110–11 (C.C.N.D.N.Y. 1886) (“The complainants contend that [the patent] does not infringe; the defendants are equally persistent in their assertion that it does. Neither have been slow in expressing their opinions, or parsimonious in the use of notices and circulars setting forth in plain and vigorous language their respective views upon the proposition at issue. Upon these papers, however, it cannot be successfully maintained that the defendants have made false or fraudulent statements regarding the complainants or their property.”); *Kelley v. Ypsilanti Dress-Stay Mfg. Co.*, 44 F. 19, 23 (C.C.E.D. Mich. 1890) (denying injunction but stating that “[t]here is undoubtedly authority for holding that, if the language of such letters or circulars be false, malicious, offensive, or opprobrious, or used for the willful purpose of inflicting an injury, the party is entitled to his remedy by injunction; and this is the extent to which the authorities go”); *see also, e.g.*, *Betmar Hats v. Young Am. Hats*, 116 F.2d 956, 957 (2d Cir. 1941) (“[P]ersistent threats to the trade, unsupported by any attempt to have the patentee’s claims established by suit, will not be permitted.”) (citing *Adriance, Platt & Co. v. Nat’l Harrow Co.*, 121 F. 827 (2d Cir.)); *Racine Paper Goods Co. v. Dittgen*, 171 F. 631 (7th Cir.); *A. B. Farquhar Co.*, 102 F. at 714.

41. As a Pennsylvania circuit court explained in one of the earliest cases bringing a motion to restrain a patentee from sending infringement notices, the application [for an injunction to restrain the defendants from publishing certain circular letters which are alleged to be libelous and injurious to the patent-rights and business of the complainants] seems to be altogether a novel one, and is urged principally upon a line of recent English authorities . . . An examination of these and other cases relied on convinces us that they depend on certain peculiar acts of parliament of Great Britain, and not on the general principles of equity jurisprudence. . . . neither the statute law of this country, nor any well-considered judgment of the courts, has introduced this new branch of equity, into our jurisprudence. There may be a case or two looking that way, but none that we deem of sufficient authority to justify us in assuming the jurisdiction.

Kidd v. Horry, 28 F. 773, 774–75 (C.C.E.D. Pa. 1886) (denying injunction); *see also*, *Boston Diatite Co. v. Florence Mfg. Co.*, 114 Mass. 69, 70–71 (1873) (“The present bill alleges . . . only that the defendants made false and fraudulent representations, oral and written, that the articles manufactured by the plaintiff were infringements of letters patent of the defendant corporation, and that the plaintiff had been sued by the defendant corporation therefor; and that the defendants further threatened divers persons with suits for selling the plaintiff’s goods, upon the false and fraudulent pretense that they infringed upon the patent of the defendant corporation. If the plaintiff has any remedy, it is by action at law.”).

patent vendor,” also sometimes called a “patent peddler.”⁴² The patent peddler was, essentially, the owner (or alleged owner) of patents who sought to sell or license them to unsophisticated buyers.⁴³ Charles Weisberger describes the peddlers in colorful language, writing retrospectively in 1938:

After obtaining title to worthless or inoperative patents for small sums from impecunious inventors, or often without the inconvenience of this preliminary step [itinerant peddlers and hawkers of every conceivable kind of merchandise] added the patents to their stock of goods. Upon farmers there descended the new plague of vendors of patent rights.⁴⁴

Patent peddlers and patent sharks were a species of what some economic historians call “patent agents”: businessmen or attorneys who bought patents from inventors in order to sell the patent rights to others or enforce them on behalf of the original patentee.⁴⁵ In other words, they are a form of what we would today call a “non-practicing entity” or a “patent-assertion entity.”⁴⁶ According to economic historians Naomi R. Lamoreaux and Kenneth L. Sokoloff, whose extensive work on patent transactions in the nineteenth century is often cited for unveiling the role of the patent agent, the “most common charge” leveled at patent agents was that they “exaggerated the value of the inventions they were peddling.”⁴⁷ Worse, some agents would allegedly sell patents *that did not actually exist*, or had already expired or been revoked.⁴⁸

42. The term “peddler” had legal significance because, under many state statutes, a seller of articles who was classified as a “peddler” might have to pay a fee and obtain a license from the state. As discussed further below, a major issue was whether taxing patent peddlers violated the Constitution. *See, e.g., Nat’l Bank of the Republic v. Current*, 134 S.W. 479, 480 (Ky. 1911) (holding that Ky. St. § 4215, which required all peddlers to pay a license, did not include vendors of patent rights because this would be violative of the federal Constitution) (citing a line of Kentucky cases reaching this result).

43. Weisberger, *supra* note 15, at 187–88.

44. *Id.*

45. *See generally* Lamoreaux et al., *supra* note 15, at 7–14. Patent owners hired agents in order to help the patentee find local buyers for rights to use an invention. *Id.* at 9 (“When advertising did not work, patent owners could hire agents in different parts of the country to market their inventions.”).

46. *See* Schwartz & Kesan, *supra* note 34, at 429–441.

47. Lamoreaux et al., *supra* note 15, at 9.

48. *Id.* at 10 (“Itinerant agents sometimes bilked unsuspecting buyers by

Furthermore, not unlike today, when commentators argue that patent trolls opportunistically target financially vulnerable companies,⁴⁹ patent peddlers were accused of deliberately approaching unsuspecting farmers who were unable to defend themselves against the patentees' demands.⁵⁰ Instead, purchasers had to pay on credit, purchasing patent rights in exchange for a contract promising to pay in the future (a promissory note).⁵¹ These notes would then be sold to others who had no knowledge of the initial fraud and to whom the initial promisor would then owe money.⁵² Weisberger describes the transaction thus:

For modest sums, ranging from \$50 to \$500 [peddlers] would sell to rustic toilers, easily convinced of the desirability of spending the rest of their earthly days, in luxuriant ease, the exclusive county of township rights in patented farm gates, lightning rods, hog-troughs, plows, and the like, obtaining in return their promissory notes. These would then be sold to innocent purchasers at a large discount.⁵³

The transaction was not dissimilar to what occurs in the housing mortgage market: lend someone money to buy a house, get a promise to pay in future in exchange, and then re-package the note and sell it to someone else who lacks information about the true value of the underlying asset.⁵⁴

Perhaps unsurprisingly, some of the patents given in exchange for these notes turned out to be invalid or commercially “worthless,” *even if they were actually authentic*,

selling patents they had no right to market or that did not even exist.”).

49. See *supra* note 4.

50. Weisberger, *supra* note 15, at 187–89; Lamoreaux et al., *supra* note 15, at 9–10.

51. Weisberger, *supra* note 15, at 188.

52. See, e.g., *Wilch v. Phelps*, 15 N.W. 361 (Neb. 1883) (action to foreclose on “a mortgage executed to secure the payment of a promissory note” given in exchange for the rights to use a patent on a “brick-machine” in Colfax county); see also, Weisberger, *supra* note 15, at 187–88.

53. Weisberger, *supra* note 15, at 188.

54. For the analogy of patent markets to subprime mortgage loans and similar markets in financial assets and securities, see, e.g., Amy Landers, *Liquid Patents*, 84 DENV. U.L. REV. 199 (2006); Michael Risch, *Patent Portfolios as Securities*, 63 DUKE L.J. 89 (2013); Michael Burstein, *Patent Markets: A Framework for Evaluation*, 47 ARIZ. ST. L.J. 507 (2015).

and the debtors argued they should not have to pay on the contract.⁵⁵ For instance, around 1872, an “itinerant patent peddler” named Miles Miller sold a patent on a horse collar fastener to Hugh Finley, a resident of Michigan.⁵⁶ When Miller came to collect payment for the patent, Finley contended that “the note was one of several obtained by fraud, as the price of a worthless patent.”⁵⁷ Along with the defense that he was drunk when he signed the note, Finley argued that he should not have to pay on the note because the patent was worth less than Finley had believed, and the price Miller had demanded for it was far too high.⁵⁸

In *Miller v. Finley*, the Supreme Court of Michigan rejected this defense based on the following problem: how could the court know how much the patent was actually worth prior to a full determination of validity and infringement, and how could the court charge a patent vendor with knowing the answer to this question before such a determination had occurred?⁵⁹ As the court reasoned, “[the patent’s] value being incapable of reduction to any fixed sum, and being altogether a matter of opinion, any price agreed upon [between the patentee and the purchaser], unless manifestly exorbitant, would be enforced, in the absence of fraud and misrepresentation.”⁶⁰ In other words,

55. See, e.g., *Tod v. Wick, Bros. & Co.*, 36 Ohio St. 370, 371–72 (1881) (“The [payor’s] second defense was, that said pretended patent right [for an improvement in ‘Mortising Machines’] was neither new, valid, nor of any value as a patent, but was worthless, and that the [patent owners] . . . among other things, falsely and fraudulently represented that said patented invention was new in some of its parts, and in its combination and arrangement, and in its movements, and was of great value and utility, and that plaintiffs had knowledge of said [sic] facts at the date of the purchase of said note.”).

56. *Miller v. Finley*, 26 Mich. 249, 255 (1872) (referencing “the experience of our people with itinerant patent venders”).

57. *Id.* at 250.

58. *Id.*

59. *Id.* at 250–51.

60. *Id.* (“There was no question concerning the transfer of the patent-right, and such a right is a right of property. Its value being incapable of reduction to any fixed sum, and being altogether a matter of opinion, any price agreed upon, unless manifestly exorbitant, would be enforced, in the absence of fraud and misrepresentation.”); see also *Cranson v. Smith*, 37 Mich. 309, 312 (1877) (“The State may punish frauds upon its citizens committed by any manner of false pretenses. But it cannot lawfully assume that the rights granted by the United States are presumably fraudulent, nor can it punish frauds committed by persons holding those privileges on any different grounds from others. Such presumptions are in plain violation of every principle of justice and constitutional obligation.”) (citing *Finley*, 26 Mich. at 255).

due to the difficulty of evaluating patents, especially prior to litigation respecting patent validity, state courts generally deferred to, and upheld, the private parties' bargain.

This deference to contract, and thereby to the underlying patent on which the contract of sale was based, significantly limited buyers' ability to seek remedies for allegedly fraudulent patent sales under contract law.⁶¹ As Lamoreaux and Sokoloff observe, "[p]urchasers of patent rights who thought they had been defrauded" could theoretically sue the seller and seek rescission of the contract, but courts "generally followed a rule of caveat emptor [i.e. 'buyer beware']."⁶² So, for instance, if a buyer alleged that a patent lacked technological utility or commercial value, courts refused to undo the sale so long as the buyer had a full opportunity to review the patent and both parties had equal access to the relevant information.⁶³

Thus, patentees who aggressively monetized their rights retained an ambiguous status. Were they sleazy salesmen, as debtors such as Finley contended? Or were they in fact legitimate businessmen exercising their government-sanctioned "exclusive rights" and serving a worthwhile public function by creating a robust market for patents?⁶⁴ The answer depends partly on the underlying value of the patent rights and the degree to which both parties knew or should have known their true value. It also depends on our view of the function of the patent system in the overall economy and how much error we are willing to tolerate. Perhaps the fact that some patents ultimately turned out to be invalid or commercially worthless—and the fact that some farmers lost their fortunes to purchase these rights—was simply an inevitable outcome of a property-based system of incentives, no worse than exists in real property.⁶⁵ On the other hand, it is another matter if the

61. Lamoreaux et al., *supra* note 15, at 11.

62. *Id.*

63. *Id.* (discussing cases such as *Hardesty v. Smith*, 3 Ind. 41, 43 (1851); *Rockafellow v. Baker*, 41 Pa. 319, 320–21 (1861); *Miller v. Young's Adm'r*, 33 Ill. 355 (1864)).

64. Adam Mossoff and Zorina Khan, for example, argue that aggressive patent licensing and enforcement was simply a feature of the American patent system, which relied both on property rights in inventions and freedom for marketplace actors to commercialize these inventions through licensing and litigation. Mossoff, *supra* note 35, at 2, 7; *see also* KHAN, *supra* note 29, at 107 ("The patent system was instrumental in directing the efforts of a diverse array of individuals toward extracting returns from their improvements.").

65. *See, e.g.*, Adam Mossoff, *The Trespass Fallacy*, 65 FLA. L. REV. 1687, 1695

patents that were alleged to be sold did not actually exist (e.g., were forged) or were not actually within the legal authority of the patent vendor to sell because they had expired or been revoked as a matter of law. Few academics and presumably no court would defend the right to sell a fake patent.

B. *State-Driven Reform*

Regardless of the merits of the allegations against patent owners, mounting complaints from farmers and other aggrieved parties eventually led to political action.⁶⁶ As historian Professor Steven Wilf recounts, a growing sense of “anti-patent sentiment” coalesced into a full-fledged reform movement.⁶⁷ “Patent protestors,” he writes, “founded legal defense funds to assist in patent infringement suits,” “launched educational programs to inform farmers about how to respond when litigation is threatened,” and “lobbied state legislatures to fashion regulations that might hamstring aggressive patent policing.”⁶⁸ They also “deluged Congress with petitions” seeking passage of national legislation to limit the ability of patent holders to sue.⁶⁹ National proposals included an innocent purchaser defense, a limitation of recovery to manufacturers or vendors rather than consumers, restrictions on federal jurisdiction for “mere frivolous claims” under fifty dollars, and compulsory licensing.⁷⁰

But none of these federal proposals were adopted.⁷¹

(2013) (arguing the level of uncertainty in determining and protecting patent boundaries is not overly high compared to real property disputes). *But see* Camilla A. Hrды & Ben Picozzi, *The Trespass Fallacy’s Limits: A Response to Adam Mossoff*, 65 FLA. L. REV. FORUM 42 (2014) (observing that several critiques of the patent system survive Mossoff’s argument).

66. Wilf, *supra* note 15, at 7, 32–61; Beauchamp, *supra* note 12, at 927–28; Magliocca, *supra* note 30, at 1832–33.

67. Wilf, *supra* note 15, at 7, 32–61.

68. *Id.* at 33.

69. *Id.*

70. *Id.* at 7; *see also* Beauchamp, *supra* note 12, at 927–28 (“[T]he 1870s and early 1880s saw a flood of petitions and memorials to Congress from state legislatures, granges, and ad hoc citizens’ groups calling for changes in the law or protesting particular patents or patent extensions. By one account the frequency of such petitions in the pages of the *Congressional Record* was second only to those concerning Civil War pensions.”); Magliocca, *supra* note 30, at 1832–33 nn.96 & 98–99 (quoting these proposals); Wilf, *supra* note 15, at 32–61 (discussing proposals to Congress to limit patent abuse).

71. Magliocca, *supra* note 30, at 1813 n.17.

Instead, it was the states that took action. As Professor Beauchamp recounts, “[s]tymied in Congress, the political pressure on the patent system leaked out in other ways. One was in the states, where legislatures focused on curtailing the frauds that accompanied rampant peddling of patent rights.”⁷²

First passed in Illinois and Ohio in 1869, state patent regulations ranged the gamut from outright taxation of patent peddlers to “[a]cts to regulate the sale of patent rights and to prevent frauds in connection therewith.”⁷³ The regulations were diverse, but states tended to copy one another in their basic format.⁷⁴ Weisberger, whose 1938 article in the *Journal of the Patent Office Society* is the last article extensively discussing these historical state-patent regulations, observed that these laws fell generally into three categories: license laws, which generally required paying a fee and obtaining a license before selling patents in the state; registration statutes, which generally required confirming a patent’s authenticity and filing copies of the patent with the county in which one wished to sell or license them; and laws regulating promissory notes taken in exchange for patents. These last laws generally required clearly labelling the notes as “given for a patent right.”⁷⁵

The goal of state patent regulations was twofold. First, states wanted a way to more effectively identify and *tax* patent transactions in order to obtain revenues.⁷⁶ Second, states sought to prevent fraud by patent holders upon buyers or accused infringers of patents.⁷⁷ As noted above, patent fraud

72. Beauchamp, *supra* note 12, at 931 (citing Hayter, *supra* note 14, at 68–73). Beauchamp also states that “courts regularly upheld” these laws. As I show this is not entirely accurate. *Id.* at 56 (citing WILLIAM C. ROBINSON, *THE LAW OF PATENTS FOR USEFUL INVENTIONS* 680–681 (1890); *Brechbill v. Randall*, 102 Ind. 528 (1885) (upholding Indiana statute)); *see also* Wilf, *supra* note 15, at 43 n.152 (noting several state regulations and citing some of the cases addressed in this article).

73. *See, e.g., Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870) (striking down Indiana law entitled “An act to regulate the sale of patent rights and to prevent frauds in connection therewith”); *see* Weisberger, *supra* note 15, at 188.

74. For a list of common state regulations, see Appendix.

75. *See* Weisberger, *supra* note 15, at 186, 189–97 (discussing state regulations of patents still in existence as of 1938); *see infra* Appendix.

76. *See* quotation from *Rumbley infra* note 77.

77. *Rumbley v. Hall*, 54 S.W. 4, 5 (Ky. 1899) (“In enacting the statute in question, [Ky.St. § 4223, requiring every “peddler’s note” to be so marked, including notes given in exchange for patent rights] the legislature had in mind not only the taxation of itinerant persons going about peddling from place to place

came in various flavors, including threatening lawsuits based on likely-invalid or not-infringed patents, or seeking to enter a financial transaction based on the pretense that a U.S. patent existed when it didn't. The regulation statutes appeared to be particularly directed at the specific goal of preventing patent owners *from pretending they had an authentic patent when they did not*.⁷⁸

For example, a common iteration of the regulation passed by several states (indeed the one ultimately addressed by the Supreme Court in 1906), provided in full:

Sec. 1. It shall be unlawful for any person to sell or barter, or offer to sell or barter, any patent right, or any right which such person shall allege to be a patent right, in any county within this state, without first filing with the clerk of the district court of such county copies of the letters patent, duly authenticated, and at the same time swearing or affirming to an affidavit before such clerk that such letters patent are genuine, and have not been revoked or annulled, and that he has full authority to sell or barter the right so patented; which affidavit shall also set forth his name, age, occupation, and residence; and if an agent, the name, occupation, and residence of his principal. A copy of this affidavit shall be filed in the office of said clerk, and said clerk shall give a copy of said affidavit to the applicant, who shall exhibit the same to any person on demand.

Sec. 2. Any person who may take any obligation in writing for which any patent right, or right claimed by him or her to be a patent right, shall form a whole or any part of the consideration, shall, before it is signed by the maker or makers, insert in the body of said written obligation, above the signature of said maker or makers, in legible writing or print, the words, 'Given for a patent right.'

Sec. 3. Any person who shall sell or barter, or offer to sell or barter, within this state, or shall take any obligation or promise in writing for a patent right, or for what he may

in this state closely related to the provision requiring the payment of a license tax by every peddler, but the prevention of frauds by them.”).

78. See discussion of these laws in Weisberger, *supra* note 15, at 188–89.

call a patent right, without complying with the requirements of this act, or shall refuse to exhibit the certificate when demanded, shall be deemed guilty of a misdemeanor, and on conviction thereof before any court of competent jurisdiction shall be fined in any sum not exceeding \$1,000, or be imprisoned in the jail of the proper county not more than six months, at the discretion of the court or jury trying the same, and shall be liable to the injured in a civil action for any damages sustained.⁷⁹

Several aspects of this law are important to notice. First, it applied to any person in possession of a patent or patents who sought, broadly, to “sell or *barter*” or “offer to sell or barter” said patents in the jurisdiction. With respect to Section 2, it applied *especially* to anyone seeking to obtain a promissory note (an “I owe you”) in exchange for said patents.

Second, the law applied to anyone who “*alleg[ed]*” to possess a patent right, even if they did not in reality possess one. The “alleged” caveat was directed at forged patents, such as a piece of paper with the name “US Patent” on it, real patents that had been wrongfully obtained from the true owner, or real patents that had actually expired or otherwise been “revoked” or “annulled.”

Third, the most significant obligation imposed by the law was that the patent owner had to swear to the clerk of court that the patent or patents in question were “genuine” (i.e., not revoked or annulled) and thereafter to file “duly authenticated” “copies” of said patents with a court. Further, the patent owner would receive a copy of this affidavit and was required by the law to show it to “any person” who demanded to see it as a “certificate” of the patent’s authenticity. The purpose of this requirement was to give public officials, as well as putative purchasers or accused infringers of the patent, the ability to easily verify the patent’s authenticity.⁸⁰

79. *Allen v. Riley*, 203 U.S. 347, 347 n.1 (1906) (citing Chapter 182, Laws of 1889 (¶¶ 4356, 4357, and 4358, General Statutes of Kansas, 1901)).

80. The law also indirectly performed a disclosure function. By this time, Congress had required copies of patents to be kept in the Patent Office. But copies filed in local courts would have increased dissemination of the information to more people. *See* Patent Act of 1790, ch.7, 1 Stat. 109, Sec 2 (repealed 1793); *see also* Patent Act of 1836, ch.357, Sec. 5 (repealed 1861) (providing “[t]hat all patents issued from said office . . . shall be recorded, together with the descriptions, specifications, and drawings, in the said office, in books to be kept

Fourth, the penalties for failing to comply were severe: the patentee could pay a fine up to \$1000, be imprisoned up to six months, and become “liable to the injured in a civil action for any damages sustained.” In other words, like the modern anti-patent laws passed circa 2013, this law created a private right of action.

Lastly, the court in which the patents must be filed and in which the oath of authenticity must be sworn was state court, not federal court. Likewise, patentees could potentially be sued for violations in state court. (As we will see, these cases were generally, though not always, brought in state courts.) This jurisdictional allocation is interesting in light of the developments I am about to discuss—that by this time the patent system was becoming increasingly federalized, and federal courts were gradually gaining exclusive, or *near* exclusive, jurisdiction over patent cases. The fact that this regulation authorized state courts to take charge of several aspects of its administration and enforcement is thus quite significant.

C. The Uncertain Role of State Law in a Period of Patent Federalization

Although politically attractive to a large portion of the population, the prospect of state regulation of patents faced a serious hurdle. The United States was in the midst of what was otherwise an increasing trend towards federalization of patent law.⁸¹ The federalization of patent law was taking place both at the substantive level, in terms of which legislature’s laws governed, and at the jurisdictional level, in terms of which courts had jurisdiction over patent-related matters—state courts or federal courts.⁸²

for that purpose”).

81. For information on the transition from state to federal substantive patent law, see Hrdy, *State Patent Laws*, *supra* note 10. For information on the transition from state to federal judicial jurisdiction over patent cases, see Gugliuzza, *supra* note 39.

82. Caleb Nelson, *Preemption*, 86 VA. L. REV. 225, 261 (2000) (“[R]ules established by federal law can be either ‘substantive’ or ‘jurisdictional’; substantive rules tend to regulate conduct directly, while jurisdictional rules tend to say that states may not regulate certain areas of conduct (or at least may not do so in particular ways).”) (citing 1 LAURENCE H. TRIBE, *AMERICAN CONSTITUTIONAL LAW* 1177 (3d ed. 2000)).

Prior to ratification of the Constitution in 1788, states had their own patent laws.⁸³ However, the advent of interstate commerce challenged the efficacy of state-level patent regimes. Inventors ceased to be able to effectually protect their rights within a free-trading national marketplace.⁸⁴ In response to James Madison's famous statement in *The Federalist* No. 43 that "[t]he States cannot separately make effectual provision for either of the cases [patent or copyright],"⁸⁵ the Framers added the Intellectual Property Clause to the Constitution with little discussion of the matter.⁸⁶ In 1790 and 1793, two federal patent acts passed in rapid succession.⁸⁷ In 1836, Congress created a national Patent Office to review applications and issue granted patents.⁸⁸

The creation of a national Patent Office appeared to complete the federalization of the substance of patent law. Under the post-1836 system, writes Professor Herbert Hovenkamp, "[t]he federal patent . . . evolved into a 'property right' that applicants could obtain through an administrative procedure intended to be politically neutral, and that patentees could practice or not at their will."⁸⁹ Meanwhile, Hovenkamp recounts, states' role in the creation of property rights in inventions, as compared to corporate charters or other exclusive franchises, appeared minimal.⁹⁰ Even as the granting of exclusive rights in corporate charters "remained largely a function of the states . . . the power to grant exclusive rights for inventions was seen as a federal prerogative."⁹¹

83. Hrdy, *State Patent Laws*, *supra* note 10.

84. *Id.* at 67–70.

85. *Id.* at 70 (quoting THE FEDERALIST NO. 43, at 279 (James Madison) (Earle ed., 1938)).

86. *Id.*

87. See Patent Act of 1790, ch. 7, 1 Stat. 109 (repealed 1793); see also Patent Act of 1793, ch. 11, 1 Stat. 318 (repealed 1836).

88. See Patent Act of 1836, ch. 357, §18, 5 Stat. 117, 124 (repealed 1861).

89. Hovenkamp, *Emergence of Classical American Patent Law*, *supra* note 15, at 270; see also KHAN, *supra* note 29, at 182–221 (discussing the effects of a standardized federal patent system on American inventors).

90. Hovenkamp, *Emergence of Classical American Patent Law*, *supra* note 15, at 278. For information on state monopolies in the nineteenth century, see Herbert Hovenkamp, *Technology, Politics, and Regulated Monopoly: An American Historical Perspective*, 62 TEX. L. REV. 1263, 1268 (1984) [hereinafter Hovenkamp, *Technology, Politics, and Regulated Monopoly*].

91. Hovenkamp, *Emergence of Classical American Patent Law*, *supra* note 15, at 278. Corporate charters were different from federal patents because they created exclusive rights to operate an enterprise, such as a bridge or a toll road, in

Federalization also occurred early on at the jurisdictional level. As Professor Paul Gugliuzza has recounted, the Patent Act of 1793 had actually provided for concurrent jurisdiction between state and federal courts; but in 1800, Congress revised the statute to eliminate this jurisdiction, and provided for recovery of damages in the federal circuit courts.⁹² In 1819, the federal courts also obtained equitable authority to grant injunctions to enjoin future infringements.⁹³ To address lingering uncertainty—such as the decision of a New York chancery court that the jurisdictional grant was not exclusive⁹⁴—in the 1836 Act, Congress made quite clear that federal courts were charged with exclusive jurisdiction over patent lawsuits.⁹⁵

Thus, by the mid-nineteenth century, the patent law was fully federal or near-federal with respect to the substance of patent law, the procedure for obtaining patents, and the courts that could hear cases for patent infringement.

D. State Commercial Law

This trend towards patent federalization makes sense from the perspective of allocative efficiency. Once a fully federal regime was adopted, it would have been highly wasteful and needlessly complicated to have multiple levels of government responsible for determining the initial term, content, and scope of patent rights,⁹⁶ or to have multiple court systems making *ex*

a physical space. On state monopolies in the nineteenth century, see Hovenkamp, *Technology, Politics, and Regulated Monopoly*, *supra* note 90.

92. Gugliuzza, *supra* note 39, at 17–19 (discussing the Patent Act of 1793 and the Apr. 18, 1800 revision).

93. *Id.* at 18 (citing Act of Feb. 15, 1819, ch. 19, 3 Stat. 481).

94. *See id.* at 18 n.37 (citing *Burrall v. Jewett*, 2 Paige Ch. 134 (N.Y. Ch. 1830)).

95. Patent Act of 1836, ch. 357, §17, 5 Stat. 117, 124 (repealed 1861) (providing that “all actions, suits, controversies, and cases arising under any law of the United States, granting or confirming to inventors the exclusive right to their inventions or discoveries, shall be originally cognizable, as well in equity as at law” in the federal courts); *see also* Gugliuzza, *supra* note 39, at 18–19.

96. *See* Camilla A. Hrdy, *Patent Nationally, Innovate Locally*, 31 BERKELEY TECH. L.J. 1301, 1301 (2017) [hereinafter Hrdy, *Patent Nationally*] (arguing that allocating patent law to the federal government is efficient because “[s]tates cannot reliably internalize the benefits of patent regimes that require significant public disclosure of information”); *see also* KHAN, *supra* note 29, at 67 (“Patents and copyrights as the subject of federal law, exhibited greater uniformity than if under state jurisdiction, and thus facilitated the development of a national

post judicial determinations as to validity, scope, and infringement.⁹⁷

And yet, as Edward Cooper showed in his seminal 1972 article, *State Law of Patent Exploitation*, even within this increasingly federalized landscape, state law continued to control in several kinds of patent-related claims including contract disputes relating to patent ownership, assignments and licenses of patents in the marketplace, and tort-based challenges to patentees' activity in enforcing or transferring their rights.⁹⁸ What is more, absent other bases for federal jurisdiction such as diversity, these types of ancillary claims continued to be brought in state courts, which retained general jurisdiction over issues that arose under contract or tort law.⁹⁹ Cooper shows that, well into the twentieth century, state courts still retained their historic jurisdiction over tort- and contract-based claims involving patents, even deciding issues of validity and infringement in some cases.¹⁰⁰

These types of ancillary state law claims fall into what we might today call "commercial law" rather than patent law

market.").

97. The analogy could be drawn to the dual system we currently have in which the Patent Trial and Appeals Board (PTAB) makes determinations of validity alongside federal courts. See Ben Picozzi, *Comment, Reimagining Finality in Parallel Patent Proceedings*, 125 YALE L.J. 8 (2016).

98. Edward Cooper, *State Law of Patent Exploitation*, 56 MINN. L. REV. 313, 318–24, 344–73 (1972) (discussing various types of cases where state courts were called upon to determine patent-related issues arising under tort and contract, and even to determine the scope and validity of patents).

99. As the 1867 edition of a well-known patent law treatise explained, [s]tate courts have no cognizance whatever of actions in which the validity of or force of letters-patent is involved. But where the controversy at issue does not turn about the letters patent themselves, but rather upon the force of some contract under them, e.g. an assignment or license, which acknowledges their validity, in such cases the jurisdiction appertains, as in other contracts, to the State courts[.] GEORGE TICKNOR CURTIS, A TREATISE ON THE LAW OF PATENTS FOR USEFUL INVENTIONS 541 (3d ed. 1867); see also Cooper, *supra* note 98, at 318–24, 370.

100. For instance, a state court might have to determine the scope of a royalty agreement that was construed to apply only to conduct which would otherwise be an infringement. Cooper, *supra* note 98, at 320–21. See generally, *id.* at 318–24 (noting numerous cases, such as *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 259–60 (1916), where the Supreme Court held that a state claim for disparagement based on the patentee's assertions that a product infringed their patent, did not "arise under" federal patent law). Note that *American Well Works* was decided using the now-overruled "cause of action" test, which has been replaced by the modern framework applied in *Gunn v. Minton*, 133 S. Ct. 1059 (2013).

proper: that is, laws governing the post-issuance use and commercialization of patents, rather than their creation.¹⁰¹ As Professor Hovenkamp observes, even as patent law “had become more-or-less exclusively federal” following creation of the Patent Office in 1836, state commercial laws respecting “post-issuance patent use” remained a state law issue.¹⁰²

The distinction between patent law proper and state commercial law loosely—but not exactly—tracks a perceived difference between the incorporeal invention, on the one hand, and its real-world embodiments, on the other. The first Patent Act uniquely mandated that patentees, in their applications for patents, describe what they perceived to be their protected invention sufficiently for a person of ordinary skill in the art to replicate it.¹⁰³ According to Mario Biagioli, under this system, in which patentees actually had to *write down* what they claimed as their property, “the ‘inventive idea’ moved into the halls of soon-to-be-established patent offices to become the primary focus of patent practice, while its material embodiments stayed outside, in the world of manufacture and commerce.”¹⁰⁴

In the next Part, I will show that courts in the nineteenth century took this distinction very seriously and used it to develop what was initially a clear rule for segregating the

101. See Robert P. Merges, *The Commercial Law of Intellectual Property*, 93 MICH. L. REV. 1570 (1995) (discussing contractual arrangements involving intellectual property rights); see also John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of Intellectual Property*, 102 VA. L. REV. 1, 8 (2015) (arguing that intellectual property statutes are often “interpreted to avoid displacing generally applicable commercial law including contract, property, and antitrust law”).

102. Herbert Hovenkamp, *Patent Exhaustion and Federalism: A Historical Note, Response to Duffy and Hynes*, 102 VA. L. REV. ONLINE 25, 26 (2016). Hovenkamp wrote, “During its heyday in the late nineteenth and early twentieth centuries exhaustion doctrine developed as a creature of federalism, preserving the boundary between patent law, which by that time had become more-or-less exclusively federal, and state law respecting post-issuance patent use.” *Id.*

103. See Patent Act of 1790, ch. 7, 1 Stat. 109, sec. 2 (repealed 1793) (“[Patentees shall, at the time of granting, deliver a] specification . . . so particular, and . . . models so exact, as not only to distinguish the invention or discovery from other things before known and used, but also to enable a workman or other person skilled in the art . . . to make, construct, or use [it.]”).

104. Mario Biagioli, *Patent Republic: Representing Inventions, Constructing Rights and Authors*, 73 SOC. RES. 1129, 1144 (2006). See also discussion of the evolution of the specification requirement in ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 6 (5th ed. 2011).

authority of the federal government in patent law from the authority of the states. While states retained some authority over how “material embodiments” of inventions were used in the “world of manufacture and commerce,” they had virtually no say over the determination of the scope of the “inventive idea” or the ultimate validity of a patent once issued. The tension in this interpretation emerged when states passed laws that were ostensibly designed to regulate the world of commerce—for instance, to protect health and safety, to raise revenues for the populace, or to prevent fraud—yet nonetheless had the potential to significantly interfere with patentees’ ability to enforce or form transactions around their patent rights.

II. PREEMPTION OF STATE ANTI-PATENT LAW IN THE NINETEENTH CENTURY

We now arrive at the question of preemption. “Preemption” generally describes a situation in which federal law “preempts,” or supersedes, a state or local law.¹⁰⁵ Today, the preemption determination is typically made under the Supremacy Clause, Article VI of the Constitution, which provides that the laws of the United States “shall be the supreme Law of the Land . . . any Thing in the Constitution or Laws of any state to the Contrary notwithstanding.”¹⁰⁶ And, as I explain in Part III, the Federal Circuit currently assesses preemption of state anti-patent law by considering whether the challenged state law interferes with the underlying goals of the Patent Act and is therefore preempted under the Supremacy Clause.¹⁰⁷

However, as I will demonstrate below, courts in the nineteenth century approached the matter of preemption of state anti-patent law very differently from modern courts.¹⁰⁸

105. ERWIN CHERMERINSKY, *CONSTITUTIONAL LAW: PRINCIPLES AND POLICIES* 400 (4th ed. 2011).

106. U.S. CONST. art. VI, cl. 2; *see also* Nelson, *supra* note 82, at 234 (“As the Supreme Court and virtually all commentators have acknowledged, the Supremacy Clause is the reason that valid federal statutes trump state law.”).

107. As I discuss in Part III, preemption can be express or implied. Implied preemption can occur in three ways: actual conflict between state and federal law requirements, interference with federal objectives, and field preemption. *See* CHERMERINSKY, *supra* note 105, at 400–30 (discussing different situations in which preemption occurs).

108. Indeed, until the twentieth century, courts assessed *all* preemption quite

Rather than pinning preemption purely on the notion that the state law conflicted with federal patent law, let alone with its “purposes and objectives,”¹⁰⁹ courts based their preemption determination on the Intellectual Property Clause itself.¹¹⁰ The Intellectual Property Clause gives Congress authority “[t]o promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to [a]uthors and [i]nventors the exclusive [r]ight to their respective [w]ritings and [d]iscoveries.”¹¹¹ Drawing on cases such as *McCulloch v. Maryland*,¹¹² where Chief Justice Marshall originated the rule that a state cannot tax or regulate federal property or other “instrumentalities” of the federal government,¹¹³ courts

differently, not just preemption of state anti-patent laws. See Stephen Gardbaum, *The Nature of Preemption*, 79 CORNELL L. REV. 767, 787 (1994) (“The United States Supreme Court did not clearly and unequivocally recognize a congressional power of preemption until the beginning of the twentieth century. In some of the earliest cases that are often thought to affirm the power of preemption, the issue of preemption properly understood simply did not arise. In others, the issue arose but was highly controversial, and the Court often avoided its resolution by deciding cases on other grounds.”). Without delving fully into the controversial topic of the precise nature and source of “preemption,” it is important to highlight here that, in this period, the Supreme Court (and lower courts) were often inconsistent as to whether the basis for striking down a particular state law was that the state law conflicted in some way with a federal law, or that the state lacked the power to pass the state law at all under the constitutional framework. See *id.* at 785–86. For Professor Gardbaum’s analysis of this disagreement in *Gibbons v. Ogden*, 22 U.S. 1 (1824), see *id.* at 787–88.

109. Compare the Federal Circuit’s approach discussed *infra* Part III.

110. See, e.g., *Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870) (“The statute of Indiana is entirely extra-jurisdictional, unconstitutional and void as applied to a patent right granted in pursuance of the laws of congress passed by virtue of the 8th section of article 1 of constitution of the United States, in which power is given to congress ‘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.’”); *Allen v. Riley*, 203 U.S. 347, 352 (1906) (“The defendants insist that the act in question violates article 1, § 8, of the Constitution of the United States, and [§ 4898 of the Patent Act, which provides requires recording assignments of patents with the Patent Office in order to transfer the patent.]”); see also cases discussed *infra* Section II.A–II.E.

111. U.S. CONST. art. I, § 8, cl. 8.

112. 17 U.S. 316 (1819).

113. *Id.* at 425–37 (holding that the State of Maryland could not impose a discriminatory tax on the Bank of the United States as an “instrument” of the federal government). See generally, CHEMERINSKY, *supra* note 105, at 427–29 (discussing the rule against state taxation of federal property and instrumentalities and citing relevant case law). See also *Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 810 (1989) (discussing the origin of the so-called “doctrine of intergovernmental tax immunity,” and writing that this “doctrine had its genesis in *McCulloch v. Maryland*, 17 U.S. 316 (1819), which held that the

reasoned that states could not tax, regulate, or otherwise burden an “exclusive right” once it had been “secured” by Congress pursuant to Congress’s power under the Intellectual Property Clause.¹¹⁴ It was not until the start of the twentieth century that the Supreme Court carved out a small space for state authority in *Allen v. Riley*,¹¹⁵ holding that states could in some instances restrict patentees’ ability to enforce their patents, but that these restrictions could never be “oppressive or unreasonable.”¹¹⁶

This part assesses the significant case law developments in this area, which span from around 1812 to 1906. The chart in the Appendix provides a record of each law addressed in the case law and whether it was upheld or struck down. I demonstrate that the upshot of these developments and the fundamental point of the Supreme Court’s ultimate ruling in *Allen v. Riley* was that a patent right created a sphere of national protection for patent holders as against state regulations.

A. *Livingston’s Legacy: State Patent Law and State Anti-Patent Law Distinguished*

We might assume the first relevant preemption case was *McCulloch*, which is so often cited today in the Supreme Court’s preemption jurisprudence for the simple principle that state laws that conflict with federal law are, under the Supremacy Clause, “without effect.”¹¹⁷ As I explain below, *McCulloch* does indeed play a crucial role in this story. But the first major case addressing the issue of state regulation of patents, cited throughout the nineteenth century, was actually the decision of the New York Supreme Court in *Livingston v. Van Ingen*,¹¹⁸ which upheld a state law creating a monopoly (originally a state patent) on the steamboat.¹¹⁹ This holding was ultimately overturned by the Supreme Court in *Gibbons v.*

State of Maryland could not impose a discriminatory tax on the Bank of the United States.”).

114. See cases discussed *infra* Section II.A–E.

115. 203 U.S. 347 (1906).

116. *Id.* at 356–57.

117. *Cipollone v. Liggett Group*, 505 U.S. 504, 516 (citing *Maryland v. Louisiana*, 451 U.S. 725 (1981)).

118. *Livingston v. Van Ingen*, 9 Johns 507 (N.Y. 1812).

119. *Id.*

Ogden,¹²⁰ but many of *Livingston*'s pronouncements of law remained intact.¹²¹

After the Constitution was ratified, there was disagreement over whether states could continue to grant their own patents.¹²² The precise issue in *Livingston* was whether states retained concurrent authority to create exclusive rights over unpatentable inventions, such as a non-novel steamboat, in light of Congress's constitutional authority to protect inventors' exclusive rights in their discoveries under the Intellectual Property Clause.¹²³ In a unanimous opinion, the influential American jurist James Kent answered this question in the affirmative, holding that the Intellectual Property Clause did not fully divest states of their preexisting authority in the area of patents.¹²⁴ Rather, the power to grant patents was an example of a *concurrent* power that federal and state governments shared.¹²⁵ Thus, states retained authority under the Tenth Amendment to grant exclusive rights in an intellectual "production" upon the application of state citizens.¹²⁶ States also retained, he wrote, the authority to

120. 22 U.S. 1 (1824).

121. See *Livingston*, 9 Johns 507, *overruled in part by* *Gibbons v. Ogden*, 22 U.S. 1 (1824). See discussion in Hrdy, *State Patent Laws*, *supra* note 10, at 88–93. On Justice Marshall's limited holding in *Gibbons*, see discussion *infra* Section II.B.

122. Hrdy, *State Patent Laws*, *supra* note 10, at 88–93.

123. *Livingston*, 9 Johns at 577. The issue of whether states possess concurrent power to grant patents along with the federal government is conceptually distinct from the issue of whether a validly passed state law that interferes with a federal patent right is preempted. On this distinction, see Gardbaum, *supra* note 108, at 770 ("[P]reemption arise[s] only where the states and the federal government have concurrent power. Where Congress has exclusive power, no issue of preemption can arise because there is no state legislative power to be preempted.").

124. See THE FEDERALIST NO. 32, at 155–158 (Alexander Hamilton) (Earle ed., 1938). According to Kent's reading, Hamilton's test required preemption of state patent powers only if they came "*practically in collision with the actual exercise of some congressional power.*" *Livingston*, 9 Johns. at 576 (emphasis added); see also discussion in Hrdy, *State Patent Laws*, *supra* note 10, at 85–86.

125. See *supra* note 124; see also THE FEDERALIST NOS. 32, 33 (Alexander Hamilton) (stating that many state and federal powers, such as the power of taxation, are "concurrent," not "repugnant," and can generally be exercised side by side without conflict).

126. Kent wrote:

[I]f an author or inventor, instead of resorting to the act of congress, should apply to the legislature of this state for an exclusive right to his production, I see nothing to hinder the state from granting it, and the operation of the grant would, of course, be confined to the limits of this

“regulate the use of [an inventor’s machine or other production]” for purposes of public health or safety.¹²⁷

However, Kent was quite clear that states could not interfere with a right to exclude once it was secured by Congress pursuant to Congress’ power under the Intellectual Property Clause. “[T]he power granted to congress,” he wrote, “goes no further than to secure to the author or inventor a right of property. . . . The national power will be fully satisfied, if the property created by patent be, for the given time, enjoyed and used exclusively. . . .”¹²⁸ Given Congress’s power to secure inventors’ rights to exclude, a state “[could not] take away from an individual his patent right, and render it common to all the citizens.”¹²⁹ This would contravene the act of Congress, and would be, therefore, unlawful.¹³⁰

In other words, in the view of James Kent, one of the most respected jurists of his day,¹³¹ even if states still possessed power under the Tenth Amendment to create their own patent rights,¹³² they could not “take away” patent rights created by the federal government under the Intellectual Property Clause.¹³³

state.

Livingston, 9 Johns at 581. It was not until 1989 that the Court held states could not grant “patent-like” rights. *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 151–61 (1989).

127. I discuss this carve-out for state regulation of physical embodiments further in Section II.C. Kent wrote:

The power of congress is only to ascertain and define the right of property; it does not extend to regulating the use of it . . . if the inventor’s machine or other production will have a pernicious effect upon the public health or safety, no doubt a competent authority remains with the states to restrain the use of the patent right. That species of property must likewise be subject to taxation, and to the payment of debts, as other personal property.

Livingston, 9 Johns at 582.

128. *Id.*

129. *Id.* at 581.

130. *Id.*

131. Hrды, *State Patent Laws*, *supra* note 10, at 81–82.

132. Note that Chancellor Kent’s understanding of states’ intellectual property powers was broader than is currently recognized. Under *Bonito*, states today can’t create rights *equivalent* to federal intellectual property rights. And the Dormant Commerce Clause also restricts states’ power to regulate interstate activities. See Camilla A. Hrды, *State Patents as a Solution to Underinvestment in Innovation*, 62 U. KAN. L. REV. 487, 491–96, 537–547 (2014) [hereinafter Hrды, *State Patents as a Solution*].

133. *Livingston*, 9 Johns at 581.

This is a crucial distinction. State patent law, state law that creates exclusive rights for creators, is a different field of law from what I call state *anti*-patent law, state law that “takes away,” “renders common,” or otherwise undermines a federally secured patent. As I discuss further in Section III.A.1, this distinction has significant ramifications for preemption doctrine. In the case of a state patent, a state seeks to reward and incentivize innovation by conferring the legal right to exclude others from use.¹³⁴ As Kent observed, a state patent does not interfere with a federal patent except in the case where it is given for exactly the same subject matter or somehow prevents a federal patentee from taking advantage of her exclusive right.¹³⁵ In contrast, a state anti-patent law—such as a state law that prohibits a patentee from enforcing her patent against infringers in the state—significantly constrains the ability of the patentee to enforce or otherwise profit from her patent in the jurisdiction.¹³⁶

Although the precise issue of preemption of a state anti-patent law was not implicated by the facts of *Livingston*, where the law at issue was effectively a state patent on the steamboat,¹³⁷ Kent’s dicta demonstrates his recognition that state anti-patent laws could potentially undermine the new federal patent system by interfering with the rights Congress was charged with securing under the Intellectual Property Clause.¹³⁸

B. The McCulloch Rule: “The Power to Tax Is the Power to Destroy”

As alluded to above, the Supreme Court overruled *Livingston*’s factual holding in *Gibbons v. Ogden* when it struck down New York’s patent-like monopoly despite the fact that Kent and the New York Supreme Court had upheld it.¹³⁹ However, the Court did not disagree with *Livingston*’s structural framework for addressing the scope of states’

134. See Hrdy, *State Patents as a Solution*, *supra* note 132, at 487 (discussing the utility of state patents as incentives for innovation).

135. *Livingston*, 9 Johns at 582.

136. *Id.* at 581.

137. *Id.*

138. *Id.*

139. See *infra* Section II.A.

authority with respect to patents, or with its implication that state patent law was distinct from state anti-patent law.¹⁴⁰ After *Gibbons*, courts, including the Supreme Court, continued to cite to *Livingston* in cases involving state law and patent rights throughout the century.¹⁴¹

A major question left open by *Livingston* was what exactly it meant for a state to “take away” or “render common” a federal patent?¹⁴² For example, a state obviously could not pass a law stating that patents would have no effect in the jurisdiction. But what if a state passed a law requiring patentees to pay a tax to license or sell their rights in the state? Would such a tax undermine the federal policy behind granting a patent in the first place, to stimulate invention and commercialization of new discoveries?¹⁴³

140. *Gibbons v. Ogden*, 22 U.S. 1 (1824). Justice Marshall did not find that states lacked power to grant patents. *Id.* at 239 (“I have not touched upon the right of the States to grant patents for inventions or improvements, generally, because it does not necessarily arise in this cause. It is enough for all the purposes of this decision, if they cannot exercise it so as to restrain a free intercourse among the States.”). Rather, he found that New York’s steamboat monopoly was invalid because it was in direct contravention of a federal right: a federal coasting license. *Id.* at 221 (“This act [the federal coasting license] demonstrates the opinion of Congress, that steam boats may be enrolled and licensed, in common with vessels using sails. . . . [A]nd the act of a State inhibiting the use of either to any vessel having a license under the act of Congress, comes, we think, in direct collision with that act.”); see also Nelson, *supra* note 82, at 267 (“[In Justice Marshall’s interpretation], the federal statute (which authorized *Gibbons* to use his steamboat in all aspects of the coasting trade) was in direct collision with the New York statute (which purported to prohibit *Gibbons* from using his steamboat in one aspect of that trade). Marshall decided the case on this basis; insofar as it applied to *Gibbons*, the New York law contradicted the federal statute and was therefore preempted.”); see also Hrdy, *State Patent Laws*, *supra* note 10, at 90–91 (asserting that Marshall agreed with Justice Kent’s position that, generally speaking, states could continue granting patents alongside Congress except in cases of direct conflict between a state and a federal right).

141. See *Patterson v. Kentucky*, 97 U.S. 501, 501 (1878) (“That case, so far as it related to the validity, under the commercial clause of the Constitution, of certain statutes of New York, is not now recognized as authority. It is, perhaps, also true that the language just quoted was not absolutely necessary to the decision of that case. But as an expression of opinion by an eminent jurist as to the nature and extent of the rights secured by the Federal Constitution to inventors, it is entitled to great weight.”); see also, e.g., *Wilch v. Phelps*, 15 N.W. 361, 362 (Neb. 1883) (citing *Livingston v. Van Ingen*, 9 Johns 507 (N.Y. 1812), in striking down a state law prohibiting selling patents in state without complying with state regulations); see also discussion in Hrdy, *State Patent Laws*, *supra* note 10, at 88–93.

142. *Livingston*, 9 Johns at 581 (“A state cannot take away from an individual his patent right, and render it common to all the citizens. This would contravene the act of congress, and would be, therefore, unlawful.”).

143. It is certainly possible that a state could place such a large tax on patent

An early rule originated in one of the most famous federalism cases of all time: *McCulloch v. Maryland*.¹⁴⁴ During the controversial period surrounding the federal government's attempts to create a national banking system, Maryland passed a law establishing tax rates for notes issued by the Baltimore branch of the Bank of the United States.¹⁴⁵ After upholding Congress's authority to create a national bank under the Necessary and Proper Clause,¹⁴⁶ the Supreme Court held that Maryland could not, because of the Supremacy Clause,¹⁴⁷ tax a branch of that bank located in the state.¹⁴⁸ "[T]he power to tax," Chief Justice Marshall famously stated, "involves the power to destroy; [and] the power to destroy may defeat and render useless the power to create" ¹⁴⁹ States possessed both the power to tax their own constituents and institutions chartered by the state itself.¹⁵⁰ But a state tax on a bank chartered by the *national* government, Marshall wrote, was "hostile to, and incompatible" with Congress's power "to create and to preserve" the bank under the Necessary and Proper Clause.¹⁵¹

Today, *McCulloch* is often cited as originating the rule that states cannot tax or regulate federal property or other

income that this would destroy the value of the right. See ROBERT MERGES, JUSTIFYING IP 133 (2011) ("[A]t some point, tax rates climb so high that, in principle anyway, the state may be seen to overstep the proper bounds of its authority.") (citing *McCulloch v. Maryland*, 17 U.S. 316 (1819), and discussing in footnotes Supreme Court case law regarding state taxation of patents). On commercialization-oriented justifications for patents, see, e.g., Camilla A. Hrdy, *Commercialization Awards*, 2015 WIS. L. REV. 13 (2015) [hereinafter Hrdy, *Commercialization Awards*].

144. 17 U.S. 316, 426 (1819); see also discussion of the case and analysis in Nelson, *supra* note 82, at 268–72.

145. The law required following certain procedures and paying certain sums "to the treasurer of the Western Shore, for the use of the state of Maryland" before issuing bank notes. *McCulloch*, 17 U.S. at 320–21.

146. *Id.* at 419–25; see also U.S. CONST. art. I, § 8, cl. 18.

147. U.S. CONST. art. VI, cl. 2.

148. *McCulloch*, 17 U.S. at 425–37.

149. *Id.* at 431 ("[T]hat there is a plain repugnance in conferring on one government a power to control the constitutional measures of another, which other, with respect to those very measures, is declared to be supreme over that which exerts the control, are propositions not to be denied.").

150. *Id.* at 435.

151. *Id.* at 426. The Court has since held that state and local property taxes generally cannot be applied to federal property without express authorization from Congress; see CHEMERINSKY, *supra* note 105, at 428–29 (discussing rules respecting taxation of federal property and governmental entities).

instrumentalities of the federal government, sometimes called the “doctrine of intergovernmental tax immunity.”¹⁵² However, for our purposes, the most important principle to take from *McCulloch*—and, as I will show, what several courts took from *McCulloch* in the nineteenth century—is that federal patents are analogous to federal property (such as a federally chartered bank) and are immune from taxation or regulation by the states.¹⁵³

To illustrate the ills that could come from allowing states to freely “destroy” that which Congress created, Justice Marshall raised what he thought was an obvious example of an undesirable outcome: the risk that states might use this power to tax federal patent rights. “If the states may tax one instrument, employed by the government in the execution of its powers,” he wrote, “they may tax any and every other instrument. They may tax the mail; they may tax the mint; they may tax patent-rights This was not intended by the American people. They did not design to make their government dependent on the states.”¹⁵⁴

In this dicta, Justice Marshall liberally analogized a state tax on federal property enacted pursuant to an Article I, Section 8 power (the Necessary and Proper Clause) to a state tax on a patent right created pursuant to another Article I, Section 8 power (the Intellectual Property Clause), and effectively implied that, in either case, states “have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control, the operations of the constitutional laws enacted by congress to carry into execution the powers vested in the general government.”¹⁵⁵

From this dicta, one might reasonably conclude that a state tax on a patent right—or any other means by which a state might “retard, impede, burden, or in any manner control” a patent right—must, like Maryland’s tax on a branch of the

152. See *supra* text accompanying note 113.

153. *McCulloch*, 17 U.S. at 432.

154. *Id.*

155. *Id.* at 436 (emphasis added) (“[T]he states have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control, the operations of the constitutional laws enacted by congress to carry into execution the powers vested in the general government. This is, we think, the unavoidable consequence of that supremacy which the constitution has declared. We are unanimously of opinion, that the law passed by the legislature of Maryland, imposing a tax on the Bank of the United States, is unconstitutional and void.”).

national bank, be “unconstitutional and void.”¹⁵⁶ This is exactly what several courts held. Citing to the Supreme Court’s dicta in *McCulloch*, and building on the general notion expressed in *Livingston* that states could not interfere with the “incorporeal right” encompassed in a federal patent, courts in the nineteenth century consistently struck down state laws that sought to tax patent rights,¹⁵⁷ as well as state laws that burdened patents in other ways, such as requiring patentees to pay a fee or obtain a license in order to deal patents in the state.¹⁵⁸

For example, in *In re Sheffield*,¹⁵⁹ decided in 1894, a Kentucky court of appeals struck down a Kentucky law that required paying a “license tax” before selling or licensing patent rights in the jurisdiction.¹⁶⁰ Citing *McCulloch*, the court declared “the patent right itself, i.e. the right to exclude all others from the manufacture, use, or sale of the invention or discovery . . . [could] not be taxed by a state.”¹⁶¹ Assuming, the court explained, that “the authority to tax such a right of exclusion exist[ed] at all,” it was “utterly inconsistent with the grant of the patent right[,]” which the Constitution had “given exclusively to Congress.”¹⁶²

One can see the logic of this argument. If states could tax or otherwise restrict the sale and enforcement of patents, what would stop states from raising the barrier so high that it risked

156. *Id.*

157. See Gordon L. Doerfer, *The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy*, 80 HARV. L. REV. 1432, 1439 (1967) (noting that “[a]t one time the Court held that patent royalties were immune from state income taxation”) (citing *Long v. Rockwood*, 277 U.S. 142 (1928) and *Rockwood*, discussed *infra*); Note, *The Police Power of the States and the Federal Power of Taxation*, 23 HARV. L. REV. 465, 465 (1910) (briefly noting that in the matter of patent rights, courts have applied a similar distinction between “direct” and “incidental” burdens on a constitutional power of the national government as is used in other areas such as health law) (citing, *e.g.*, *In re Sheffield*, 64 F. 833 (C.C.D. Ky. 1894); *Allen v. Riley*, 203 U.S. 347 (1906)).

158. *In re Sheffield*, 64 F. at 833; see also *Kentucky v. Petty*, 29 S.W. 291, 292 (Ky. 1895) (striking down a Kentucky statute that required obtaining a license from the state and paying a fee before vending patent rights in the state); see also *Rumbley v. Hall*, 54 S.W. 4, 4 (Ky. 1899) (noting that “[a] vendor of a patent right cannot be required to take out a license”).

159. *In re Sheffield*, 64 F. at 833.

160. *Id.* (citing *McCulloch v. Maryland*, 17 U.S. 316 (1819); distinguishing *Webber v. Virginia*, 103 U.S. 344 (1881) and *Patterson v. Kentucky*, 97 U.S. 501 (1878)).

161. *In re Sheffield*, 64 F. at 36.

162. *Id.*

totally “destroying” the rights secured by Congress pursuant to Article I, Section 8, Clause 8?¹⁶³ For instance, a Kentucky appeals court used this reasoning when it struck down a similar law that prohibited selling patents in the jurisdiction without obtaining a license: If a state legislature had the authority “to require the patentee or his assignees to procure and pay for this privilege,” the court wrote,

then there is no limit to the extent of such requirements. The legislature could fix the license fee so high that the patentee could not afford to pay it, as it might exceed the commercial value of his right. By this means the legislature of a state could utterly destroy the power which is in congress, by the federal constitution, “to promote the progress of science and useful arts.”¹⁶⁴

To cut off this slippery slope and prevent states from extinguishing the rights that Congress created, courts apparently simply instituted a complete ban on state taxation of patents.¹⁶⁵ The Court of Appeals of New York summarized the state of the law at the end of the nineteenth century as thus: “it was long ago asserted by the supreme court [sic] of the United States [in *McCulloch*] that patent rights were not taxable by the states . . . [T]he doctrine has been recognized so often since that it must be fairly regarded as settled in that court.”¹⁶⁶

163. *Id.* at 833.

164. *See Kentucky v. Petty*, 29 S.W. 291, 293 (Ky. 1895) (“[I]t is an invasion of national authority for the legislature of a state to make a law which requires the patentee or his vendor to first procure and pay for a license to sell his right in his discovery,—his intangible right,—or the territory in which such right is granted. In so far as the statute attempts this, it is in conflict with the law of congress.”) (citing *McCulloch*, 17 U.S. 316).

165. *See Doerfer, supra* note 157, at 1439.

166. *People ex rel. Edison Elec. Illuminating Co. v. Bd. of Assessors*, 51 N.E. 269, 270 (N.Y. 1898) (“[P]atent rights being created under the federal constitution and laws for a federal purpose, the states are without the right to interfere with them. The right to tax a federal agency constitutes a right to interfere with, to obstruct, and even to destroy the agency itself, for, conceding the right of the state to tax at all, then it may tax to the point of destruction.”) (citing *McCulloch*, 17 U.S. 316).

Note, however, that states could tax corporate franchises that owned patents. *People ex rel. United States Aluminum Printing Plate Co. v. Knight*, 67 N.E. 65, 66 (N.Y. 1903) (“If the tax under review was assessed upon patent rights, it is void, because they are exempt from taxation by federal law. If, however, it was

C. Patterson's *Carve-Out: Regulation of the Physical Embodiments of Patents*

A troubling question raised by the *McCulloch* rule—that states could not, through their laws and regulations, tax or otherwise “burden” federal patents—was whether a state could tax, ban, or otherwise burden a *physical product* that the state deemed dangerous or immoral, if that product was protected by a federal patent.¹⁶⁷ The notion of a nationally protected “exclusive right” was in tension with the emerging concept of a sphere of state “police power,” under which individual property rights must give way to regulations of the states for purposes of health, safety, and morals.¹⁶⁸ In light of the emerging concept of this state police power, surely the answer had to be yes: the states could regulate products for health, safety, and morality reasons despite the existence of the Intellectual Property Clause, just as states could pass health, safety, and morality regulations despite the existence of the Fourteenth Amendment.¹⁶⁹

imposed upon a corporate franchise involving the right to use all kinds of property, including patent rights, it is not void, because franchises are not exempt by any law.”) (citing *People ex rel. Edison Elec. Illuminating Co.*, 51 N.E. 269).

167. *McCulloch*, 17 U.S. at 436.

168. Chief Justice Marshall is credited with introducing the term “police power” in *Brown v. Maryland*, 25 U.S. (12 Wheat.) 419 (1827); see Santiago Legarre, *The Historical Background of the Police Power*, 9 U. PA. J. CONST. L. 745, 745 (2007). As discussed by James Kent in his *Commentaries on American Law* (1826–1830), the idea behind the “police power” attributed to U.S. states was that the government may, by general regulations, interdict such uses of property as would create nuisances, and become dangerous to the lives, or health, or peace, or comfort of the citizens. Unwholesome trades, slaughter-houses, operations offensive to the senses, the deposit of powder, the application of steam-power to propel cars, the building with combustible materials, and the burial of the dead, may all be interdicted by law, in the midst of dense masses of population, *on the general and rational principle, that every person ought so to use his property as not to injure his neighbors, and that private interests must be made subservient to the general interests of the community.*

Id. at 781 (quoting 2 JAMES KENT, *COMMENTARIES ON AMERICAN LAW* 340 n.(b)) (emphasis added). On the origins of the state police power, and Kent’s and Marshall’s contributions to the concept and terminology, see *id.* at 781–85.

169. The “substantive due process” prong of the Fourteenth Amendment, which protects certain fundamental rights, has often butted heads with the state’s police power. For an early example of the state police power leading to rejection of a Fourteenth Amendment challenge, see, for example, *Mugler v. Kansas*, 123 U.S. 623, 664 (1887) (rejecting a Fourteenth Amendment challenge to a Kansas law prohibiting manufacturing and selling alcohol on the ground that “[i]t cannot be

At least one early decision adopted the view that state laws could regulate dangerous or immoral activity, irrespective of federal patent rights.¹⁷⁰ But Justice Marshall's dicta in *McCulloch* and the line of cases just discussed held quite clearly that state taxation of patents was off limits, but left open the argument that states lacked authority to regulate dangerous or immoral inventions under these rules.¹⁷¹

The Supreme Court resolved this issue in *Patterson v. Kentucky*.¹⁷² The controversy arose when the owner of a patent on certain illuminating oils challenged the constitutionality of a law requiring that oils marketed in the state be properly labeled before selling them in the state, arguing that the law interfered with his ability to take advantage of his patent.¹⁷³ The Supreme Court of Kentucky upheld the law, reasoning that "[t]here is a manifest distinction between the right of property in the patent, which carries with it the power on the part of the patentee to assign it, and the right to sell the property resulting from the invention or patent."¹⁷⁴ The court reasoned that the "state ha[d] no power to say the patentee shall not sell his patent, or that its use shall be common to all its citizens, for this would be in direct conflict with the law of congress."¹⁷⁵ But the state could nonetheless tax or regulate

supposed that the States intended, by adopting that Amendment, to impose restraints upon the exercise of their powers for the protection of the safety, health, or morals of the community"). For a discussion of important caselaw addressing this tension, see Legarre, *supra* note 168, at 789–91. I discuss the substantive due process analogy more fully in Section III.B.2.

170. As a Delaware court put it in 1833, denying a patentee's claim that his patent entitled him to sell illegal lottery machines, "[a] person might with as much propriety claim a right to commit murder with an instrument because he held a patent for it as a new and useful invention." *Vannini v. Paine*, 1 Del. 65, 68 (1832) (holding that given the existence of a state law prohibiting lotteries it "cannot be admitted that the plffs. have a right to use an invention for drawing lotteries in this State, merely because they have a patent for it under the United States").

171. *McCulloch*, 17 U.S. 316, 436 (1819); *see also* *In re Sheffield*, 64 F. 833 (C.C.D. Ky. 1894); *Kentucky v. Petty*, 29 S.W. 291, 292 (Ky. 1895) (citing *McCulloch*, 17 U.S. at 436).

172. 97 U.S. 501 (1878); *see also, e.g., Doerfer, supra* note 157, at 1439 ("The Supreme Court in an early case decided that a state may use its police power to regulate the sale and use of patented articles.") (citing *Patterson v. Kentucky*, 97 U.S. 501 (1878)).

173. *Patterson*, 97 U.S. at 502.

174. *Patterson v. Kentucky*, 74 Ky. (11 Bush) 311, 314 (1875).

175. *Id.* ("The discovery or invention is made property by reason of the patent, and this right of property the patentee can dispose of under the law of congress,

the real property embodiments of an invention, such as by prohibiting the sale of patented products that lacked the required labeling.¹⁷⁶

The U.S. Supreme Court affirmed this view, citing *Livingston* for the principle that there was a distinction between state regulation of physical property subject to a patent (allowed), and state regulation of the right in the discovery itself (not allowed).¹⁷⁷ “All which [patents] primarily secure,” the Court explained, “is the exclusive right in the discovery. That is an incorporeal right . . . Its enjoyment may be secured and protected by national authority against all interference . . .”¹⁷⁸ However, “the use of the tangible property which comes into existence by the application of the discovery”—such as a successfully commercialized product like illuminating oils or a lottery machine—“is not beyond the control of State legislation, simply because the patentee acquires a monopoly in his discovery.”¹⁷⁹ “Every holder of property,” the Court wrote, “however absolute and unqualified may be his title, holds it under the implied liability that his use of it shall not be injurious to the equal enjoyment of others having an equal right to the enjoyment of their property, nor injurious to the rights of the community.”¹⁸⁰ “Hence the States may, by police regulations, protect their people against the introduction within their respective limits of infected merchandise.”¹⁸¹

Under these principles, states could pass laws designed to limit the dangerous effects of physical products, or even require obtaining a license before selling products in the state, without running afoul of the Intellectual Property Clause’s mandate that the “incorporeal right” secured by the patent be “protected by national authority against all interference.”¹⁸²

and no state legislation can deprive him of this right . . .”).

176. *Id.*

177. *Patterson*, 97 U.S. at 506–07 (1878) (citing *Livingston v. Van Ingen*, 9 Johns 507 (N.Y. 1812); *Millar v. Taylor*, 4 Burr. 2303 (1769)).

178. *Id.* (citing *Livingston*, 9 Johns 507).

179. *Id.*

180. *Id.* at 505 (quoting *Commonwealth v. Alger*, 61 Mass. (7 Cush.) 53 (1851)).

181. *Id.*

182. *Id.* at 506; see also *Webber v. Virginia*, 103 U.S. 344 (1881) (holding that under the Intellectual Property Clause, but not necessarily the Dormant Commerce Clause, states could require sellers to obtain a license to sell products in the jurisdiction, but *not* a license to sell patent rights); *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 32 n.3 (1931) (“Nor does the grant of a

D. Preemption of State Regulation of Patents—An Evolving Rule

Laws banning or regulating patented products sold in the states might help protect citizens from dangerous new technologies like exploding oils and lottery machines. But they did not address the wrongs discussed in Part I, where patentees or their agents tried to make a profit by selling commercially worthless or outright fake patents to poor farmers and unsuspecting housewives. To address these problems, in the 1860s states began passing the types of regulations depicted above in this Part II, such as licensing laws and registration statutes requiring patentees to authenticate their patents and provide certificates of authenticity to prospective buyers. As said, patentees who violated these laws were potentially subject to criminal liability, statutory fees, and damages in a civil action.

1. The Early Decisions—Uniformly Preempted

However, regardless of the potential policy merits of these state regulations, in the early years, courts uniformly held that the regulations were preempted by federal law.¹⁸³ As of the year 1883, as one Nebraska court wrote, the prohibition on state regulation of patents was “quite uniform” across the states.¹⁸⁴ These early courts drew a clean distinction between state regulation of the “incorporeal property” protected by a patent—which was prohibited—and state regulation of the material embodiments of a patent, such as products sold in the marketplace—which was not generally prohibited after *Patterson*.¹⁸⁵

An early, oft-cited case announcing this strong preemption

United States patent exempt the patented product from limitations imposed by state police statutes.”) (citing *Patterson v. Kentucky*, 97 U.S. 501 (1878)).

183. See cases cited *infra* note 200; see also Weisberger, *supra* note 15, at 197–98 (“The earliest decisions uniformly held the laws to be bad.”).

184. *Wilch v. Phelps*, 15 N.W. 361, 362 (Neb. 1883) (“From an examination of the authorities, it seems to have been quite uniformly held, not only by the courts of the United States but by those of the several states as well, that this provision has the effect of prohibiting the enactment of state statutes affecting injuriously the assignment or transfer of rights secured by letters patent, or the sale of patented articles.”).

185. See *Patterson*, 97 U.S. at 501; *Webber*, 103 U.S. at 344–48.

principle was *Ex parte Robinson*,¹⁸⁶ where an Indiana appeals court struck down an Indiana law entitled “An act to regulate the sale of patent rights and to prevent frauds in connection therewith.”¹⁸⁷ Virtually identical to the Kansas statute discussed in Part I, the law had two elements. First, the law mandated that anyone wishing to sell or barter, or offer to sell or barter patent rights (or *alleged* patent rights) in the state must first file copies of their patents, “duly authenticated,” with the clerk of the court of the county in which they wished to sell, and swear an oath that the patents were “genuine, and ha[d] not been revoked or [annulled], and that he [the patentee] has full authority to sell or barter the rights so patented”¹⁸⁸ A copy of the affidavit was to be filed in the office of the clerk, and the clerk was to give a copy to the applicant, who must “exhibit the [certificate] to any person on demand.”¹⁸⁹ As explained above, this provision was primarily intended to ensure the patent in the vendor’s possession was genuine and to give purchasers a means to verify the patent’s authenticity.

Second, the law required any person who accepted a note or “other obligation in writing” as payment for a patent right must, before completing the note, “insert in the body of said written obligation above the signature of said maker or makers, in legible writing or print, the words ‘Given for a patent right.’”¹⁹⁰ The purpose of this provision was to make it easier to identify potentially suspect sales of patents to people on credit, to ensure that subsequent purchasers of notes given for patents understood the nature of the property on which the loan was based, and to make it easier for the state to tax patent income.¹⁹¹

Failure to comply or failure to exhibit a certificate of patent authenticity when demanded would subject violators to a fine or imprisonment and make them liable in a civil action to the injured party, such as the purchaser of an unauthenticated

186. *Ex parte Robinson*, 20 F. Cas. 961, 963 (C.C.D. Ind. 1870).

187. *Id.*

188. *Id.* at 961 (quoting the Ind. Act of 1869). The affidavit also had to “set forth [the patent owner’s] name, age, occupation, and residence, and if an agent, the name, occupation, and residence of his principal.” *Id.*

189. *Id.*

190. *Id.*

191. Weisberger, *supra* note 15, at 192–97 (discussing state laws regulating notes given in exchange for patents).

patent.¹⁹²

The *Ex parte Robinson* opinion originated when a patentee filed a writ of habeas corpus after he was jailed for failure to comply with the law.¹⁹³ The Indiana appeals court resoundingly struck down the law and discharged the patentee from his predicament.¹⁹⁴ The gist of the court's reasoning was that the state lacked the authority to restrict the patentee's ability to sell, license, or dispose of his patent as he chose.¹⁹⁵ The Intellectual Property Clause gave Congress power to grant patents, and Congress had, under the Patent Act, directed the manner in which patents could be obtained, assigned, and sold. Since "property in inventions exist[ed] by virtue of the laws of congress . . . no state [had] a right to interfere with [that property's] enjoyment."¹⁹⁶

Importantly, the *Ex parte Robinson* court had an expansive notion of the property right conferred by a patent. The court believed the patent gave the patentee "a right to go into the

192. *Ex parte Robinson*, 20 F. Cas. at 961–62.

193. The patentee had attempted to sell to a dentist the right to use the covered invention for dental purposes within the county in exchange for \$100, which the dentist agreed to pay. *Id.* For more details, see also Weisberger, *supra* note 15, at 198.

194. *Ex parte Robinson*, 20 F.Cas. at 963.

195. *Id.*

196. The court stated:

This is an attempt on the part of the legislature to direct the manner in which patent rights shall be sold in the state; to prohibit their sale altogether if these directions are not complied with, and to throw burdens on the owners of this species of property, which congress has not seen fit to impose upon them. . . .

It is clear that this kind of legislation is unauthorized. To congress is given, by the constitution, the power 'to promote the progress of science and the useful arts by securing, for limited times, to authors and inventors, the exclusive rights to their respective writings and discoveries.' This power has been exercised by congress, who have directed the manner in which patents shall be obtained, and when obtained how they shall be assigned and sold.

The property in inventions exists by virtue of the laws of congress, and no state has a right to interfere with its enjoyment, or to annex conditions to the grant. If the patentee complies with the law of congress on the subject, he has a right to go into the open market anywhere within the United States and sell his property. If this were not so, it is easy to see that a state could impose terms which would result in a prohibition of the sale of this species of property within its borders, and in this way nullify the laws of congress, which regulate its transfer, and destroy the power conferred upon congress by the constitution.

Id. The attorneys cited *McCulloch* in arguments. *Id.* at 962.

open market anywhere within the United States and sell his property.”¹⁹⁷ But this was not necessarily true. Rather, the Patent Act, by its terms, only gave the patentee “the full and exclusive right and liberty of making, using, and vending to others to be used, the said invention or discovery.”¹⁹⁸ As we will see, subsequent courts did not see a necessary conflict between Congress securing the patentee’s exclusive right to make, use, and sell the invention, and a state placing reasonable restrictions on the manner in which patent rights could be sold in the state.

Be that as it may, the *Ex parte Robinson* court’s finding of unconstitutionality was replicated in several other cases during the 1870s and 1880s.¹⁹⁹ States in which courts struck down or condemned attempts to regulate patent sales included Nebraska, Illinois, Indiana, Michigan, Ohio, Arkansas, Minnesota, and Wisconsin.²⁰⁰ These courts shared the view

197. *Id.*

198. Patent Act of 1836, Ch. 357, 5 Stat. 117 (July 4, 1836), Sec. 5 (“[The patent’s] terms grant to the applicant . . . for a term not exceeding fourteen years, the full and exclusive right and liberty of making, using, and vending to others to be used, the said invention or discovery . . .”).

199. *See infra* note 200.

200. *See Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870) (striking down “[a]n act to regulate the sale of patent rights and to prevent frauds in connection therewith,” St. Ind. (Davis’ Supp.) p. 364); *Hollida & Ball v. Hunt*, 70 Ill. 109, 112 (1873) (striking down “[a]n act to regulate the sale of patent rights, and to prevent frauds connected therewith,” Ill. law of March 25, 1869); *Helm v. First Nat’l Bank of Huntington*, 43 Ind. 167 (1873) (striking down 3 Ind. Stat. 364); *Crittenden v. White*, 23 Minn. 24, 25 (1876) (striking down an “[a]ct to regulate the sale of patent-rights, and prevent frauds in connection therewith,” MINN. LAWS 1871, c. 26); *Cranson v. Smith*, 37 Mich. 309 (1877) (striking down “[a]n act to regulate the execution and transfer of notes or other obligations given for patent rights,” Mich. act of April 13, 1871); *Woollen v. Banker*, 30 F. Cas. 603, 603 (C.C.S.D. Ohio 1877) (striking down section 66, Ohio Laws, 93 of May 4, 1869); *Wilch v. Phelps*, 15 N.W. 361, 361 (Neb. 1883) (striking down “[a]n act to regulate the sale of patent rights, and to prevent frauds connected therewith,” Neb. Act section 4, c. 66, Comp. St. p. 3711); *Pegram v. Am. Alkali Co.*, 122 F. 1000, 1005 (C.C.E.D. Pa.), *aff’d sub nom.* *Brown v. Pegram*, 125 F. 577 (3d Cir. 1903) (striking down Pennsylvania Act of April 12, 1872, entitled “[a]n act to regulate the execution and transfer of notes given for patent rights” as unconstitutional due to the federal Intellectual Property Clause). *See also* *State v. Lockwood*, 43 Wis. 403, 405 (1877) (“It is not improper, however, to say that if the validity of ch. 140 of 1872 were properly before it, this court would be very much disposed to follow the ruling of the [Supreme] [C]ourt of Michigan in *Cranson*, and hold the statute to be an invasion of federal authority, and therefore void.”). *See also* *Union Cnty. Nat’l Bank v. Ozan Lumber Co.*, 127 F. 206, 211 (C.C.W.D. Ark. 1904), *aff’d sub nom.* *Ozan Lumber Co. v. Union Cnty. Nat’l Bank*, 145 F. 344 (8th Cir. 1906) *rev’d*, 207 U.S. 251 (1907).

that Congress's power to secure patent rights under the Intellectual Property Clause severely restricted states' authority to tax or otherwise burden patent rights.²⁰¹ What is more, at least some of these early courts suggested that states were *completely divested* of the authority to regulate not just the granting of patents, but also the sale, licensing, and transfer of patents.²⁰² As one court put it, "[t]he federal government [had], continuously, from the adoption of the constitution down to the present time, legislated on the subject of patents and patent rights."²⁰³ Such legislation had "covered the entire ground," including not only the process of obtaining a patent but also the manner in which a patent, once obtained, could be "sold and conveyed."²⁰⁴ These powers "must necessarily be exercised by the national government exclusively."²⁰⁵

201. Weisberger also notes some of these differences. *See* Weisberger, *supra* note 15, at 199–201.

202. *See, e.g., Helm*, 43 Ind. at 171; *see also Pegram*, 122 F. at 1005 ("[T]he monopoly which a patent does grant is a property right created under the Constitution and laws of the United States, and by those laws made assignable; and therefore a state law which prescribes that negotiable instruments, in the ordinary form, shall not be given or accepted for an assignment of the patent itself, is as plainly obstructive of the exercise of a right vested by federal law as would be the inhibition of payment in the current funds upon the sale of a patent for cash."); *Cranson*, 37 Mich. at 312–13 ("The subject of granting patents and regulating the rights of patentees has been placed by the Constitution of the United States in the control of Congress. It is for that body alone to determine to whom and on what conditions they shall be granted and how the patented privileges are to be transferred or disposed of. Where any right or privilege is subject to the regulation of Congress it is not competent for State laws to impose conditions which shall interfere with the rights or diminish their value."); *Wilch*, 15 N.W. at 362 ("The property in inventions exists by virtue of the law of congress, and no state has the right to interfere with its enjoyment or to annex conditions to the grant. If the patentee complies with the law of congress on the subject he has a right to go into the open market, anywhere within the United States, and sell his property. If this were not so, it is easy to see that a state could interpose terms which would result in a prohibition of the sales of this species of property within its borders, and in this way nullify the laws of congress which regulate its transfer, and destroy the power conferred upon congress by the constitution.") (quoting *Ex parte Robinson*, 20 F. Cas. at 963 and citing *McClurg v. Kingsland*, 42 U.S. 202 (1843); *Gayler v. Wilder*, 51 U.S. 477 (1851); *Cranson*, 37 Mich. 309; *Helm*, 43 Ind. 167; *Hollida*, 7 Ill. 109). For other examples of the notion that states were fully barred from regulating patent transfers, *see* Weisberger, *supra* note 15, at 199–201.

203. *Helm*, 43 Ind. at 171.

204. *Id.*

205. *Id.* Like Justice Kent in *Livingston*, the court used the "repugnancy" test announced by Alexander Hamilton in Federalist No. 32 to determine whether the power to regulate patents was exclusive or concurrent. *See Helm*, 43 Ind. at 169–

The upshot of this view was that, once Congress “secured” a patent under Article I, Section 8, Clause 8, states could not tax or otherwise regulate uses of the patent right itself, as opposed to the physical embodiments of the invention covered by the patent.²⁰⁶ Importantly, these courts did not necessarily completely dismiss the possibility of passing regulation to prevent “frauds committed under color of patent rights.”²⁰⁷ However, as the Michigan Supreme Court put it in 1877, “[t]he measure of that protection, and its conditions, *cannot be fixed by any power but Congress.*”²⁰⁸ To the extent the Patent Act suffered from “abuses or defects,” the court wrote, the “remedy” must be congressional “revision of its own laws. It is not competent for state statutes to deal with them, or to revise the national policy.”²⁰⁹

2. The End of the Nineteenth Century—A Split in the Lower Courts

But by the end of the nineteenth century, this strong preference for preemption of state patent regulations broke down.²¹⁰ State courts began to cut away at the near-absolute ban on state regulations of patent enforcement.²¹¹ Instead, several courts began to hold that states possessed *some* authority to limit fraudulent transactions involving patents so long as they did not pass regulations that “destroy[ed] the commercial value of the [patent] right and thus indirectly destroy[ed]” Congress’s power to promote the progress of science and useful arts under the Intellectual Property

70 (“[T]he powers so granted are never exclusive of similar powers existing in the States, unless where the constitution has expressly in terms given an exclusive power to Congress, or the exercise of a like power is prohibited to the states, or there is a direct repugnancy or incompatibility in the exercise of it by the states.”) (citing Justice Story’s opinion in *Houston v. Moore*, 18 U.S. 1, 47–48 (1820)).

206. *Cf. Patterson v. Kentucky*, 97 U.S. 501 (1878).

207. *Cranson*, 37 Mich. at 312–13.

208. *Id.* (emphasis added).

209. *Id.*

210. For an observation of this shift, see Weisberger, *supra* note 15, at 201–02 (tracing the change in viewpoint to around 1878). Weisberger notes that some courts cited *Patterson* to uphold the laws, even though *Patterson* “was concerned only with a sale of a patented article It had nothing whatever to do with the sale of patent rights.” *Id.* at 202.

211. *Id.* at 201–02.

Clause.²¹² Starting around 1878, courts in states such as Pennsylvania upheld laws of the same type as had previously been struck down.²¹³ This began to influence the decisions of courts in other states, including those where courts had previously overruled them, such as Ohio.²¹⁴ Given this divergence among the authorities over the constitutionality of identical state laws, courts were free to choose and even to reverse themselves.²¹⁵

For example, in *Herdic v. Roessler*,²¹⁶ a New York court of appeals upheld a New York law of 1877 that made it a misdemeanor to take or sell a note given for a patent right without labeling the note as “given for a patent-right.”²¹⁷ Noting that courts in Indiana, Michigan, Nebraska, and Wisconsin had struck down identical laws, the court nonetheless declined to follow those courts, writing that “[u]nder this state of the authorities we feel at liberty to declare our concurrence in the views expressed by the courts of

212. *Union Nat'l Bank v. Brown*, 41 S.W. 273, 275 (Ky. 1897) (upholding Kentucky law requiring itinerant persons who sell patent rights to have written across the face of the notes executed to them the words “Peddler’s Note”); *see also*, e.g., *Haskell v. Jones*, 86 Pa. 173, 174 (1878) (“No state can so interfere with the right of a patentee, secured to him by the Acts of Congress, to sell and assign his patent. But a state may require that notes, the consideration of which is, in whole or in part, the right to make, use, or vend any patented invention, shall have the words ‘given for a patent right’ legibly written or printed across their face, and punish the issue or negotiation of such notes not so marked.”); *Brechbill v. Randall*, 1 N.E. 362, 363–64 (Ind. 1885) (noting that its decision to uphold a state regulation requiring filing copies of patents with the clerk conflicted with its prior holding in *Helm v. First Nat'l Bank of Huntington*, 43 Ind. 167 (1873), but stating that “it is proper to say that [*Helm*’s] force and reasoning are much shaken by the later cases”).

213. Weisberger identifies *Haskell*, an 1878 decision from the Pennsylvania Supreme Court, as the first to uphold a state statute regulating the sale of promissory notes given for patents. Weisberger, *supra* note 15, at 201. *See Haskell*, 86 Pa. at 173 (“The Act of April 12th 1872, regulating the execution and transfer of notes given for patent rights, is not in conflict with art. 1, sect. 8, of the Constitution of the United States.”).

214. *Tod v. Wick, Bros. & Co.*, 36 Ohio St. 370, 371–72 (1881) (upholding Ohio act of May 4, 1869 (66 O. L. 93), distinguishing *Woollen v. Banker*, 30 F. Cas. 603 (C.C.S.D. Ohio 1877)); *Brechbill*, 1 N.E. 362 (upholding Ind. Rev. St. 1881, § 6054); *New v. Walker*, 9 N.E. 386 (Ind. 1886) (same); *Herdic v. Roessler*, 16 N.E. 198 (N.Y. 1888) (upholding N.Y. Laws 1877, c. 65); *Mason v. McLeod*, 57 Kan. 105 (1896) (upholding Kan. Laws 1889, ch. 182); *Tennessee v. Cook*, 64 S.W. 720 (Tenn. 1901) ((upholding Tenn. Acts 1879, c. 228); *Woods v. Carl*, 87 S.W. 621 (Ark. 1905) *aff'd*, 203 U.S. 358 (1906) (upholding Kirby’s Dig. §§ 513, 514 (Ark.)).

215. Weisberger, *supra* note 15, at 203.

216. *Herdic*, 16 N.E. at 198.

217. *Id.*

Ohio and Pennsylvania upon the general question. . . . The law of congress and the state law are not in conflict.”²¹⁸

To dispatch with prior courts’ reasoning that the power to regulate patents fell on Congress alone, the *Herdic* court used the following reasoning: under the Patent Act, patents merely grant the inventor the “right to exclude others from selling or using his invention” for the term of the patent.²¹⁹ Due to the existence of a federal patent, if another person sold or used the invention during the patent’s lifetime, the inventor could enjoin this act pursuant to federal patent law.²²⁰ The New York law did not interfere with this federally secured “exclusive right” because it did not interfere with the inventor’s ability to prevent others from using the invention.²²¹ It only required patentees to label their patent transactions in a certain way by stating in writing that the note had been “given for a patent-right.”²²² In fact, the *Herdic* court reasoned the existence of this state law might *strengthen* the exclusive right rather than weaken it.²²³ By making fraudulent transfers harder, maybe the law would make patent transfers more attractive to potential purchasers and thereby increase the value of patents to their owners.²²⁴

On the other hand, the *Herdic* court wrote, if a state law “directly infring[ed]” this right to exclude—for instance, by declaring that anyone could use the protected invention—then under the Intellectual Property Clause, this state law “would

218. *Id.* at 200.

219. *Id.* (“What he obtains by his patent is the right to exclude others from selling or using his invention for the period specified; the right to sell or use which, would, except for the protection of the patent laws, be open to all the world. The statute of New York now in question in no way interferes with this exclusive right. A state law directly infringing this law would unquestionably be void. The law of congress and the state law are not in conflict.”); *see also* Patent Act of 1836, Ch. 357, 5 Stat. 117 (July 4, 1836), Sec. 5 (“[The patent’s] terms grant to the applicant . . . for a term not exceeding fourteen years, the full and exclusive right and liberty of making, using, and vending to others to be used, the said invention or discovery. . . .”).

220. *Herdic*, 16 N.E. at 200.

221. *Id.*

222. *Id.*

223. *Id.* (“It is impossible to say even that the statute operate[d] to the disadvantage of the patentee. It may restrict the currency of the paper taken on sales of patent-rights, but, on the other hand, it may facilitate sales by inducing confidence on the part of purchasers, that they will be protected in case of fraud or other defense.”).

224. *Id.*

unquestionably be void.”²²⁵ This caveat is very important to the developments that followed because it shows that state laws regulating patent transactions could still be voided by the existence of the Intellectual Property Clause if they significantly interfered with the patentee’s federally secured right to exclude.²²⁶

E. Allen: The End of the Ban on State Regulation of Patents

After decades of disagreement among the lower courts, the U.S. Supreme Court finally settled once and for all in *Allen v. Riley* that, notwithstanding the Intellectual Property Clause, states had *some* authority to regulate patent transfers in the jurisdiction for the purposes of preventing fraud, but not unlimited authority.²²⁷ The Court’s compromise was to create a “reasonableness” standard for evaluating state regulations, rather than a *per se* ban.²²⁸ What exactly “reasonableness” entails in this context can be gleaned from the case and holding itself, though as I will argue in Part III, there is certainly room for interpretation.

Allen arose when Mrs. Frances J. Riley filed a lawsuit in a Kansas state court on March 17, 1902, to recover the value of land in Coffey County, Kansas, that she had sold to Mr. Erasmus W. Allen in exchange for a patent on a washing machine.²²⁹ Apparently, the washing machine patent turned out to be worthless, or at least worth *less* than Mrs. Riley had supposed.²³⁰

In a petition seeking the return of her land and the \$100, Riley argued the transfer was void because Allen had failed to comply with the provisions of a Kansas registration statute

225. *Id.* (“A state law directly infringing [this exclusive right] would unquestionably be void.”).

226. *Herdic v. Roessler*, 16 N.E. 198 (N.Y. 1888).

227. *Allen v. Riley*, 203 U.S. 347 (1906).

228. *Id.*

229. *Id.* Specifically, Mrs. Allen sold her land to Mr. Allen in exchange for \$100 and the assignment to her of the right to a patent, issued January 30, 1901, covering an improved washing machine. The assignment gave her the exclusive right to use the covered washing machine invention within the state of Kentucky. *Allen v. Riley*, 80 P. 952, 952 (Kan. 1905), *aff’d*, 203 U.S. at 347.

230. For further discussion of the details of this case, see Weisberger, *supra* note 15, at 205–08.

passed in 1889.²³¹ The registration statute, discussed in detail in Part I, was by this time common in the states.²³² It required patentees to label any written obligation given for the purchase price of a patent as “[g]iven for patent right”; to file “duly authenticated” copies of any patent they intended to sell with the clerk of the relevant county; and to swear in an affidavit “that such letters patent are genuine, and have not been revoked or annulled, and that [the patentee] has full authority to sell or barter the right so patented.”²³³ The clerk was to then give the patentee a copy of the affidavit, which he must “exhibit to any person on demand.”²³⁴

Allen conceded that he made the sale to Riley without complying with the statute, but argued the regulation was unconstitutional under both the Intellectual Property Clause and a section of the Patent Act discussing patent assignments.²³⁵ The Kansas Supreme Court disagreed. It rescinded the contract and allowed Mrs. Riley to recover the value of her land (which had in the meantime been sold to a third party).²³⁶ She also recovered a significant judgment in the amount of \$1,250.²³⁷ Allen appealed to the Supreme Court.²³⁸

In a majority opinion written by Justice Peckham, the Supreme Court upheld the law, finding that it was “mainly designed to protect the people from imposition by those who have actually no authority to sell patent rights or own patent rights to sell,” and fell within the states’ authority to “[enact] police regulations for the protection and security of its citizens”²³⁹ so long as the regulations were not “so great . . . as

231. *Id.*

232. *Allen*, 203 U.S. at 353–54 (citing other states with similar laws).

233. Chapter 182, Laws of 1889 (quoting paragraphs 4356, 4357, and 4358, General Statutes of Kansas, 1901).

234. *Id.*

235. *Allen v. Riley*, 203 U.S. 347, 352 (1906) (“The defendants insist that the act in question violates article 1, § 8, of the Constitution of the United States, and the Federal statute passed in pursuance thereof, being Rev. Stat. § 4898, U. S. Comp. Stat. 1901, p. 3387.”). The modern version is similar. 35 U.S.C. § 261 (2013) (“An interest that constitutes an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.”).

236. Weisberger, *supra* note 15, at 206.

237. *Allen v. Riley*, 80 P. 952, 952 (Kan. 1905).

238. *Allen*, 203 U.S. at 348.

239. *Id.* at 353, 355 (upholding Chapter 182, Laws of 1889 (paragraphs 4356,

to be regarded as oppressive or unreasonable."²⁴⁰ "Some fair latitude must be allowed the states in the exercise of their powers on this subject. It will not do to tie them up so carefully that they cannot move . . ." ²⁴¹ Congress could, the Court observed, eventually enact "a statute which would take away from the states any power to legislate upon the subject [of patent rights]." ²⁴² But it had not yet done so.²⁴³

With these statements, the Supreme Court reversed the strong-preemption rule adopted by courts like *Ex parte Robinson*.²⁴⁴ Whereas before, states were virtually divested of authority to regulate patent transactions, now the Court had determined that states were allowed to impose some regulations for the purpose of "safeguarding of the interests of those dealing with the assumed owner of a patent, or his assignee."²⁴⁵

But there was a serious caveat. Under Article I, Section 8, Clause 8, states could never act in a way that "would result in a prohibition of the sale of this species of property within its borders" and thereby "nullify the laws of Congress which regulate its transfer, and destroy the power conferred upon

4357, and 4358, General Statutes of Kansas, 1901)). The Court wrote:

We think the state has the power (certainly until Congress legislates upon the subject) with regard to the provision which shall accompany the sale or assignment of rights arising under a patent, to make reasonable regulations concerning the subject, calculated to protect its citizens from fraud. And we think Congress has not so legislated by the provisions regarding an assignment contained in the act referred to.

Id.

240. *Allen*, 203 U.S. at 356–57 (emphasis added).

241. *Id.* at 357.

242. *Id.* at 356.

243. *Id.* As for the section of the Patent Act regulating assignments, the Court found that it merely clarified "that every patent, or interest therein, shall be assignable in writing," but "[left] to the various states the power to provide for the safeguarding of the interests of those dealing with the assumed owner of a patent, or his assignee." *Id.* at 356.

244. *Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870).

245. *Allen*, 203 U.S. 347. Later on, states' regulatory authority in patent law would be used as an example to illustrate states' general authority to regulate lending practices within the jurisdiction. *See, e.g., Schlesinger v. Gilhooly*, 81 N.E. 619, 627-28 (N.Y. 1907) ("This state has done so recently in the case of notes given for money lost at gaming or to purchase lottery tickets, as well as notes infected by usury, and the constitutionality of the action has never been questioned. It has done so recently in the case of notes given for patent rights.") (citing *Herdic v. Roessler*, 16 N.E. 198 (N.Y. 1888); *Allen*, 203 U. S. 347).

Congress by the Constitution.”²⁴⁶ “Such a statute would not be a *reasonable* exercise of the powers of the state.”²⁴⁷ More specifically, the Court implied that an unreasonable exercise of the powers of the state would be where the state law “interfere[s] with the right of a patentee to sell or assign his patent,” or “tak[es] away any essential feature of [the patentee’s] exclusive right.”²⁴⁸

In the case, the Court found that the Kansas law was not “oppressive or unreasonable” because it did not significantly interfere with patentees’ ability to assign or sell their patents.²⁴⁹ The Court based this finding on its determination that the “expense of filing copies of the patent and the making of affidavits in the various counties of the state in which the owner of the rights desired to deal with them” was “not so great.”²⁵⁰ The patentee, Allen, disagreed with this finding.²⁵¹ In order to lawfully sell patents in all 103 counties in the state and avoid jail time and a fine, Allen contended, he would have had to file 103 authenticated copies of the patent, make 103 oaths, and pay 103 registration fees, for each county in the state.²⁵² Moreover, Allen argued, the registration statute was not even strictly necessary.²⁵³ The federal government already required copies of patents be kept in the Patent Office.²⁵⁴

But Mrs. Riley’s attorneys won the day with their argument that filing patents and an affidavit was “not an unreasonable regulation.”²⁵⁵ In their interpretation, the statute

246. *Allen*, 203 U.S. at 355.

247. *Id.* (quoting *Ex parte Robinson*, 20 F. Cas. 961) (emphasis added).

248. *Allen*, 203 U.S. at 352–53 ([The Kansas Supreme Court’s opinion] “does not assert that a state statute can interfere with the right of a patentee to sell or assign his patent, nor that it can take away any essential feature of his exclusive right, but, as is stated, the provisions in the act have no such purpose or effect; that ‘they are in the nature of police regulations designed for the protection of the people against imposition and fraud.’”).

249. *Id.* at 357.

250. *Id.* at 356–57.

251. Argument of the Patentee in Brief for Appellee at 17–18, *Allen*, 203 U.S. at 347; *see also* Weisberger, *supra* note 15, at 206–07.

252. *See* Weisberger, *supra* note 15, at 207 (noting that “this would seem to be rather severe on honest patent owners[,]” but that in this instance “the fees were evidently low enough to be regarded as reasonable”).

253. *Id.*

254. “Congress had long ago considered these matters and had provided that a record shall be kept in the Patent Office showing all patents granted, and which ones had been assigned.” Argument of the Patentee in Brief for Appellee at 17, *Allen*, 203 U.S. 347.

255. *Id.* at 12.

only required registration “*in the county where the transaction took place*, without regard to location or extent of the territory sold or assigned.”²⁵⁶ In other words, Allen did not necessarily have to register in 103 counties—only in the ones in which he sold.²⁵⁷ Mrs. Riley’s attorneys also emphasized that, contrary to Allen’s view, there was an extreme need for such a regulation.²⁵⁸ Federal law only required filing copies of patents with the Patent Office.²⁵⁹ It did not require filing in local courts; nor did it require showing a certificate of authenticity.²⁶⁰ Thus:

unless it be by reason of a state law similar to the one in controversy, there is nothing to require the vendor of a patent right to furnish the vendee with any evidence of his right to sell. The opportunity to commit fraud is alluring, and we think it may be stated as a matter of common knowledge, that fraud and imposition are frequently perpetrated in the sale of patent-rights.²⁶¹

The Court’s opinion upholding the statute was not unanimous. Justice White dissented, joined by Justice Day. The law, he wrote, “compels one selling a patent right in any county of the state of Kansas to file with the clerk of such county an authenticated copy of the patent, together with an affidavit as to the genuineness of the patent, and as to other matters.”²⁶² In their view, this was *not* a reasonable state regulation designed to prohibit fraud, and was both “repugnant to the power delegated to Congress by the Constitution on the subject of patents” and “in conflict with the legislation of Congress on the same subject.”²⁶³ Justice Day, though not Justice White, would also have struck down the provision that

256. *Id.*

257. Riley’s attorneys also stated (somewhat inaccurately) that “[t]here was no complaint that the charge or cost of complying with the statute was excessive.” *Id.* at 11–12.

258. Argument of the Patentee in Brief for Appellee at 10, *Allen*, 203 U.S. 347.

259. *Id.*

260. *Id.*

261. *Id.* at 10.

262. *Allen v. Riley*, 203 U.S. 347, 357 (1906).

263. *Id.* at 357–58 (White, J., dissenting). Justice White’s use of the term “repugnant” suggests that he believed states were fully divested of the power to pass laws limiting the ability of patentees to license or enforce their rights. See discussion of FEDERALIST NO. 32, *supra* note 124.

merely required “an insertion in a note given for the sale of a patent right of the fact that it was given for such sale.”²⁶⁴

Nonetheless, in *Allen*, a majority of the Court carved out a slice of concurrent authority for states in regulating patent transactions in order to prevent fraud.²⁶⁵ The Court quickly reiterated this holding in two subsequent cases. In *John Woods & Sons v. Carl*,²⁶⁶ the Court stated that “such statutes as that now under consideration”—in the case, an Arkansas law requiring clear labeling of negotiable instruments given for patent rights—“do not amount to an interference with or impairment of the rights conferred by the patent issued by the federal government, nor to an invasion of the constitutional authority of Congress.”²⁶⁷ In *Ozan Lumber Co. v. Union County National Bank*,²⁶⁸ the Court defended the same Arkansas statute against the claim that it violated the Fourteenth Amendment because it arbitrarily targeted vendors of patent rights, while exempting “merchants and dealers who sell patented things in the usual course of business.”²⁶⁹ In other words, these cases established that states could “make *reasonable* regulations concerning the subject [of patents], calculated to protect its citizens from fraud,”²⁷⁰ and could, “upon fair reasoning,” exempt from regulation businesses that did not raise the same concerns as patent vendors, such as manufacturers and distributors of patented products.²⁷¹

F. Fox: An End to the Per Se Ban on State Taxation of Patent Royalties

The per se ban on state taxation of patent royalties eventually eroded as well; but notably, the Supreme Court did

264. *Allen*, 203 U.S. at 357–58 (White, J., dissenting).

265. *Id.* at 356.

266. 87 S.W. 621, 623 (Ark. 1905), *aff'd*, 203 U.S. 358 (1906).

267. *Id.* (upholding Arkansas law requiring that a negotiable instrument taken on the sale of patent rights be labeled as such), *aff'ing* 75 Ark. 328, 87 S.W. 621, 623 (1905).

268. 207 U.S. 251, 257 (1907).

269. *Id.* (upholding an Arkansas statute (Kirby’s Ark. Dig. §§ 513–516)) (“We think there is a distinction, founded upon fair reasoning, which upholds the principle of exemption as contained in the 4th section, and that, consequently, the statute does not violate the 14th Amendment on the ground stated.”).

270. *Allen*, 203 U.S. at 355 (emphasis added).

271. *Ozan Lumber Co.*, 207 U.S. 251, 257 (1907).

not overrule its own case law on this issue until 1932.²⁷² In *Rockwood v. Commissioner of Corp. & Taxation*,²⁷³ affirmed by the Supreme Court in 1928, the Supreme Judicial Court of Massachusetts held that, absent the consent of Congress, “a patent right itself is not taxable by a state.”²⁷⁴ “Letters patent of the United States give to the patentee a right of monopoly in the invention, and with this right the state cannot interfere.”²⁷⁵ In contrast,

[a] patented article, when manufactured, may be taxed by the state . . . [because a] tax on such property . . . is not a tax on the privilege granted to the patentee by the federal government. The right to exclude others from making or selling the patented article is not interfered with by a tax on the patented article when made.²⁷⁶

In *Fox Film Corp. v. Doyal*, the Court overruled its opinion in *Rockwood* and rejected the long-accepted argument that states could not tax profits made from copyright or patent sales.²⁷⁷ The case arose when Fox Film, a New York company in licensing copyrighted motion pictures in Georgia, contended that it did not have to pay state taxes based on its licensing profits.²⁷⁸ The company argued that the state tax was unconstitutional on the ground that copyrights—which were “in the nature of a franchise or privilege bestowed [by the

272. See *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932) (overruling *Long v. Rockwood*, 277 U.S. 142 (1928)). This occurred around the same time as the New Deal, which was when the Supreme Court began sanctioning more government intrusions on property rights. See RICHARD EPSTEIN, *THE CLASSICAL LIBERAL CONSTITUTION* 337 (2014) (“Roughly speaking, economic liberties, and to a lesser extent property rights, received strong protection in the pre-1937 era and far weaker protection thereafter.”). The question is well beyond the scope of this article; but it is possible that the timing of the Supreme Court’s shift on whether patents could be taxed by the states is not a coincidence.

273. 154 N.E. 182 (Mass. 1926), *aff’d sub nom.* *Long v. Rockwood*, 277 U.S. 142 (1928).

274. *Id.*

275. *Id.* at 183.

276. *Id.*

277. *Fox Film Corp.*, 286 U.S. at 131 (“[I]n this aspect royalties from copyrights stand in the same position as royalties from the use of patent rights, and what we have said as to the purposes of the government in relation to copyrights applies as well, mutatis mutandis, to patents which are granted under the same constitutional authority to promote the progress of science and useful arts.”).

278. *Id.*

federal government]”—are instrumentalities of the United States, like the national bank in *McCulloch* that was found to be immune from state taxation.²⁷⁹

But the Court, in an opinion by Chief Justice Holmes, held the analogy of federal copyrights to “instrumentalities of the United States” that were immune from state taxation failed, writing that “[t]he principle of the immunity from state taxation of instrumentalities of the federal government, and of the corresponding immunity of state instrumentalities from federal taxation—essential to the maintenance of our dual system—has its inherent limitations.”²⁸⁰ “Where the immunity exists,” the Court wrote, “it is absolute, resting upon an ‘entire absence of power’ . . . but it does not exist ‘where no direct burden is laid upon the governmental instrumentality, and there is only a remote, if any, influence upon the exercise of the functions of government.’”²⁸¹ In other words, similar to *Allen*, *Fox* recognized that states had *some* authority to “burden” patent rights with taxation, but that the tax could not be so severe that it undermined the ability of the federal government to protect inventors’ exclusive rights under the Intellectual Property Clause.

III. PREEMPTION OF STATE ANTI-PATENT LAWS TODAY

Allen clearly overruled the belief among early state courts that the Intellectual Property Clause automatically preempted state laws that placed restrictions on patent holders, and carved out at least a slice of constitutional authority for states to regulate patent transactions in order to prevent fraud.²⁸² However, *Allen* did not overrule the underlying principle of *McCulloch* and subsequent case law that state taxes or other regulatory burdens on patentees can never be so severe that they undermine the entire purpose and effect of the exercise of Congress’s power under the Intellectual Property Clause.²⁸³ To

279. *Id.* at 126.

280. *Id.* at 128.

281. *Id.* (citations omitted).

282. *Allen v. Riley*, 203 U.S. 347, 355 (1906).

283. *See id.* (“To uphold this kind of a statute is by no means to authorize any state to impose terms which, possibly . . . ‘would result in a prohibition of the sale of this species of property within its borders, and in this way nullify the laws of Congress which regulate its transfer, and destroy the power conferred upon Congress by the Constitution.’ Such a statute would not be a reasonable exercise

survive constitutional preemption, the state regulation of a patent cannot be one that is “regarded as oppressive or unreasonable” in a way that would unduly burden the “exclusive right” “secured” by Congress pursuant to Article I, Clause 8, Section 8. As explained above, this “exclusive right” is the right to exclude others from using the covered invention.²⁸⁴

Allen itself has never been overruled. The Supreme Court has not subsequently issued a decision directly addressing the question of when states can create *anti-patent* laws consistent with the Constitution.²⁸⁵ And yet, the Federal Circuit has ignored *Allen*. As I discuss below, the Federal Circuit has instead crafted its own approach to preemption of state anti-patent law. Below I explain the Federal Circuit’s current approach. I then provide an alternative approach based on the historical case law. Lastly, I show why the historical approach is to be preferred and why it should be introduced once again in lieu of the Federal Circuit’s current approach.

A. *The Federal Circuit’s Current Approach(es)*

The Federal Circuit was created in 1982 to provide a single forum for patent appeals.²⁸⁶ The Federal Circuit has exclusive jurisdiction over appeals from patent litigation cases decided in the U.S. district courts.²⁸⁷ Its intended purpose was to create

of the powers of the state.”) (citation omitted); *see also Fox Film Corp.*, 286 U.S. at 126–28 (“Where the immunity [from state regulation] exists, it is absolute, resting upon an ‘entire absence of power’ . . . but it does not exist ‘where no direct burden is laid upon the governmental instrumentality, and there is only a remote, if any, influence upon the exercise of the functions of government’”) (internal quotations omitted).

284. *Allen*, 203 U.S. at 357.

285. *See* discussion *infra* Section III.A.1, the closest decision we have are the Court’s decisions regarding the constitutionality of state trade secret laws and “patent-like” rights. I argue below that these are quite distinct from state anti-patent laws.

286. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). On the creation of the Federal Circuit and a review of the Federal Circuit’s role in forging a uniform patent law, as well as citations to the vast scholarship on this issue, *see* Ryan Vacca, *The Federal Circuit as an Institution*, in RESEARCH HANDBOOK ON THE ECONOMICS OF INTELLECTUAL PROPERTY LAW 1–5 (Peter S. Menell et al. eds.) (forthcoming 2017) https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=2706849 [<https://perma.cc/984V-WSKW>].

287. The Federal Circuit has exclusive jurisdiction “in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents.” 28 U.S.C. § 1295(a)(1); *see also* 28 U.S.C. § 1338.

uniform patent rules.²⁸⁸ Although the Federal Circuit can be and often is overruled by the Supreme Court,²⁸⁹ at a practical level, it has a similar weight as the U.S. Supreme Court's view did in *Allen* in 1906 because, unless overruled from on high, the Federal Circuit's view represents how state anti-patent laws will be treated in federal district courts and in the Federal Circuit on appeal.²⁹⁰ Therefore, the Federal Circuit's view of the correct standard for determining whether a state anti-patent law is preempted is of tremendous practical importance.

Since its founding, the Federal Circuit has ignored the nineteenth century case law and the holding of *Allen*, and has instead crafted its own approach to preemption of state anti-patent law. It assesses the issue using two sources of law: implied conflict preemption analysis based on the Patent Act and the Supremacy Clause, and "immunity" stemming from the First Amendment's Petition Clause. Below, I explain each doctrine in turn and show why it is flawed.

1. Implied Conflict ("Purposes and Objectives")
Preemption Under the Patent Act and the
Supremacy Clause

When assessing state anti-patent laws, such as a common law counterclaim in a patent lawsuit²⁹¹ or a stand-alone state regulation that potentially weakens patent rights,²⁹² the

288. See, e.g., *Vacca*, *supra* note 286, at 3–4 ("Congress thought that creating the Federal Circuit and eliminating the number of decisionmakers in the patent system would largely eradicate the pervasive inconsistency plaguing patent law and provide predictability to stakeholders through uniformity.") (citations omitted).

289. On the dialogue between the Federal Circuit and the Supreme Court, see *id.*

290. The Federal Circuit's preemption is not binding on state courts that review anti-patent law actions brought in state court. As discussed below, even though federal courts have exclusive jurisdiction over substantive patent issues under § 1338, some state law claims involving patents can potentially still be heard in state court. That said, it is likely that state courts will adopt the Federal Circuit's preemption standards in deciding patent issues that sneak through the exclusivity provision of § 1338. See, e.g., *Vermont v. MPHJ Tech. Invs., LLC*, No. 282-5-13, 2014 WL 5795264 (Vt. Super. Aug. 28, 2014).

291. *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998) (holding state law counter claim not preempted based on implied conflict analysis).

292. *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362, 1372 (Fed. Cir. 2007) (holding a District of Columbia act restraining patentees' ability to charge "excessive" prices for patented drugs).

Federal Circuit employs—alongside the First Amendment analysis I discuss next—implied conflict (purposes and objectives) preemption analysis based on the Patent Act²⁹³ and the Supremacy Clause.²⁹⁴ To understand this analysis, a quick primer on preemption law and how it operates in this area is necessary.

The term “preemption” typically describes a situation in which Congress has passed a statute under a lawful exercise of federal power, and a court must determine whether a particular state or local law is “preempted,” or superseded, by that particular federal statute (here, the Patent Act) under the principles articulated in the Supremacy Clause of the Constitution.²⁹⁵

The Supreme Court’s modern preemption case law recognizes two different categories of statutory preemption: “express” preemption—where Congress explicitly says a certain type of state law is preempted (the Patent Act does not have any such express preemption provision)²⁹⁶—and various forms of “implied” preemption—where Congress said nothing, but a court determines Congress implicitly intended to preempt a certain type of state law.²⁹⁷ The two relevant forms of implied preemption are implied “field” preemption—where Congress implicitly intended to occupy an entire field and to exclude states from legislating in that same field (here, the field of patent law)—and implied “conflict” preemption based on a conflict between the state law at issue and the underlying goals of the federal law at issue (here, the goals of the Patent Act).²⁹⁸ This last species of implied conflict preemption is often called “purposes and objectives” preemption or just “obstacle” preemption.²⁹⁹

293. 35 U.S.C. §§ 101–03, 112, 154.

294. U.S. CONST. art. VI, cl. 2.

295. CHEMERINSKY, *supra* note 105.

296. Hrды, *State Patent Laws*, *supra* note 10, at 72.

297. Nelson, *supra* note 82, at 226–29 (2000). *See generally*, CHEMERINSKY, *supra* note 105, at 404–05, 400–30.

298. Note that various types of “conflicts” can give rise to conflict preemption, including where an “actual conflict” exists between a federal law and a state law, and where the state law poses an obstacle for effectuating a federal statute’s purpose. *See* CHEMERINSKY, *supra* note 105, at 404, 420–27.

299. *Compare* Nelson, *supra* note 82, at 231 (using “obstacles” preemption) *with* *Wyeth v. Levine*, 555 U.S. 555, 583 (2009) (Thomas, J., concurring) (“I have become increasingly skeptical of this Court’s ‘purposes and objectives’ pre-emption jurisprudence.”).

Now to the application of this rule in the context of state anti-patent law. The Federal Circuit has explicitly rejected field preemption with respect to preemption challenges brought against state law unfair competition claims, holding that states have authority to legislate in the general field of unfair competition, even if state laws may affect federal patents.³⁰⁰ Rather, each time a preemption challenge is raised, the court must assess whether Congress impliedly intended to preempt the particular state law at issue due to some underlying conflict between the state law and the purposes and objectives of the Patent Act.³⁰¹ Specifically, the Federal Circuit will preempt the state law only if it “stand[s] as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress [under the Patent Act].”³⁰²

The Federal Circuit’s clearest explanation of how the obstacle preemption analysis works for state anti-patent laws can be found in *Dow Chemical Co. v. Exxon Corp.*³⁰³ In *Dow*, the patentee brought a preemption challenge to a state law counterclaim for “intentional interference with actual and prospective contractual relations” based on the patentee’s (Exxon’s) actions in making assertions of patent infringement even though the patentee allegedly knew its patents were invalid.³⁰⁴ The Federal Circuit rejected the patentee’s (Exxon’s) contention that the counterclaim was preempted under prior cases in which the Federal Circuit had held similar state law counterclaims to be precluded.³⁰⁵

300. *Hunter Douglas v. Harmonic Design*, 153 F.3d 1318, 1333 (Fed. Cir. 1998) (determining that Congress did not intend “for federal patent law to occupy exclusively the field pertaining to state unfair competition law” and holding that “[b]ecause of the lack of such congressional intent, in conjunction with the underlying presumption disfavoring preemption, there is no field preemption of state unfair competition claims that rely on a substantial question of federal patent law”).

301. *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998) (citing *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

302. *Id.*; see also *CHEMERINSKY*, *supra* note 105, at 423–27.

303. 139 F.3d at 1473.

304. *Id.* at 1476.

305. The patentee had attempted to rely on *Concrete Unlimited v. Cementcraft, Inc.*, 776 F.2d 1537, 227 (Fed. Cir. 1985) and *Abbott Laboratories v. Brennan*, 952 F.2d 1346 (Fed. Cir. 1991). In neither of these cases had the Federal Circuit utilized implied conflict/obstacle preemption analysis, or preemption analysis at all. In fact, the *Concrete Unlimited* case suggested that the patent’s presumption of validity precluded a state law counterclaims against a patentee that was merely seeking to enforce its patent. *Concrete Unlimited*, 776 F.2d at 1539

Instead, the *Dow* court relied on conflict preemption under the Patent Act and crafted a “purposes and objectives” analysis based on Supreme Court case law involving the preemption of state trade secrets and other “patent-like” rights.³⁰⁶ The court then articulated the now-prevailing rule for determining whether a state anti-patent law is preempted based on a conflict with the purposes and objectives of federal patent law.³⁰⁷ “Under the standard mandated by the Supreme Court,” the court wrote, the state anti-patent law cannot present an “‘obstacle’ to the execution and accomplishment of the patent laws.”³⁰⁸ Specifically, the law cannot interfere with patent law’s three major functions: “the incentive to invent, the full disclosure of ideas, or the principle that ideas in the public domain remain in the public domain.”³⁰⁹ The Court gave further guidance for determining whether such a conflict exists, writing that to survive preemption, the state law claim

(holding that in light of the patent’s presumption of validity under 35 U.S.C. § 282, the patentee “had the right to exclude others from making, using, and selling the invention and to enforce those rights until the ‘028 patent was held invalid. [The patentee thus] did only what any patent owner has the right to do to enforce its patent, and that includes threatening alleged infringers with suit.”). The *Abbott Labs* case, meanwhile, suggested that patent law might occupy the entire field with respect to state anti-patent law. See 952 F.2d at 1355–57 (“Although certain traditional state law concerns may properly be raised when patent rights are litigated, [including, inter alia, deceptive simulation of trade dress, trade secret protection, and misappropriation of proprietary information], the issue at bar relates directly to administrative proceedings before the PTO Board of Patent Appeals and Interferences.”); see also *id.* at 1357 (concluding that an additional state action to penalize inequitable conduct before the PTO was “contrary to Congress’ preemptive regulation in the area of patent law”) (citing *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141 (1989)). The Federal Circuit distinguished *Abbott Labs* in *Dow*, and eventually explicitly held patent law did not occupy the field of unfair competition law in *Hunter Douglas*. *Dow Chem. Co.*, 139 F.3d at 1471–79; *Hunter Douglas*, 153 F.3d at 1333–35 (Fed. Cir. 1998).

306. Specifically, the *Dow* court relied on Supreme Court cases addressing preemption of state trademark rights; preemption of state trade secrets; preemption of state contractual protection for an invention; and preemption of state patent-like rights. *Dow Chem. Co.*, 139 F.3d at 1473–75 (citations omitted).

307. Specifically, the court held that:

[A] state law tort claim is not preempted by the federal patent law, even if it requires the state court to adjudicate a question of federal patent law, provided the state law cause of action includes additional elements not found in the federal patent law cause of action and is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law.

Dow Chem. Co., 139 F.3d at 1473–74.

308. *Id.* at 1475.

309. *Id.*

must include an additional element not found in federal patent law and must not “offer patent-like protection to subject matter addressed by federal law.”³¹⁰

Under this standard, the *Dow* court (a majority of the judges) found the state law counterclaim did not conflict with patent law’s goals. The counterclaim contained “additional elements” from federal liability for inequitable conduct, such as the requirement that the patentee (Exxon) have knowledge of the contractual relationship with which its patent assertions would interfere.³¹¹ The counterclaim also did not interfere with the principle that known ideas remain in the public domain; it merely created liability for a patentee for enforcing a patent in a certain way, and thus “plainly [did] not seek to offer patent-like protection to intellectual property inconsistent with the federal scheme.”³¹² Lastly, the law did not interfere with patent law’s incentive and disclosure functions because, unlike a state patent law—which might arguably lead an inventor to choose to forego applying for federal patent protection in favor of relying on state-level protection³¹³—the prospect of potential tort liability was not so great that it would actually lead an inventor to “forfeit the benefits of patent protection” from the outset due merely to the “the risk of being found tortiously liable based upon attempting to enforce a patent obtained by inequitable conduct.”³¹⁴

To summarize, the Federal Circuit currently views preemption of state anti-patent laws as equivalent to the preemption of state patent laws or patent-like laws, such as trade secrets. The preemption analysis is an exercise in determining whether the state law conflicts with patent law’s underlying goals to provide an incentive to invent and disclose information, or with the principle that known subject matter

310. *Id.* at 1473–74. The court seemed to import the “additional element” test found in copyright preemption into its purposes and objectives analysis. *See, e.g., Higher Gear Group, Inc. v. Rockenbach Chevrolet Sales, Inc.*, 223 F. Supp. 2d 953, 956–57 (N.D. Ill. 2002); *see also* Guy Rub, *Copyright Survives: Rethinking the Copyright-Contracts Conflict*, 103 VA. L. REV. 1141 (2017).

311. *Dow Chem. Co.*, 139 F.3d at 1477.

312. *Id.* at 1475.

313. *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 160–61 (1989).

314. *Dow Chem. Co.*, 139 F.3d at 1475 (“Indeed, it seems most improbable that an inventor would choose to forfeit the benefits of patent protection because of fear of the risk of being found tortiously liable based upon attempting to enforce a patent obtained by inequitable conduct.”).

must remain in the public domain; and a crucial issue in this analysis is whether the state law would lead inventors to “forfeit the benefits of patent protection.”³¹⁵

I must now emphasize a point of law that is central to my arguments regarding the proper preemption test to be used when assessing challenges to state anti-patent laws. As just explained, the Federal Circuit has not differentiated the preemption standard it uses for assessing different types of state laws that touch on patents. Rather, the Federal Circuit uses the nearly³¹⁶ identical preemption standard for addressing both challenges to state *patent-like* laws, such as trade secrets, and for addressing challenges to state *anti-patent* laws, such as a state law counterclaim brought against a patentee in an infringement lawsuit.³¹⁷

This is quite unlike the structural analysis delivered by Justice Kent in *Livingston*, which disaggregated state laws that create state patents from state laws that “take away” federal patents.³¹⁸ This analysis wrongly assumes that state anti-patent laws and state patent laws pose the same sort of conflict with patent law—namely, offering “patent-like protection to subject matter addressed by federal law.”³¹⁹ But in fact the two types of conflicts are quite different.

Judge Lourie noted this problem in his dissent,³²⁰ where he disagreed with the majority’s conclusion that a patentee could potentially be liable under state law for enforcing and sending threatening communications about a patent allegedly

315. *Id.*

316. The main difference I can see is that when assessing state anti-patent laws, the Federal Circuit assesses whether the state law at issue includes an “additional element” beyond the remedies provided by the federal Patent Act. *See id.* at 1473; *see supra* note 314.

317. *Compare* *Interpart Corp. v. Italia*, 777 F.2d 678, 684 (Fed. Cir. 1985) (“Whether California’s plug molding statute is preempted by federal law involves a consideration, under Ninth Circuit law, of whether that law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”) (internal quotations omitted) (citations omitted) *with Dow Chem. Co.*, 139 F.3d at 1473 (“Under the standard mandated by the Supreme Court in *Kewanee* [and subsequent cases], the state law cause of action at issue here [a common law counterclaim brought against a patentee in an infringement lawsuit] does not present an “obstacle” to the execution and accomplishment of the patent laws.”).

318. *See supra* Section II.A.

319. *Dow Chem. Co.*, 139 F.3d at 1473.

320. *Id.* at 1479 (Lourie, J., dissenting).

obtained by fraud on the Patent Office.³²¹ Judge Lourie argued the state law counterclaim was preempted because it merely replicated the inequitable conduct remedy (in other words, there was not really an additional element),³²² and because the majority was erroneously relying on cases like *Kewanee*, which were inapposite because they all involved “an alternative form of intellectual property protection or enforcement of a contract, rather than *an attack on the enforceability (or validity) of a patent* which is basically at issue here.”³²³ “Thus,” he concluded, “none of those cases provides precedent for the majority’s decision.”³²⁴

Judge Lourie, I think, got it exactly right. A state patent-like right or a trade secret is not the same as a state law that constitutes “an attack on the enforceability (or validity) of a patent.”³²⁵ Lourie’s point is similar to Justice Kent’s observation that state patents—exclusive rights given as a reward for innovation—are conceptually and legally distinct from state laws that seek to “take away,” “render common,” or otherwise undermine a federally secured patent right.³²⁶ In the case of a state patent or state patent-like right, a state seeks to reward and incentivize innovation by conferring a legal right to exclude and the authority to enjoin and seek compensation for infringement.³²⁷ As the Supreme Court observed when it

321. *Id.* at 1474.

322. *See supra* text accompanying note 316.

323. *Dow Chem. Co.*, 139 F.3d at 1479 (Lourie, J., dissenting) (emphasis added).

324. *Id.* Judge Lourie argued the court should have followed its prior decision in *Abbott* which, as mentioned above in note 316, appeared to embrace field preemption. *Id.* (“I believe this court’s holding of preemption in *Abbott Laboratories v. Brenman* is the closest precedent and that it should lead to a similar result here.”). Gugliuzza has also conceded that the implied conflict preemption case law is not directly on point for assessing state anti-patent law. Gugliuzza, *supra* note 1, at 1603 (“To be sure, none of these Supreme Court cases [namely, *Kewanee* and *Bonito Boats*] involved state laws regulating patent enforcement. But the structure of the Court’s analysis—examining the policies behind the patent-related state law and weighing it against the policies embodied in federal patent law—is plainly relevant to the question of whether federal patent law preempts state laws regulating patent assertions.”).

325. *Dow Chem. Co.*, 139 F.3d at 1480.

326. *See supra* Section II.A.

327. *See* Hrды, *State Patents as a Solution*, *supra* note 132 (discussing the utility of state patents as incentives for innovation). Note that in the case of trade secrets, the right to exclude only operates against misappropriators, not against the entire world like with a state patent. *Kewanee Oil Corp. v. Bicron Corp.*, 416 U.S. 470, 490 (1974) (“While trade secret law does not forbid the discovery of the

upheld a state trade secret statute in *Kewanee*, this type of state-level protection *potentially* interferes with the U.S. patent system *if* it leads inventors to file fewer patents or *if* it creates a right against the world, thereby extracting from the public domain known subject matter that Congress has “impliedly” said should be available for use.³²⁸ But state patents, state trade secrets, and other state patent-like rights do not interfere with an existing federal patent right itself. Indeed, even in the most extreme circumstance, where states start granting their own patents, a direct conflict between a federal patent and a state patent is both highly unlikely and not intentional on the part of the state.³²⁹

In contrast, state anti-patent laws, by their very design, constrain the ability of patentees to enforce or otherwise profit from their patent rights in the jurisdiction.³³⁰ Take just a few examples of state anti-patent laws we have seen historically and today. The registration statutes upheld in *Allen* penalized patentees for failing to register a patent with the state.³³¹ The state law counterclaim upheld in *Dow* exposed patentees to liability for enforcing patents in a certain way.³³² The new bad faith assertion laws passed today in states like Vermont penalize patentees who enforce invalid or potentially even valid patents in “bad faith.”³³³ State taxes, state licensing

trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates ‘against the world,’ forbidding any use of the invention for whatever purpose for a significant length of time.”).

328. See *Kewanee Oil Corp.*, 416 U.S. at 489–93.

329. There is only one exception I can see: where a state patent is granted for precisely the same subject matter as a federal patent. In this circumstance, which is unlikely to occur today, the state patent or patent-like right would have to yield under the Supremacy Clause. See Hrdy, *State Patents as a Solution*, *supra* note 132, at 535–37. Otherwise, at worst, allowing states to grant their own patents might tie up too much publicly available knowledge, deter people from investing in patentable innovation, and create disuniformity. For these points, see *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 159 (1989). For counterarguments, see Douglas G. Lichtman, *The Economics of Innovation: Protecting Unpatentable Goods*, 81 MINN. L. REV. 693, 693 (1997) (proposing allowing state anti-copying laws to promote investment in unpatentable goods); see also Hrdy, *State Patents as a Solution*, *supra* note 132, at 524–32.

330. As Judge Lourie put it in his *Dow* dissent, a state counterclaim in a patent lawsuit is “[basically] an attack on the enforceability (or validity) of a patent.” *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1480 (Fed. Cir. 1998).

331. *Allen v. Riley*, 203 U.S. 347, 353 (1906) (discussing various state registration laws and laws requiring labelling of patent transactions).

332. *Dow Chem. Co.*, 139 F.3d at 1470–74.

333. See Gugliuzza *supra* note 1.

requirements, and even state laws that seek to regulate the prices patentees can charge to sell or license their inventions all represent concerted efforts by states to reduce the legal force of patent rights. Even if states have legitimate goals in passing these laws—to regulate fraud, to obtain revenue, to avoid excessive pricing of drugs—they are nonetheless achieving these goals at the expense of patentees’ profits.

A simple way to put this difference is that a state patent law or a trade secret is a carrot that states give to innovators, including, but not limited to, inventors of patentable inventions, in order to reward innovation; but a state anti-patent law is a stick that states hit patentees with when they do wrong. The former type of law (the carrot) does not directly interfere with the “exclusive right” protected under the Intellectual Property Clause; but the latter type of law (the stick) assuredly does.

*a. Conflict (Purposes and Objectives) Preemption
Is the Wrong Tool for Assessing Preemption of
State Anti-Patent Law*

The Federal Circuit’s use of the implied conflict preemption doctrine has many problems when applied to state anti-patent law. First, as just explained, it wrongly assumes that a state anti-patent law is analogous to a state patent law and that the Supreme Court’s implied conflict preemption case law addressing trade secrets and other patent-like rights is on point. These cases are arguably relevant, but they should be ignored or at least addressed secondarily if the Intellectual Property Clause directly answers the question. As I will explain in the next part, when a state law interferes with the “exclusive right” protected under the Intellectual Property Clause, this presents a different type of conflict than when a state law merely creates state-level protection for similar subject matter.³³⁴

334. Importantly, this also means that preemption doctrine with respect to state anti-patent law, versus state patent law, is not swept under the Supreme Court’s holding in *Goldstein v. California* that the Intellectual Property Clause does not, of its own force, preempt states from creating their own supplemental protections for the subject matter of copyright. *Goldstein v. California*, 412 U.S. 546, 560 (1973) (concluding that “under the Constitution, the States have not relinquished all power to grant to authors the exclusive Right to their respective Writings”) (internal quotations omitted).

Second, to use implied conflict preemption analysis to address a state anti-patent law is to wrongly assume that congressional intent to preempt a state anti-patent law is required. As the cases in Part II demonstrate, the Intellectual Property Clause of the Constitution allocated power to Congress to grant exclusive rights; states cannot pass laws that unduly burden those rights.³³⁵ Thus, while congressional intent to preempt may be needed to preempt a state law that resembles a patent, congressional intent to preempt a state anti-patent law is not necessary.

Third, purposes and objectives preemption is an unnecessarily unwieldy way to assess preemption of a state anti-patent law. As just explained, a state anti-patent law's express purpose is to diminish in some way the powers conferred by a patent. Courts should be able to ask directly whether the patent's powers have been significantly diminished or not; they should not have to go through the rhetoric of purposes and objectives analysis asking whether the law poses an obstacle for the goals of patent law.

In sum, the court's conflict preemption analysis is both inefficiently wordy and based on an incorrect view of what is required for preemption to occur. Congress's implied intention to preempt a state anti-patent law is *not* required. Rather, the mandate to preempt a local law that interferes with the patentee's exclusive right comes from the Intellectual Property Clause itself.³³⁶ The historical Intellectual Property Clause analysis provided by *Allen*, which I flesh out more fully in Section III.C, gets straight to the heart of the issue, asking directly whether the state law places an unreasonable burden on the exclusive right as secured by Congress under the Intellectual Property Clause. I argue the Federal Circuit, and the Supreme Court if it gets the chance, should revive this

335. The best analogy available is the Dormant Commerce Clause, where the Constitution by negative implication prohibits states from acting. *See* discussion *infra* note 368. One issue not addressed by the early case law is whether Congress could explicitly permit states to pass such laws. I think it can. The Supreme Court has held Congress can allow states to pass laws that burden interstate commerce despite the Dormant Commerce Clause. *See, e.g.,* *Camps Newfound/Owatonna, Inc. v. Town of Harrison*, 520 U.S. 564, 571 & n.8 (1997); *Maine v. Taylor*, 477 U.S. 131, 138 (1986). *But see* Norman Williams, *Why Congress May Not Overrule the Dormant Commerce Clause*, 53 UCLA L. REV. 153, 153 (2005) (arguing that Congress may not overrule the Dormant Commerce Clause).

336. *See* U.S. CONST. art. I, § 8, cl. 8.

older, clearer rule and eschew the tortured conflict preemption analysis when the state law at issue constitutes an anti-patent law.

2. The First Amendment's "Preemptive" Effect

Readers who know the Federal Circuit caselaw on preemption will at this point be thinking: but the Federal Circuit doesn't *actually* use the implied conflict (purposes and objectives) preemption analysis to uphold state law claims brought against patentees. This is because, increasingly, the Federal Circuit has begun to supplement its preemption analysis with so-called "Petitioning Immunity" under the First Amendment,³³⁷ presumably in order to more vigorously shield patentees from state law liability.³³⁸ As defined within antitrust law, Petitioning Immunity (also called the *Noerr-Pennington* doctrine) shields a patentee from being held liable for bringing a legal claim *unless* the claim is both objectively and subjectively baseless; objectively reasonable legal claims are considered First-Amendment-protected "petitions."³³⁹

Drawing on this doctrine, the Federal Circuit has held that when a state law imposes liability for doing more than this, restricting the patentee's ability to make an "objectively

337. See Gugliuzza, *supra* note 1, at 1584 ("A closer examination of Federal Circuit case law, however, reveals that the most significant constitutional barrier to state regulation of patent enforcement is not preemption pursuant to the Supremacy Clause; it is the Federal Circuit's erroneous interpretation of the First Amendment's Petition Clause."); see also *id.* at 1624–28 (discussing the Federal Circuit's gradual adoption of Petitioning Immunity in addition to or in lieu of conflict preemption). On Petitioning Immunity in antitrust law, generally, see Daniel R. Fischel, *Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the Noerr-Pennington Doctrine*, 45 U. CHI. L. REV. 80, 81 (1977). But see David McGowan & Mark Lemley, *Antitrust Immunity: State Action and Federalism, Petitioning, and the First Amendment*, 17 HARV. J. PUB. POL'Y 293 (1994) (arguing that the Sherman Act should not be construed to prevent liability for anticompetitive actions made in the course of petitioning).

338. See *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004) (citing *Profl Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993)).

339. *Profl Real Estate Inv'rs*, 508 U.S. at 60 (holding that to fall under *Noerr* immunity a lawsuit "must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under *Noerr*, and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation.").

reasonable” infringement assertion, then the state law is preempted.³⁴⁰

Unfortunately, as Professor Paul Gugliuzza has convincingly demonstrated,³⁴¹ Petitioning Immunity’s “objectively reasonable” requirement does not work very well in this context for a variety of reasons. The *Noerr-Pennington* doctrine is based on interpretation of the Sherman Act and has only weak application here when the relevant statute is not the Sherman Act, but a state statute or common law.³⁴² Moreover, even if Petitioning Immunity does apply as against laws other than the Sherman Act, the Supreme Court has cast doubt on the actual strength of the Petition Clause’s protections.³⁴³ Gugliuzza also points out a major flaw in replacing preemption with Petitioning Immunity: while preemption applies only to state regulation of patents, the First Amendment’s protections would apply to *federal* as well as state regulation.³⁴⁴

There is yet another problem with First Amendment Petitioning Immunity analysis that is worth emphasizing: it does not work very well for challenging a patent assertion in the very early stages of the dispute. As just explained, Petitioning Immunity shields patent assertions that are deemed to be “objectively reasonable.”³⁴⁵ As the Federal Circuit articulated, under this objective reasonableness requirement in *Globetrotter Software, Inc. v. Elan Computer Group*, Petitioning Immunity can be overcome only when a court determines that the asserted patents “were obviously invalid or plainly not infringed” at the time the lawsuit was brought.³⁴⁶

340. See *Globetrotter*, 362 F.3d at 1374–77.

341. Gugliuzza, *supra* note 1, at 1608–16.

342. *Id.* at 1609, 1611, 1613. This is not to say a court could not construe a state statute narrowly to avoid running afoul of the Petition Clause; it’s just that the Federal Circuit never explicitly did so in any of these cases, instead simply citing to *Noerr* and its antitrust progeny.

343. *Id.* at 1611–12 (discussing *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014)).

344. Gugliuzza, *supra* note 1, at 1586 (noting that Petitioning Immunity would prevent the federal government as well as state governments from condemning “all but the most fantastical” patent assertions).

345. *Profl Real Estate Inv’rs, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60 (1993).

346. *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1375 (Fed. Cir. 2004) (holding state law counterclaims brought in patent lawsuits were preempted and barred by First Amendment Petitioning Immunity because the “only proof of objective baselessness” was the fact that the district court had granted summary judgment of non-infringement, a holding that was thereafter

But the reasonableness of a patent infringement claim cannot seriously be determined *prior* to assessment of the patent's validity or the merits of the infringement claim.³⁴⁷ True, the merits of the claim can potentially be ascertained *after* a patent lawsuit has been decided; but even then, how can a court realistically determine what those merits were when the patent claim was brought, given all the uncertainties that go into defining the scope of a patent and determining whether the claims are literally (or equivalently) infringed?³⁴⁸ Thus, the Petitioning Immunity standard is an exceptionally poor fit for state anti-patent laws that allow putative defendants to bring a state law claim based only on a demand letter sent prior to any patent infringement claim being filed.

Despite these deficiencies, Gugliuzza shows that the Federal Circuit has essentially replaced patent preemption analysis with its interpretation of Petitioning Immunity, and has explicitly extended this immunity to pre-litigation communications by patentees like demand letters.³⁴⁹ In Professor Gugliuzza's assessment, the First Amendment, rather than patent preemption, has become the main barrier to state regulation of patent assertions and will, in the majority of cases, lead a court to find the state law is preempted.³⁵⁰

reversed on appeal).

347. For more discussion of this difficulty, see David Lee Johnson, *Facing Down the Trolls: States Stumble on the Bridge to Patent-Assertion Regulation*, 71 WASH. & LEE L. REV. 2023, 2060 (2014).

348. The difficulty of determining the merits of a patent lawsuit is precisely the reason that declaratory judgments—actions by putative defendants to determine the validity of an asserted patent and merits of the case—are uniquely important in the patent system. See Megan La Belle, *Standing to Sue in the Myriad Genetics Case*, 2 CAL. L. REV. Circuit 68, 71 (2011) (“underscoring the importance of declaratory judgment actions to the patent system” because when “patent owners choose not to sue for patent infringement, a declaratory judgment action is often the only way to challenge a patent’s validity”).

349. *Globetrotter*, 362 F.3d at 1376 (“The Supreme Court has not addressed the question whether the *Professional Real Estate* standard applies outside the context of actual litigation. However, our sister circuits, almost without exception, have applied the *Noerr* protections to pre-litigation communications.”) (citing cases).

350. Gugliuzza, *supra* note 1, at 1627 (“By my count, since *Globetrotter*, the Federal Circuit has barred the state law claims in all but one case raising the issue.”).

3. Moving Beyond the Federal Circuit's Errors

Why did the Federal Circuit ignore the historic preemption standard under the Intellectual Property Clause, formulated in the nineteenth century and confirmed by the Supreme Court in *Allen*? And why did the Federal Circuit replace patent preemption with the First Amendment? There are surely many factors. One may simply be that the purposes and objectives preemption rule described in Section II.A.1 doesn't work very well. Regardless of why the Federal Circuit erred, it is time to recognize that neither standard discussed above is correct. Rather than assessing congressional intent to preempt a given state anti-patent law, and rather than using an arguably overly expansive interpretation of Petitioning Immunity under the First Amendment, courts should assess the legality of state *anti*-patent laws, as opposed to state patent-like incentives, based on the Intellectual Property Clause itself. As explained in *Allen*, this means assessing whether a state has impermissibly burdened the exclusive right "secured" by Congress based on its Article I power.³⁵¹

B. The Intellectual Property Clause's Preemptive Effect Against State Anti-Patent Law

Up to now I have argued that the Federal Circuit should throw out its conflict preemption analysis and its First Amendment Petitioning Immunity analysis when assessing state anti-patent laws. If it gets the chance, the U.S. Supreme Court should do the same and go back to its own rule as articulated in *Allen*. Under this rule, courts should 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.³⁵²

351. Obviously, a state law can also be preempted due to a conflict with a particular provision of the patent statute. Passing the constitutional standard—not imposing an "oppressive" or "unreasonable" burden on the patent right—does not mean a state law is not preempted. Rather, the court must also address whether the state law directly conflicts with some specific provision of the Patent Act.

352. Jeanne Fromer has made a similar, not identical, suggestion to at least use the Intellectual Property Clause as a useful guidepost in assessing preemption of state laws that touch on patents in order to bypass the legal morass of the Supreme Court's preemption case law. See Fromer, *supra* note 26, at 1

The onus is now on me to show how this doctrine would work and to answer the following crucial question: what does it mean for a state to place an “unreasonable” versus a “reasonable” burden on a federal patent right? In my view, there are two ways to interpret this standard: as a clear ceiling or as a true reasonableness test. Either rule could be used to replace the Federal Circuit’s modern case law on preemption of state anti-patent laws that challenge the validity or attack enforceability of patents. I discuss each below, and demonstrate why the second reading—a true reasonableness test—is preferable.

1. A Clear Ceiling on States’ Regulatory Authority

The first interpretation of *Allen* is that it announces a clear ceiling beyond which states cannot regulate patents.³⁵³ The specific ceiling announced in *Allen* is that, to be considered “not unreasonable or oppressive,” a state regulation designed to prevent patent fraud must be merely intended to ensure that a “genuine” patent exists—that is, an authentic patent granted by the Patent Office that has not expired or otherwise been revoked—and cannot require assessing the validity of the patent or merits of the infringement claim.³⁵⁴ This

(“Much of the confusion in preemption doctrine in intellectual property comes from trying to piece together the Supreme Court’s various cases in the area into a coherent analytical framework. I propose that the cases can be read consistently, with the help of the Constitution’s Intellectual Property Clause (IP Clause), which grants Congress authority ‘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.’ The IP Clause can help shed analytical light on when state laws are preempted.”).

353. Ceiling preemption occurs where federal law sets a maximum level of stringency above which a state may not regulate. William W. Buzbee, *Asymmetrical Regulation: Risk, Preemption, and the Floor/Ceiling Distinction*, 82 N.Y.U. L. REV. 1547, 1551–52 (2007); see also Mark Lemley, *Beyond Preemption: The Law and Policy of IP Licensing*, 87 CAL. L. REV. 111, 171 (1999) (arguing that “most (though by no means all) of the examples of federal policy interests [implicated in preemption cases] involve [federal] limits on the ability of intellectual property owners to expand protection [under state law], not limits on the ability of licensees to defeat protection. That is, most of the policy interests reflect ceilings rather than floors on the scope of protection.”). *But see, e.g.*, Mark McKenna, *Trademark Law’s Faux Federalism in INTELLECTUAL PROPERTY AND THE COMMON LAW* 303 (Shyamkrishna Balganesh ed., 2013) (discussing state expansions of trademark protection).

354. I derive this ceiling from certain of the Court’s statements in *Allen v. Riley*, 203 U.S. 347 (1906). The Kansas law that the Court upheld required clearly

interpretation would cast suspicion on the constitutional viability of a law that requires a court to assess whether a patent claim is legally meritorious, but would not have a problem with a state law that merely seeks to determine whether the patentee is in possession of an actual patent.³⁵⁵

The benefit of this admittedly quite narrow interpretation of *Allen* is that it aligns preemption of state substantive law with states' jurisdictional authority. As explained above, state courts have very limited jurisdiction to determine patent validity or decide the merits of patent infringement assertions.³⁵⁶ This limitation was created by Congress in the jurisdiction statutes and is not necessarily constitutional. It could be, as Professor Gugliuzza has suggested, that state courts do not necessarily lack the expertise necessary to decide patent lawsuits, and that Congress could mandate that they be permitted to do so more frequently.³⁵⁷

Even now, state courts' authority to hear state law claims involving patents has not entirely been eliminated.³⁵⁸ For

labeling notes given in exchange for patents and required patentees to submit copies of their patents to a county clerk and at the same time swear in an affidavit "that such letters patent are genuine, and have not been revoked or annulled, and that [the patentee] has full authority to sell or barter the right so patented." *See supra* text accompanying note 239. According to the Court, this regulation merely attempted to prevent patent sales by "those who have actually no authority to sell patent rights or own patent rights to sell," and thus "fell within the states' authority to "[enact] police regulations for the protection and security of its citizens." *Allen*, 203 U.S. at 353 (emphasis added).

355. Vermont's bad faith assertion law, for example, does suggest that courts assess legal merit, along with other factors, in assessing whether an assertion was brought in bad faith. Vt. Stat. Ann. tit. 9 § 1497(b)(6) (2013) ("The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless."). As I discuss below, this might be a constitutional problem.

356. Congress explicitly amended the jurisdiction statute in 2011 to clarify that "[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents." 28 U.S.C. § 1338(a) (2011); *see also* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284.

357. Whether state courts can effectively hear patent claims can be debated. *See* Gugliuzza, *supra* note 39. As Cooper has discussed, state courts have historically determined issues of patent validity and infringement in some cases. *See* Cooper, *supra* note 98, at 318-24, 370.

358. The Supreme Court has held that a state law claim "arises under" federal patent law only if it "necessarily raise[s] a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Gunn v. Minton*, 133 S. Ct. 1059, 1065 (2013) (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988); *Grable & Sons Metal Prods, Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308 (2005)).

instance, in *Gunn v. Minton*, the Supreme Court held that, even though 28 U.S.C. § 1338(a) ordinarily gives federal courts exclusive jurisdiction over patent cases, it does not necessarily “deprive the state courts of subject matter jurisdiction” in cases where the state court must address a question of federal patent law in order to resolve issues within a separate state law claim.³⁵⁹ In *Gunn*, the Court held state courts could, despite § 1338(a), assess the merits of an attorney malpractice claim stemming from the attorney’s prior role in a patent lawsuit that had already been decided in federal court.³⁶⁰

But in my reading of the language of § 1338(a) and the Court’s holding in *Gunn*, state courts still cannot, under current jurisdictional law, determine substantial issues in pending patent infringement actions, and cannot make any precedential decisions respecting claim interpretation, patent validity, or the merits of an infringement lawsuit going forward.³⁶¹ Only a federal court with the authority to perform binding claim constructions can decide a patent lawsuit or entertain a declaratory judgment of invalidity can make these types of assessments.³⁶² This means that accurately determining bad faith on the part of patentees in asserting or suing on their patents would be quite difficult outside of federal court in the vast majority of cases.

In contrast, merely determining the genuineness (i.e., authenticity) of a patent is something a state court can actually do.³⁶³ For instance, a state court can easily look up whether a patent is expired,³⁶⁴ or whether a federal court had previously

359. *Gunn*, 133 S. Ct. at 1068.

360. *Id.* at 1062–63.

361. In my reading of § 1338 and the Supreme Court’s holding in *Gunn*, a state court cannot issue binding precedents regarding interpretation of patent claims or that would significantly affect the validity of a patent. *Id.* at 1068 (noting that assessing the merits of a patent case decided in federal court for purposes of deciding whether an attorney was liable for malpractice under state law would “not stand as binding precedent for any future patent claim; it [would] not even affect the validity of [the patentee’s] patent”); see also 28 U.S.C. § 1338(a) (“No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.”).

362. Arguably, the PTAB can now make these assessments as well, especially now that IPRs employ more trial-like procedures. Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 924–27 (2015).

363. As David Lee Johnson has pointed out, there are several circumstances where a state court could assess a patent’s authenticity without much expenditure of court resources. Johnson, *supra* note 347, at 2060.

364. *Id.*

found the identical patent to be invalid, or the identical claim for infringement to be baseless.³⁶⁵

This constitutional ceiling would also permit states to pass laws that require labeling a demand letter with the patent number. Such a regulation would merely be designed to prove existence of a genuine patent. Recipients of a letter that includes the number could use it to search for the patent in the online database operated by the Patent Office.³⁶⁶ In each of these cases, state courts would only be asked to determine patent authenticity (that the patent has not expired or otherwise been previously revoked), or whether a patentee has complied with the requirement of including the patent number for purposes of authentication. State courts would not be required to assess patent validity or underlying merits of the infringement allegation.

2. A True “Reasonableness” Standard

The second interpretation of *Allen* is that it was not intended to represent the outer bounds of what a state can do and does not create a static ceiling on state authority. Rather, it creates a true “reasonableness” standard under which courts would assess whether the state law creates an “oppressive or unreasonable” burden on the exclusive right protected under the Intellectual Property Clause on a case-by-case basis.³⁶⁷ Unlike with the ceiling interpretation, the reasonableness interpretation requires assessing the reasonableness of the particular state law in the case, and balancing the burden on the right to exclude conferred by the federal patent, against the state’s interests in passing the law.³⁶⁸

This iteration of *Allen* has three prongs. First, the state

365. *Id.* at 2059 (“[A] prior court determination that the patent holder’s defined boundaries of its patent claims are meritless could defeat its ability to subsequently realistically believe that the same claim could be infringed.”).

366. Generally speaking, patent applications are published eighteen months after the earliest filing date. *See* 35 U.S.C. § 122(b).

367. *Allen v. Riley*, 203 U.S. 347, 357 (1906); U.S. CONST. art. I, § 8, cl. 8.

368. An analogy can be made here to the Dormant Commerce Clause’s “balancing test,” under which a state law that potentially interferes with interstate commerce “will be upheld unless the burden imposed on [interstate] commerce is clearly excessive in relation to the putative local benefits.” *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970). For a discussion of Dormant Commerce Clause balancing, see Hrdy, *State Patents as a Solution*, *supra* note 132, at 537–47.

law must serve a valid purpose—that is, be designed to combat what the Court in *Allen* termed a “well-known evil.”³⁶⁹ In general, I suggest interpreting the first “well-known evil” prong as similar to the “rational basis” standard on which other state laws are judged under substantive due process.³⁷⁰ So long as the state has a rational basis to regulate a federal patent and is not making an arbitrary judgment based on no evidence, then courts should not overly speculate into the policy desirability of such a regulation.³⁷¹ For example, in the case of the current bad faith patent assertion laws, states seem clearly to have a “rational basis” to believe regulation of patent trolls is warranted—even if reasonable people can disagree over the degree to which patent trolls exist and are a problem.³⁷² At an evidentiary level, courts might simply require the state to submit some evidence of the problem it seeks to combat and factual findings that have led the state to believe the problem really exists. Under this relatively lax standard, examples of valid purposes may include ensuring a genuine patent exists, combating meritless assertions of patents, generating tax revenues from in-state business activity, or preventing a patentee from charging exorbitant prices for the covered invention.³⁷³

Second, the court must assess the burden the state law imposes on the patentee’s federally secured right to exclude.³⁷⁴

369. *Allen*, 203 U.S. at 356 (“The act must be a reasonable and fair exercise of the power of the state for the purpose of checking a well-known evil, and to prevent, so far as possible, fraud and imposition in regard to the sales of rights under patents.”).

370. *See, e.g.*, *Williamson v. Lee Optical of Oklahoma Inc.*, 348 U.S. 483, 487–88 (1955) (“[The challenged state law] need not be in every respect logically consistent with its aims to be constitutional [under the Due Process Clause]. It is enough that there is an evil at hand for correction, and that it might be thought that the particular legislative measure was a rational way to correct it.”).

371. *Id.* at 488 (“The day is gone when this Court uses the Due Process Clause of the Fourteenth Amendment to strike down state laws, regulatory of business and industrial conditions, because they may be unwise, improvident, or out of harmony with a particular school of thought.”) (citing older cases striking down state laws on policy grounds).

372. *See supra* note 3 (discussing debates over patent trolls).

373. For example, in *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362 (Fed. Cir. 2007), the Federal Circuit, using conflict preemption principles, addressed the legality of a state law that sought to regulate the pricing of patented drugs. Thanks to Amy Kapczynski for directing my attention to this case.

374. *Allen v. Riley*, 203 U.S. 347, 352 (1906) (accepting the view of the Kansas Supreme Court in its decision directly below that a state court cannot “interfere

What it means for a state law to impose a burden on the exclusive right varies by context. For example, if the state law is designed to make it harder for patentees to enforce fraudulent patents, the burden would be measured by the cost of enforcing a valid patent under the strictures of law.³⁷⁵ If the state law prohibits charging an “excessive” price, the burden would be measured by the degree to which the law prevents patentees from earning the full monopoly rents of their patents. If the state law is a tax, the burden is the tax rate in comparison to what is standard. And so on. In order to determine the degree of burden the state law imposes on patentees, the court must analyze the evidence and arguments from both sides regarding compliance costs.³⁷⁶

Third, the court must assess whether the burden the law imposes on patentees is “unreasonable” or “oppressive” in light of the state’s own valid interests. If so, the law is unconstitutional. If not, it is constitutional. As in the Dormant Commerce Clause scenario,³⁷⁷ the court would have to balance the first finding—the harm the state seeks to combat—against the second—the burden imposed on patentees’ right to exclude—and ask whether the burden is unreasonable in light of the problem the state seeks to address and in light of how well the chosen state law actually addresses the problem.³⁷⁸

with the right of a patentee to sell or assign his patent, nor . . . can [it] take away any essential feature of his exclusive right.”); *id.* at 355 (accepting the view of the *Ex parte Robinson* court that a state may not “impose terms which, possibly, in the language of Mr. Justice Davis, in *Ex parte Robinson*, 20 F. Cas. 961 (C.C.D. Ind. 1870), ‘would result in a prohibition of the sale of this species of property within its borders, and in this way nullify the laws of Congress which regulate its transfer, and destroy the power conferred upon Congress by the Constitution.’ Such a statute would not be a reasonable exercise of the powers of the state.”).

375. In *Allen*, this meant that the patentee’s costs of complying with the Kansas law in question, which required, inter alia, filing copies of the patent in the state or county in which the patentee wished to license, must not be too great. See *Allen*, 203 U.S. at 356–57.

376. *Id.* (assessing whether “[t]he expense of filing copies of the patent and the making of affidavits in the various counties of the state in which the owner of the rights desired to deal with them [was] so great . . . as to be regarded as oppressive or unreasonable”). See my discussion of the arguments made by the parties in *Allen supra* Section II.E.

377. See discussion of Dormant Commerce Clause balancing in Hrды, *State Patents as a Solution*, *supra* note 132, at 537–47.

378. This part of the analysis is similar to the Dormant Commerce Clause’s mandate that courts assess whether a state has alternative means for addressing a given local problem that are less burdensome on interstate commerce than the one chosen. *C & A Carbone, Inc. v. Clarkstown*, 511 U.S. 383, 423–24 (1994)

So, for example, imagine a state is concerned about patent trolls sending demand letters to small local companies that are unlikely to be infringing purely to seek out a licensing fee, and that this is harming local enterprise. In pursuit of this valid interest, the state gives targets of such demands a private right of action against persons who assert patents in “bad faith” and provides that courts that adjudicate the targets’ actions are required to impose a litigation bond on accused patentees of up to \$250,000 upon a finding that the target is reasonably likely to prevail.³⁷⁹

To determine this law’s constitutionality under the Intellectual Property Clause’s reasonableness test, the court would have to ask: Is it so difficult for patentees to avoid liability under this law, and to avoid the risk of a hefty litigation bond, that the cost to patentees outweighs the benefits to local companies who can now proactively file lawsuits against harassing trolls?

I am not claiming it would always be easy for courts to perform this balancing. The Dormant Commerce Clause case law is a good indicator of how courts may struggle to perform the federal-versus-state-interests balancing. But I do contend that this is a far better way to address preemption than what the Federal Circuit currently does. For what it is worth, without the benefit of evidentiary findings on the issue, my sense is that the vast majority of patentees who engage in regular licensing and enforcement would see the law depicted above as a substantial burden. The crucial question to answer is whether the state law is *worth it*. This in turn would require evidence we do not currently have—and that legislatures and courts should start to collect—about how well the new laws are

(noting that whether a state law is valid under the Dormant Commerce Clause “depends on the nature of the burden on interstate commerce, the nature of the local interest, and the availability of alternative methods for advancing the local interest without hindering the national one”) (emphasis added) (citing *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970)).

379. The Vermont bad faith assertion law does have this precise bond requirement. See VT. STAT. ANN. tit. 9 § 4198 (“Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this chapter, the court shall require the person 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 . . . [with the bond not to exceed \$250,000.00].”). The court may waive the bond if it finds the patentee has sufficient assets to cover the target’s costs and likely recovery, or “for other good cause shown.” *Id.*

working to prevent trolling and how they stand up to other possible regulations.³⁸⁰

*C. The Benefits of the Intellectual Property Clause
Analysis Over Alternatives*

Following the Federal Circuit's lead, courts currently rely on either implied conflict preemption analysis³⁸¹ or on the Federal Circuit's expansive interpretation of the First Amendment Petitioning Immunity Doctrine.³⁸² There are several reasons to prefer the historic approach.

1. Rooted in History and Relevant Supreme Court Precedent

First, the historic approach is not only rooted in history, but in accordance with Supreme Court precedent. This cannot be said for implied conflict preemption, which comes from Supreme Court case law addressing state patent-like rights, not state anti-patent laws. As explained in the prior section, these two fields of law are distinct and should not be assessed using the same preemption standard.³⁸³ Nor can it be said for Petitioning Immunity, which is imported from case law involving federal antitrust liability. No Supreme Court case has said that the Petition Clause should apply to state laws that regulate patents, or that the Petition Clause represents a particularly high level of immunity for patentees.

380. One obvious option for getting this evidence is to run surveys of patentees, on one hand, and targets who have used the new laws, on the other. I have been in touch with members of the Texas state legislature who are seeking to conduct this type of research.

381. See *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998) ("Pursuant to the Supremacy Clause, U.S. Const. art. VI, cl. 2, state causes of action are preempted if they stand as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress in enacting a statute.") (internal quotes omitted).

382. See *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004) ("Our decision to permit state-law tort liability for only objectively baseless allegations of infringement rests on both federal preemption and the First Amendment.") (citing *E. R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 133-37 (1961); *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60 (1993)).

383. See *supra* Section III.A.

2. Recognizes a Constitutional, as Opposed to Merely a Statutory, Barrier to State Anti-Patent Laws

Second, implied conflict preemption analysis wrongly assumes that congressional intent to preempt a state anti-patent law is required. Congress's implied intention to preempt a state anti-patent law is *not* required. Rather, the mandate to preempt a local law that interferes with the patentee's exclusive right comes from the Intellectual Property Clause itself.³⁸⁴ The historical Intellectual Property Clause analysis recognizes that the true limit to state authority to pass anti-patent laws is the Intellectual Property Clause.

3. Preserves a Slice of State Authority to Regulate Patents

Third, the Intellectual Property Clause analysis preserves a not-insignificant slice of state authority to regulate patent assertions and other activity involving patents. So long as the state anti-patent law does not impose an "unreasonable" burden on the patentee's exclusive right, it is not preempted. In *Allen*, the Court found a registration statute that sought to ensure patents were genuine (not expired or revoked) was not unreasonable. Several other state regulations can avoid preemption under this reasonableness standard, so long as they survive the balancing test described above, i.e., the burden on the patentee does not outweigh the state's valid interest in passing the law.

The reasonableness assessment thus avoids one of the major problems with the Federal Circuit's utilization of First Amendment Petition Clause Immunity to address state restrictions on patentees' ability to enforce their patents: the standard is arguably overly strict and weighs in favor of preemption in most conceivable cases.³⁸⁵ As discussed above, one of the problems may be that it is simply too difficult to determine whether a patent assertion is "objectively baseless" or not, especially before litigation commences. Thus, the safe route may simply be to lean towards finding the patentee was

384. See U.S. CONST. art. I, § 8, cl. 8.

385. See Gugliuzza, *supra* note 1, at 1627.

not wrong to bring a potentially meritorious claim.

Notably, the Petitioning Immunity analysis is not the only place we see the courts erring on the side of preemption. When applying conflict preemption analysis, the Federal Circuit has been quite patentee-protective. For instance, in *Biotechnology Industry Organization v. District of Columbia*, the Federal Circuit held that a state law restricting the prices patentees could charge for their patented drugs was preempted merely because it limited the pecuniary reward patentees could make from their patents.³⁸⁶ Plaintiffs urged that the District of Columbia's Prescription Drug Excessive Pricing Act, which prohibited charging "excessive" prices for patented prescription drugs, conflicted with "Congress's intention to provide [pharmaceutical patent holders] with the pecuniary reward that follows from the right to exclude granted by a patent."³⁸⁷ The Federal Circuit agreed, determining that a major boon of the "right to exclude" is the "opportunity to obtain above-market profits during the patent's term."³⁸⁸ "By penalizing high prices—and thus limiting the *full exercise of the exclusionary power that derives from a patent*" the Act conflicted with the congressional "purpose and objectives" of the patent laws.³⁸⁹ "The underlying determination about the proper balance between innovators' profit and consumer access to medication, though, is exclusively one for Congress to make."³⁹⁰

Such pronouncements comport with many nineteenth-century courts' views about the allocation of power between Congress and the states.³⁹¹ However, under the rule of *Allen*, the true test should be whether the burden on the exclusive right is one of "reasonableness." A state price restriction law that does not significantly affect patentees' incentive to invent and commercialize should not be preempted.

386. *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362, 1372–74 (Fed. Cir. 2007).

387. *Id.* at 1372.

388. *Id.*

389. *Id.* at 1374 (emphasis added).

390. *Id.*

391. See *supra* Section II.D.1 for a discussion of relevant cases.

4. Asks the Right Question

Fourth, the Intellectual Property Clause standard asks precisely the right question. By balancing the burden on patentees' exclusive rights against the state's legitimate interests, such as its interest in regulating fraud, this rule directly addresses what we actually care about at a policy level: Namely, does the state law make it so difficult to enforce or profit from a patent that it effectively undermines the federal patent incentive? If the law's burden or compliance cost is high, then (as Justice Kent observed long ago) the law should be preempted because otherwise the state is essentially taking away what Congress has given through the patent.³⁹² If there is little or no cost to the patentee, and there is a high payoff for the state, then we should not care that the state law imposes a minimal compliance cost on patentees in order to achieve its legitimate purpose.³⁹³ This singular focus on the burden to the patentee's Intellectual Property Clause rights contrasts with both obstacle preemption's open-ended balancing test and the Petition Clause's futile efforts to assess the merits of the patentee's cause of action prior to determining the validity of the patent and of the infringement claim.³⁹⁴

5. More Practical to Apply

Fifth, the historic approach is a far more practical standard for courts to apply. As explained, purposes and objectives analysis is unwieldy and circuitous, and it wrongly relies on congressional intent to preempt. Meanwhile, the Petitioning Immunity analysis is not workable for the majority of state laws to which it is presently applied. Petitioning Immunity requires determining whether a patentee has been prevented from making an "objectively reasonable" patent assertion.³⁹⁵ This is not a workable rule for adjudging patent assertions brought *early* in a patent dispute's lifetime. Except

392. See *supra* Section II.A (discussing Kent's dicta in *Livingston v. Van Ingen*, 9 Johns 507 (N.Y. 1812)).

393. Again, this balancing of state interests against the burden on the patentee is similar to Dormant Commerce Clause analysis. See *supra* Section III.B.

394. On the conflict preemption and First Amendment Petitioning Immunity alternatives see *supra* Sections III.A.1 and III.A.2.

395. *Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1374–77 (Fed. Cir. 2004).

in the most egregious cases, no court—state *or* federal—can know before at least claim construction whether a patent is valid or infringed.³⁹⁶ In contrast, assessing the compliance cost of a local law on patentees is at least something that courts (even state courts) can do, and that they can do even before a patent lawsuit has been filed. As explained, courts can order parties, including private parties as well as state attorneys general who bring public actions against patentees, to collect evidence on a state law's compliance cost on patentees in order to get a sense of whether the exclusive right has been unreasonably burdened by the law.

6. Applies Only to State, Not to Federal, Regulation of Patents

Lastly, returning to the Intellectual Property Clause as the benchmark for assessing the constitutionality of state anti-patent laws avoids the issue noted by Gugliuzza, if the Federal Circuit uses an expansive notion of Petitioning Immunity under the First Amendment equivalently with preemption, this case law would apply to both state regulation of patents and federal regulations.³⁹⁷ This is highly problematic. Historically, courts that struck down state anti-patent laws were clear that they were not prohibiting regulation of patents entirely; rather, they were holding that this regulation could only be imposed by a federal body.³⁹⁸

396. See *supra* Section III.A.2.

397. Gugliuzza, *supra* note 1, at 1586 (noting that Petitioning Immunity would prevent the federal government as well as state governments from condemning “all but the most fantastical” [sic] patent assertions).

398. See, e.g., *Cranson v. Smith*, 37 Mich. 309, 312–13 (1877) (“The subject of granting patents and regulating the rights of patentees has been placed by the Constitution of the United States in the control of Congress. It is for that body alone to determine to whom and on what conditions they shall be granted and how the patented privileges are to be transferred or disposed of. Where any right or privilege is subject to the regulation of Congress it is not competent for State laws to impose conditions which shall interfere with the rights or diminish their value.”).

CONCLUSION

State autonomy and innovation are crucial to a functioning federalist system of governance, especially in fast-paced high-technology law.³⁹⁹ Moreover, I am sympathetic to the view that additional regulations may be required to prevent “bottom feeder” assertions of patent rights, where it is apparent the patentee is using its rights merely to threaten, harass, or extort settlements, or is engaged in outright fraud.⁴⁰⁰ However, this article has shown that the Intellectual Property Clause, which gives Congress power to “secur[e]” inventors’ “exclusive right[s],” creates a preemptive barrier against states’ authority to weaken federal patent rights and prevents states from unreasonably burdening those rights.⁴⁰¹

Even in the heyday of federalism, courts recognized this structural limitation on states’ authority.⁴⁰² In *Allen v. Riley*, the Supreme Court clarified that states were constitutionally permitted to enact *some* laws to “safeguar[d] the interests of those dealing with the assumed owner of a patent, or his assignee,” such as state laws requiring patentees to verify that they actually possessed authentic (not necessarily valid) patents that were neither expired nor revoked.⁴⁰³ But the Court made clear that a state could never impose an “oppressive or unreasonable” burden on patentees’ exclusive rights, and “in this way . . . destroy the power conferred upon Congress by the Constitution.”⁴⁰⁴

The upshot of this rule is that the crucial limitation on state anti-patent laws—that is, state laws that seek to tax, weaken, or regulate patents—is the Intellectual Property Clause itself, not congressional intent to preempt under the

399. See, e.g., Hrdy, *Patent Nationally*, *supra* note 96 (arguing that although the federal government should be responsible for patent law, state and local governments should be responsible for other important features of U.S. innovation policy).

400. See Lemley & Melamed, *supra* note 3, at 2126 (“[A] growing number of trolls are interested in quick, low-value settlements for a variety of patents.”).

401. U.S. CONST. art. I, § 8, cl. 8.

402. See discussions *supra* Sections I.C–I.D and in Sections II.A–II.D.

403. *Allen v. Riley*, 203 U.S. 347, 356 (1906).

404. *Id.* at 355 (quotation removed) (upholding Kansas law requiring filing copies of the patent and the making of affidavits swearing their genuineness in the counties of the state in which the patentee seeks to deal with them because the law’s requirements are “not so great, in our judgment, as to be regarded as oppressive or unreasonable”). See also *supra* Part III (discussing various cases).

Patent Act, and not the First Amendment's Petition Clause.⁴⁰⁵ There are two ways to construct the Intellectual Property Clause's preemptive effect on state anti-patent law. The first is that the Intellectual Property Clause confines state authority to ensuring that an authentic (not necessarily valid) exclusive right exists that has neither expired nor previously been found invalid or otherwise revoked.⁴⁰⁶ The second—which is likely the construction the *Allen* court intended—is that a state law will be upheld so long as it does not impose an “unreasonable” burden on the patentee's exclusive right. Assessing the “reasonableness” of a state anti-patent law requires balancing the state's valid interests in passing the law, such as limiting patent fraud, against the burden the state law imposes on patentees.⁴⁰⁷ When addressing the constitutionality of state anti-patent laws today, courts should consult the Intellectual Property Clause and its reasonableness test, rather than relying on implied statutory preemption⁴⁰⁸ or the Federal Circuit's expansive interpretation of the protections of the First Amendment.⁴⁰⁹

405. Again, state anti-patent laws must be distinguished from state patents and the two fields of law require different preemption rules. *See supra* Section III.A.1.

406. *See supra* Section III.B.1.

407. Again the closest doctrinal analogy for this reasonableness assessment is the Dormant Commerce Clause's balancing test. *See supra* Section III.B.2; *see also* Hrды, *State Patents as a Solution*, *supra* note 132, at 537–47, for a discussion of Dormant Commerce Clause balancing.

408. *Cf. Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998).

409. *Cf. Globetrotter Software, Inc. v. Elan Comput. Grp.*, 362 F.3d 1367, 1377 (Fed. Cir. 2004). *See also* Gugliuzza, *supra* note 1.

APPENDIX: CASES ADDRESSING PREEMPTION OF STATE PATENT REGULATIONS UNDER THE INTELLECTUAL PROPERTY CLAUSE, 1812–1906

Regulation	Case Law
<p>License Laws: generally, sellers of patents must obtain a license and pay a “license tax” before selling patents in the jurisdiction</p>	<p>In re Sheffield, 64 F. 833 (C.C.D. Ky. 1894) (striking down Kentucky license law, 4216th section of the Kentucky Statutes).</p> <p>Com. v. Petty, 96 Ky. 452, 29 S.W. 291 (1895) (invalidating Kentucky license law).</p>
<p>Registration Statutes: generally, sellers of patents must file copies of patents and affidavit stating patents are genuine and have not expired or been revoked with the local court</p>	<p>Ex parte Robinson, 20 F. Cas. 961 (C.C.D. Ind. 1870) (No. 11,932) (striking down St. Ind. (Davis’ Supp.) p. 364, act of 1869).*</p> <p>Hollida & Ball v. Hunt, 70 Ill. 109, 112 (1873) (striking down Ill. law of March 25, 1869).*</p> <p>Crittenden v. White, 23 Minn. 24, 25 (1876) (striking down Ind. Laws 1871, c. 26).*</p> <p>Tod v. Wick, Bros. & Co., 36 Ohio St. 370, 371-72 (1881) (upholding Ohio act of May 4, 1869 (66 O. L. 93)).*</p> <p>Wilch v. Phelps, 15 N.W. 361, 361 (Neb. 1883) (striking down Neb. Act section 4, c. 66, Comp. St. p. 3711).*</p> <p>Brechbill v. Randall, 1 N.E. 362 (Ind. 1885) (upholding Ind. Rev. St. 1881, § 6054); New v. Walker, 108 Ind. 365, 9 N.E. 386 (1886) (same).*</p> <p>Herdic v. Roessler, 16 N.E. 198 (N.Y. 1888) (upholding Laws N.Y.1877, c. 65).*</p> <p>Reeves v. Corning, 51 F. 774 (C.C.D. Ind. 1892) (upholding Indiana registration statute Burns’ Ann.St. §§ 51–401, 6054).</p> <p>Mason v. McLeod, 57 Kan. 105 (1896) (upholding Kan. Laws 1889, ch. 182).*</p> <p>Tenn. v. Cook, 64 S.W. 720 (Tenn. 1901) (upholding Tenn. Acts 1879, c. 228).*</p> <p>Allen v. Riley, 203 U.S. 347, 348 (1906) (upholding Chapter 182, Laws of 1889, paragraphs 4356, 4357, and 4358, General Statutes of Kansas, 1901).*</p>

	<p>Woods v. Carl, 87 S.W. 621 (Ark. 1905) aff'd, 203 U.S. 358 (1906) (upholding Kirby's Dig. §§ 513, 514).*</p> <p>* Also addresses preemption of laws regulating promissory notes</p>
<p>Laws Regulating Promissory Notes and Other Negotiable Instruments: generally, anyone who sells a patent in exchange for a promissory note must insert the words "given for a patent right"</p>	<p>Cranson v. Smith, 37 Mich. 309 (1877) (striking down Mich. act of April 13, 1871)</p> <p>Helm v. First Nat'l Bank of Huntington, 43 Ind. 167 (1873) (striking down 3 Ind. Stat. 364).</p> <p>Haskell v. Jones, 86 Pa. 173, 173 (1878) (upholding Pa. act of 1872).</p> <p>Castle v. Hutchinson, 25 F. 394 (C.C.D. Ind. 1885) (striking down Indiana Rev.St.Ind.1881, § 6055).</p> <p>Pegram v. Am. Alkali Co., 122 Fed. 1000 (C.C.E.D. Pa. 1903) (striking down Pennsylvania Act of April 12, 1872).</p>