

Basing Patent Remedies on Harm to the World instead of Harm to the Patentee

Samson Vermont

Visiting Scholar, U. Miami, School of Law
svermont@law.miami.edu

Patent infringement has long been viewed as a tort that causes tort-like harm. This view is misguided. In tort, the measure of P's damages is the difference between her actual state and what her state would have been but for D's tort – "P's delta." P's delta is a passable measure of damages for most torts because it closely approximates the social loss from most torts.

For patent infringement, P's delta often diverges widely from the social loss, especially today. Indeed, in some technologies, infringement routinely results in social gain, *i.e.*, the world would have been worse off but for D's infringement. Yet courts treat infringement not only as a tort but as an absolute liability tort. Most torts require fault or inefficient conduct. Even trespass of land tends to be excused when it is manifestly non-negligent or efficient. The law of trespass is thus more lenient than patent law, even though trespassers can identify land boundaries far more easily than infringers can identify patent boundaries.

Perhaps the main reason that patent law is so strict is that it was built on the implicit assumption that most infringers are pirates. Today, this assumption is clearly false. Most infringers today are independent inventors and their inadvertent infringement often results in social gain.

This paper sets forth three conditions under which inadvertent infringement almost always results in social gain. When all three conditions are satisfied, courts should excuse D's infringement. The conditions are:

1. Either P or her licensee never practiced the invention (or a substitute for it) on a commercial scale, or P or her then-existing licensee did not start practicing the invention (or a substitute) on a commercial scale until more than one year after D started practicing the invention on a commercial scale;
2. D is an independent inventor; *and*
3. D's costs, including his costs of delaying commercialization of a product, to find and assess P's invention *ex ante* exceed the R&D expense that he would have saved had he relied on P's invention *ex ante* instead of inventing independently.

Were courts to excuse infringement when these three conditions are satisfied, many cases that currently result in liability would result in none, especially cases involving software patents and patents issued from continuation applications.

In effect, this reform amounts to a hybrid between a variant of an independent invention defense and a variant of prior user rights. Nevertheless, it can be implemented without legislation. When the three conditions are satisfied, courts can deny injunction and/or damages. They can deny injunction under the traditional multi-factor test, albeit with more than the traditional degree of emphasis on the last factor, the public interest. They can deny damages by reinterpreting 35 USC 284, which states that “[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer.” Courts can interpret “adequate to compensate for the infringement” as adequate to compensate for the *social* harm from the infringement. Or, they can interpret “use made of the invention” as use made of *P*’s invention, meaning use made of *P*’s act of or disclosure of invention as opposed to use made of *the* invention in rem. Or, courts can interpret “a reasonable royalty” to be zero when zero is reasonable from a social standpoint, which it is when *D*’s infringement makes the world better off.