



**COMPARING APPLES TO APPLS:
IMPORTING THE DOCTRINE OF
ADVERSE POSSESSION IN REAL
PROPERTY TO PATENT LAW**

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Introduction

The greatest trick a law professor can ever pull is to lead a student down a seemingly rational and innocent path of questions and answers, only to corner the student in a position she neither expected to have to support, nor is able to now support without contradicting something she argued earlier. For me, that trick was Adverse Possession. No sooner had I convinced myself of the infinite wisdom of William Blackstone's argument in my Property casebook that property is the "sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe,"¹ than I flipped the page over to our next reading assignment, which began: "Something is owned by A;

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¹ JESSE DUKEMINIER & JAMES E. KRIER, PROPERTY 93 (5th ed. 2002).

subsequently, and without *A*'s consent, it comes into the possession of *B*. *B* might become the thing's owner."² Who is *B* and how did he manage to infiltrate the "sole dominion" that maintains an absolute right to exclude? Is nothing sacred?³

There are, it turns out, several reasons why adverse possession in property is necessary, namely that, where land is owned by a "sleeping owner," the doctrine allocates the land to its highest and best use, acknowledges the reliance interests of the possessor of the land, and facilitates market transactions through increased monitoring and more prompt suits for trespass. Why then, does this doctrine not exist for other forms of property, namely patent law?

For example, suppose in 1990, Harvey creates a new way to complete secure transactions on the Internet. He files a patent application, receives a patent, puts the patent in a drawer and forgets about it. The law firm that prosecuted the patent continues to pay the maintenance fees to keep the patent "alive." Harvey pays the fees to the law firm without paying much attention. In the meantime, in the mid-1990's, a big Internet bookseller, Nile.com, develops a similar system to Harvey's. The software developers and in-house counsel for Nile.com never learn of Harvey's patent and never read it. Nile.com's counsel files a patent application on what it thinks is its idea and the patent examiner assigned to the application never uncovers Harvey's patent in its search for prior art. In the late 1990's, Nile.com aggressively enforces its intellectual property and licenses its patented technology to other companies, including fRiver and Sleepster. Now in 2007, with only a few years left before Harvey's patent expires, he "wakes up" and realizes the whole industry is using his invention.

² *Id.* at 117.

³ On why adverse possession is taught in first-year Property courses, Jeffrey Stake considers the reason that "the doctrine strikes at the heart of our concept of property." Jeffrey Evans Stake, *The Uneasy Case for Adverse Possession*, 89 GEO. L.J. 2419, 2420 (2001).

Several questions arise from this hypothetical: Under current patent law, what would happen? Could Harvey sue Nile.com? Could he sue fRiver and Sleepster? What happens to Nile.com's license agreements? Would Harvey have the power to seek an injunction and effectively hold up an entire industry? If the purpose of the patent system is to encourage innovation, what should he be entitled to, if anything? What happens to Nile.com's patent? Is it invalidated? If yes, what happens to the license agreements? Does Nile.com get anything as the second comer?

It is my assertion that in a situation like this, the best solution would be to reward Nile.com to the maximum extent possible. Harvey has really not done anything to promote innovation. While the doctrine of laches may prevent Harvey from getting much from the industry, it is not certain. Further, Nile.com, despite relying on its patent, may end up with no intellectual property. A better solution than relying on laches would be the application of an adverse possession doctrine to intellectual property where ownership of Harvey's patent would be transferred to Nile.com.

This paper attempts to develop a doctrine of Adverse Possession in Patent Law (APPL) to handle situations like Harvey's and Nile.com's. In the first section of this paper, I consider the similarities between real property and intellectual property, specifically patents. Then, in section two, I analyze whether the concerns underlying adverse possession in property exist in patent law. I argue that the doctrine of patent law is incomplete and would benefit from the application of adverse possession to intellectual property. While the existing equitable defenses of laches and equitable estoppel acknowledge the instances in which a patent holder's right to exclude are not absolute, they fail to consider that there might also be instances in which the better solution to the problem of a sleeping owner is not just loss of remedy for infringement, but loss of right to the patent claims that gave rise to the infringement suit in the first place. APPL would result in such a loss of rights.

Next, in section three, having established the need for APPL, I attempt to recharacterize the elements of adverse possession in property—that the possession be actual, open and notorious, hostile or under claim of right, continuous, adverse, and exclusive—to make them applicable to the patent system. Keeping in mind that the analogy from real property to intellectual property is imperfect, I tweak these elements to develop a doctrine that promotes the underlying policies of the patent system. Finally, by revisiting the example of Harvey and Nile.com, I conclude that APPL is not only possible, but beneficial for a patent system that needs to find its way back to its original goal of rewarding innovation.

Analogizing Real Property to Intellectual Property

If we are to apply adverse possession to intellectual property, we need a better justification than simply, “If it is good for real property it must be good for intellectual property.” This is because the analogy from real to intellectual property is an imperfect one, and has caused some scholars to try to keep the two apart doctrinally. For example, real property deals with rival, exhaustible goods, while intellectual goods are both non-rival and inexhaustible.⁴ This difference in “architecture”⁵ affects the methods and purposes of regulation in either realm. Further, real property suffers from a tragedy of the commons, where property not owned by anyone risks being overused.⁶ Strong property rights, where individuals own property and are able to exclude others, solves this tragedy by creating incentives to utilize resources at a more efficient rate.⁷ Intellectual property, however, may suffer from the opposite

⁴ Lawrence Lessig, *The Law of the Horse: What Cyberlaw Might Teach*, 113 HARV. L. REV. 501, 526 (1999).

⁵ *Id.* at 523.

⁶ Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1037-38 (2005).

⁷ Stewart E. Sterk, *Intellectualizing Property: The Tenuous Connections Between Land and Copyright*, 83 WASH. U. L.Q. 417, 435 (2005).

problem, a tragedy of the *anticommons*, where too many people have a right to exclude others from a piece of a resource—for example, a product with multiple patents—resulting in inefficient underutilization of the resource.⁸ Blindly applying the same property rule protection in either realm ignores the potential difference in results. Similarly, whereas shared use of real property diminishes the utility to each owner (two men trying to plow the same furrow), shared use of an intangible good is less likely to have such effects (two boats being guided by the same beacon from a lighthouse).⁹ Another conceptual difference between real and intellectual property is consumption. Because land is a finite resource, no rule can promote the creation of more land, whereas intellectual property rules largely exist as an incentive to create.¹⁰ We cannot simply apply a doctrine from real property, like adverse possession, to intellectual property without considering these fundamental differences.

The justifications for the establishment of real and intellectual property differ as well. Real property rights can be derived from Lockean theories of natural rights, and the government, in protecting those rights, had to protect a citizen's right to property.¹¹ These rights were then reaffirmed in the Fifth Amendment to the Constitution.¹² However, natural rights theories “played no part whatsoever” in the history of patents.¹³ Intellectual property rights—at least copyright and patent rights—were created in the Constitution.¹⁴ This might mean that intellectual property rights are weaker than real property rights because intellectual property rights are limited by what the Constitution says, whereas

⁸ *See id.*

⁹ *Id.* at 431-433.

¹⁰ *Id.* at 434, 449-450. *See also infra* pp. 11-13 (discussing the desire to bring resources to their highest and best use).

¹¹ Mark C. Christie, *Economic Regulation In The United States: The Constitutional Framework*, 40 U. RICH. L. REV. 949, 954 (2006).

¹² U.S. CONST. amend. V.

¹³ Adam Mossoff, *Rethinking the Development of Patents: An Intellectual History*, 52 HASTINGS L.J. 1255, 1256 (2001).

¹⁴ U.S. CONST. art. I, § 8, cl. 8.

real property rights have an independent basis in the common law. Any weakening or strengthening of intellectual property rights should be mindful of these justifications.

Despite the differences between real and intellectual property, there are several ways in which the two regimes are similar. Generally, both argue for a strong right of exclusion.¹⁵ In fact, both systems consider the right of exclusion one of its most basic rights, a right that is “nearly absolute.”¹⁶ More importantly, both aim to encourage optimal use and development of resources.¹⁷ These similarities suggest that doctrines created for real property may also apply to intellectual property. The differences between intellectual property and real property suggest that a doctrine may need to be tweaked in this application. The rest of this paper analyzes the real property doctrine of adverse possession, why the concerns underlying the doctrine in real property exist in patent law, and how to adapt the doctrine to account for the differences between intellectual and real property.

¹⁵ See 35 U.S.C. § 271 (2004); Lemley, *supra* note 6, at 1031-32, 1036.

¹⁶ Sterk, *supra* note 7, at 449-50 (when someone impinges on an owner’s right to exclude, injunctive relief is the usual remedy).

¹⁷ *Id.* at 434, 442-43.

Analogizing Adverse Possession in Real Property to Intellectual Property¹⁸

The “strange and wonderful”¹⁹ doctrine of adverse possession in property originates from statutes that limited the time in which someone could bring an action to eject another from his land.²⁰ Courts took these statutes one step further and allowed the

¹⁸ While my particular doctrine is not discussed in any of the adverse possession or patent law literature, the idea of giving a second comer rights to property is not new to patent law. When a patent for a drug expires, the Hatch-Waxman Act will, under certain circumstances, grant the first generic maker of the drug a 180-day period during which no other generic maker can market their version of the drug. Laba Karki, *Review Of FDA Law Related to Pharmaceuticals: The Hatch-Waxman Act, Regulatory Amendments and Implications for Drug Patent Enforcement*, 87 J. PAT. & TRADEMARK OFF. SOC'Y 602, 612-14 (2005). (“Congress created the abbreviated new drug application (ANDA) process in the Hatch-Waxman Act and permitted the use of patented drugs for regulatory approval of generic version of the patented drugs... [T]he Act provides that the first generic applicant who files an ANDA with the FDA is eligible for 180 days of marketing exclusivity, during which time the FDA is not allowed to approve any other ANDAs for the same the pharmaceutical drug.”). This topic has also been discussed in an article by Constance E. Bagley and Gavin Clarkson, *Adverse Possession for Intellectual Property: Adapting an Ancient Concept to Resolve Conflicts Between Antitrust and Intellectual Property Laws in the Information Age*, 16 HARV. J.L. & TECH. 327 (2003). This article argues that while firms should be able to exclude others from developing ancillary markets within the scope of their intellectual property rights, if some firms are not excluded, and the ancillary markets develop and provide a service separately demanded by consumers, the intellectual property rights holder should, in certain cases, be precluded from excluding those other firms from the market. However, this would not affect the ability of the intellectual property rights holder from excluding firms from new markets based on new products, though. *Id.* at 365-66. Bagley and Clarkson’s proposal has very little in common with APPL because under their proposal, the intellectual property rights do not transfer to the firms in the ancillary market, the intellectual property rights holder does not have to be a sleeping owner (he only needs to have let *some* ancillary market develop without his intervention, but he may be very active with respect to his intellectual property rights in the other markets), and they do not require that an adverse possessor have intellectual property rights, the use of which necessarily infringe the “first” firm’s intellectual property rights. While Bagley and Clarkson argue their proposal is more like adverse possession than an easement, I cannot help but disagree, since they fail to establish the various elements of adverse possession, but certainly seem to allow an easement over the firm’s intellectual property rights to firms that have already entered a market for a particular product.

¹⁹ Stake, *supra* note 3, at 2419.

²⁰ *Id.* at 2421.

adverse possessor to gain not only immunity from suit by the owner, but even title to the property itself.²¹ There are several justifications for adverse possession, which are either found in current patent laws or which can easily be analogized to patent law. This section explores each of these justifications, how patent law attempts to address these issues, why this attempt is incomplete, and how APPL may complete the doctrine.

The Law Does Not Want to Protect the Sleeping Owner

Adverse possession in real property is grounded in the idea that if you choose not to keep an eye on your land, or see someone else using your land and do nothing about it, you should not be able to “wake up” several years later and sue this new possessor.²² This reasoning is also found in patent law, specifically in the defenses of laches and equitable estoppel. Both laches and equitable estoppel are defenses to a claim of patent infringement and are recognized under Section 282 of the Patent Act.²³ Laches is a defense which the Supreme Court has recognized for over 120 years. It prevents a patent holder from successfully suing an alleged infringer if the patent holder takes too long to sue. The Supreme Court has allowed laches as a defense to patent infringement partly under the “sleeping owner” theory that someone who does not exercise his rights risks losing them.²⁴ A laches defense requires that

²¹ *Id.* at 2422.

²² *Id.* at 2434-35; Thomas Merrill, *Property Rules, Liability Rules, and Adverse Possession*, 79 NW. U. L. REV. 1122, 1130 (1985); Thomas J. Miceli & C.F. Sirmans, *An Economic Theory of Adverse Possession*, 15 INTL REV. L. & ECON. 161, 161 (1995).

²³ 35 U.S.C. § 282 (2002) (defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability).

²⁴ One of the first examples of the use of the defense is found in *Mahn v. Harwood*, 112 U.S. 354, 361-62 (1884). “The public has the undoubted right to use . . . what is not specifically claimed in the patent. Every day that passes after the issue of the patent adds to the strength of this right, and increases the barrier against subsequent expansion of the claim by a reissue under a pretense of inadvertence and mistake. . . . No precise limit of time can be fixed and laid down for all cases. The courts will always exercise a proper liberality in favor of the patentee. But, in any case, by such delay as

the patent holder's delay in bringing suit against the alleged infringer was "unreasonable and inexcusable" and that the alleged infringer was materially prejudiced as a result of the delay.²⁵ Waiting six years to bring suit gives rise to a presumption of laches.²⁶ A successful laches defense leaves the general enforceability of the patent at issue unharmed, though it bars partial or entire relief for the infringement claim.²⁷ Laches can occur either when there is no contact between the patent holder and the alleged infringer, or when there has been some communication of an infringement problem, but the patent holder does not do anything for the rest of the laches period.²⁸

Equitable estoppel is like laches, but its result is that the claim may be entirely barred. Also, it requires that the patent holder engage in misleading conduct that leads the infringer reasonably to infer and rely on the fact that the patent holder does not intend to sue for infringement, and this reliance causes material prejudice to the alleged infringer.²⁹ Unlike laches, where the alleged infringer may not know the patent holder or his patent exist, the defense of equitable estoppel implies some contact between the two parties, and therefore knowledge of the patent which the defendant allegedly infringed.³⁰

Just like real property, then, patent law does not like sleeping owners. This is further supported by the fact that the USPTO collects maintenance fees to prevent a patentee's patent from lapsing.³¹ Therefore, an adverse possession doctrine for patent

the court may deem unnecessary and unreasonable, the right to a reissue will be regarded as having been abandoned and lost" *Id.*

²⁵ A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1021, 1028 (Fed. Cir. 1992).

²⁶ *Id.* at 1028.

²⁷ *Aukerman*, 960 F.2d at 1030, 1039-40.

²⁸ *Id.* at 1034.

²⁹ *Id.* at 1028.

³⁰ *Id.* at 1042. Silence alone is not conduct for the purposes of this defense unless there was a duty to speak. *Id.* at 1043.

³¹ Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. ECON. PERSP. 75, 80 (2005).

law, which punishes sleeping owners, would be aligned with the goals and policies of patent law in general. APPL would also plug some holes left by laches and equitable estoppel. Going back to our original example, since the doctrines of laches and equitable estoppel leave the general enforceability of the patent unharmed, even if Harvey loses an infringement suit against Nile.com, he might still be able to go after other infringers, including fRiver and Sleepster. This creates a confusing and arguably unfair situation for Nile.com and its licensees, who transacted on the assumption that Nile.com's patent was valid. It also creates confusion among other market actors, who would be unsure exactly whose patent they might be infringing if they attempt to put out a product similar to the one covered by the patents Harvey and Nile.com own. It seems preferable, then, to bar Harvey permanently from ever enforcing his patent and to allow Nile.com to continue to rely on its patent by actually transferring Harvey's patent rights over to Nile.com.

Additionally, APPL would not require any form of contact between Harvey and Nile.com, which is an element of equitable estoppel. Equitable estoppel would not help Nile.com because Nile.com was not misled by Harvey; Nile.com did not know Harvey existed. APPL would be an improvement on equitable estoppel in this respect because Nile.com was granted a patent by the USPTO, and therefore never had any reason to think that there was a patent holder out there it needed to contact.

Of course, to make the doctrine of adverse possession coherent, we need to define the term "sleeping owner." Instinctively, a sleeping owner sounds like someone who does nothing with his patent—he neither uses the technology nor exploits his right to exclude others from using it. There are many reasons someone may do this, and we do not necessarily want to take away this person's patent rights: there may be no market for the product yet;³² the patent holder might not know the value of his patent; the patentee might not have the funding to do anything

³² *Id.* at 81.

with his patent; the patentee might already have invested in technology that cannot be easily changed without incurring substantial cost, making the switch to the new patented invention not worthwhile;³³ the patent holder might want to ensure that no one else has rights to the technology, giving him a competitive edge in the market when he decides to use it;³⁴ the patentee might be afraid of losing a particular consumer base too soon, and therefore will not use his patent in order to keep consumers from becoming interested in a different technology; or the patentee might have stumbled upon the innovation, but since his work is in a different market, will hold on to the patent until he decides to license it for a high enough profit.³⁵ APPL should not apply to many of these instances of non-use, because this flexibility granted to patent holders in choosing whether to use their patents is a central tenet of the patent system. Limiting this flexibility would radically alter patent holders' decisions and decrease incentives to innovate.

Indeed, the United States patent system does not require patentees to use their patents.³⁶ In most of the patent nonuse cases surveyed by Kurt Saunders, the patent holder was never someone who was truly a "sleeping owner," in the sense that it was almost always a company seeking a way to gain a competitive advantage by not using or licensing his patent.³⁷ Adverse possession in real property does not target these lurking or strategic owners. The doctrine looks for owners who effectively have abandoned their property and have not looked to see who else might be using it. When they wake up years later, the law gives them no recourse for ousting the possessor of the property. APPL should apply analogously. The sleeping owner APPL will target should therefore meet the following qualifications: (1) someone against whom the

³³ Kurt M. Saunders, *Patent Nonuse and the Role of Public Interest as a Deterrent to Technology Suppression*, 15 HARV. J.L. & TECH. 389, 399 (2002).

³⁴ *Id.* at 402-03.

³⁵ *Id.* at 405.

³⁶ *Id.* at 400 (quoting Continental Paper Bag, "it is the privilege of any owner of property to use or not use it, without question of motive.").

³⁷ *See id.*

alleged infringer can successfully assert a laches defense; (2) someone who has not used his patent, in that he has not developed the product nor commercialized it; (3) someone who is not a player in any market, who is arguably not using his patent for economic or competitive reasons; (4) someone who has not at any point told the adverse possessor (our alleged infringer) about the allegedly infringed patent.³⁸ How this definition of sleeping owner fits within my proposed APPL framework will be discussed in more detail *infra*.

Allocating Resources to Their Highest and Best Use

In real property, adverse possession prods land owners to put their land to use, or risk it being transferred to someone else who is a “useful laborer.”³⁹ If the land is protected by a property rule during the statute of limitations, the only way to get the land to its highest and best use is to facilitate market transactions. If the land owner is not going to do anything productive with the land, adverse possession prods the land owner to at least monitor his land for users who might be open to such transactions. If the land owner does not monitor his land, the law will, after the statutory period, allocate the land to the adverse possessor, someone who wants the land but did not have the opportunity to bargain for it, at no financial benefit to the land owner.⁴⁰

The mirror of the “highest and best use” argument in real property is the desire for innovation in intellectual property. Intellectual property seeks to “promote the Progress of Science and useful Arts.”⁴¹ The protection patent holders receive in exchange for disclosing their innovation is meant to encourage research,

³⁸ This makes the sleeping owner not like a patent troll, who, while contributing nothing to the invention itself, aggressively pursues and contacts infringers of its patents. Jeremiah Chan & Matthew Fawcett, *Footsteps of the Patent Troll*, 10 INTELL. PROP. L. BULL. 1, 1 (2005).

³⁹ Stake, *supra* note 3, at 2435. Miceli & Sirmans, *supra* note 22, at 161.

⁴⁰ Stake, *supra* note 3, at 2436-37. Merrill, *supra* note 22, at 1130-31.

⁴¹ U.S. CONST. art I, § 8, cl. 8.

inventiveness, and the development and commercialization of the products that result from that innovation.⁴² While ensuring patentees recoup the costs of innovating through a right to exclude others from using one's patent is also a motivation behind the patent system, the foremost justification for exclusion rights has always been "generating incentives to create."⁴³ There is a difference between the argument for encouraging innovation and the argument for a strong right to exclude. Given that intellectual property rights are the exception to the norm of free competition, some, like Lemley, argue that the default should be to give the patentee as little protection as possible, as long as innovation is still encouraged. Under this line of reasoning, we should presumptively start with a weak right, and only increase the strength of the right insofar as it is necessary to encourage innovation,⁴⁴ or, as expressed in the Constitution, to "promote Progress of Science and useful Arts."⁴⁵

One of the concerns about analogizing too much between real and intellectual property is the fear that real property's focus on absolute protection of property will steer people away from the broader goal of intellectual property—innovation—since sufficient incentive to create is "something less than perfect control" over the creation.⁴⁶ Of course, since adverse possession weakens the absolute right of an owner of real property, this concern is flipped on its head. APPL is, at least for the original patent holder, a weakening of his intellectual property rights, and thus may be embraced by those, like Lemley, who feel intellectual property rights are too strong. In fact, it is my contention that APPL will bring intellectual property back to its roots of encouraging innovation, by weakening the intellectual property right given to an original inventor and simultaneously rewarding true innovators. At the same time, we

⁴² Saunders, *supra* note 33, at 398, 426.

⁴³ Lemley, *supra* note 6, at 1031.

⁴⁴ *Id.*

⁴⁵ U.S. CONST. art. I, § 8, cl. 8.

⁴⁶ Lemley, *supra* note 6, at 1057.

have to be mindful of broadly strengthening intellectual property rights of innovators beyond what is necessary to encourage innovation.

To strike this balance, the doctrine will only apply to potential adverse possessors who, aside from meeting the general criteria of APPL discussed later, (1) have a patent for an invention they independently innovated, or (2) either (a) developed and/or commercialized the patented invention or (b) licensed the use of their invention to a third party. This definition, combined with our interpretation of a sleeping owner, shows the sleeping owner is not a “true innovator” in the sense of what intellectual property aims to promote and reward. If someone else independently conceptualized the invention, the first patent holder’s patent might not have added to the pool of information disclosed to the public.⁴⁷ Furthermore, his lack of activity with respect to his patent might harm future innovation, since our adverse possessor, who wants to be an active market participant, might be blocked from doing so by an infringement suit, or the threat of one. This idea is already seen in the litigation of nonused patents and the debate over compulsory licensing, both of which consider that “it [is] a shame to let an idle patent prevent the defendant from using technology to do the great work envisioned in the Constitution...to bring new technology into actual use as quickly and thoroughly as possible.”⁴⁸ Thus, by weakening the intellectual property rights of the original patent holder in certain situations, APPL encourages further innovation, realizing the goal of moving resources to their highest and best use.

⁴⁷ The practice of acknowledging independent innovations already exists in § 273(b) of the Patent Act, which allows as a defense to infringement of a patented method the claim that the “person had, acting in good faith, actually reduced the subject matter to practice at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.”

⁴⁸ Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900-2000*, 88 CAL L. REV. 2187, 2219-20 (2000). Also, see Saunders, *supra* note 33 (entire paper devoted to curbing technology suppression caused by nonused patents).

Acknowledging Reliance Interests of the Adverse Possessor and Potential Third Parties

Reliance interests in property are commonly invoked as a mechanism to justify a party's use of land, even if he might not immediately think the land was his when he stepped foot on it. There are several flavors of the reliance argument. First, adverse possession, by increasing the chances that the person on the land actually owns the land (or will own the land), allows third parties—such as creditors, vendors, and prospective land owners—to transact with the adverse possessor in confidence.⁴⁹ This argument is especially potent in intellectual property, since patent holders aim to recoup the costs of innovating by transacting with third parties. Third parties will be less willing to transact with a patent holder if the patent holder's intellectual property ownership is ambiguous. Further, other potential developers or commercializers rely on the validity of the patent and also on it belonging to the licensor. For example, investors in a company like Nile.com will invest in confidence if they can rely on the validity of the company's patent. Consumers might also rely on the strength of the patent that protects the products they ultimately buy. If an adverse possessor is sued for patent infringement by a patent holder like Harvey, and now has to either pay the patent holder a royalty to use the patent or stop making the product, consumers risk either not having the products they desire produced,⁵⁰ or having them produced at higher prices.

Second, by quieting titles, adverse possession "makes ownership more settled,...facilitate[s] market transfers, reduce[s] disincentives to investment, make[s] it easier to obtain credit, and

⁴⁹ Stake, *supra* note 3, at 2441, 2443; Merrill, *supra* note 22, at 1132.

⁵⁰ For example, Kodak used to manufacture an instant camera similar to Polaroid's. After Polaroid sued, Kodak could no longer manufacture the film that worked in Kodak's instant cameras which then significantly harmed anyone who owned a Kodak instant camera. See *Polaroid Corp. v. Eastman Kodak Co.*, 641 F.Supp. 828, 878 (D.Mass. 1986).

help[s] [the adverse possessor] feel more secure.”⁵¹ If the adverse possessor is using the land in a productive manner, we want him to feel secure in the investments he makes in reliance that he will be able to absorb the benefits from his work.⁵² In the realm of patents, there is always a risk that a patent may later be invalidated in light of prior art. For independent innovators who in good faith get and use a patent and/or create and significantly invest in production of a seemingly new product, APPL mitigates this risk. The added security APPL gives such innovators will permit them to invest in more productive uses of their invention.

Third, adverse possession protects “the rights of those who have a compelling fairness claim to ownership” because of their uninterrupted possession of the land, especially where others might claim they acquired title through unproven or faulty transactions years earlier.⁵³ This reliance argument also applies to intellectual property. For example, suppose Harvey sells his patent to a patent “troll,” the so called “ambulance chasers of the new millennium.”⁵⁴ Patent trolls—as first coined by Peter Detkin, then of Intel—are, loosely, companies that do not market a product, but instead aggressively acquire and enforce intellectual property rights.⁵⁵ Such entities arguably invest nothing in the innovation, except the cost of acquiring the patent and the cost of pursuing potential infringers. Using the potential to “hold up” an entire industry, trolls operate by scaring entities into licensing patents, with the alternative being an expensive and time consuming litigation.⁵⁶ If a patent troll sues an alleged infringer, who we would consider an adverse possessor, APPL might hold the adverse possessor to be the “true owner” of the patent.

⁵¹ Stake, *supra* note 3, at 2441; *see also* Merrill, *supra* note 22, at 1129.

⁵² Stake, *supra* note 3, at 2444; Merrill, *supra* note 22, at 1131.

⁵³ Stake, *supra* note 3, at 2450.

⁵⁴ Chan & Fawcett, *supra* note 38, at 1.

⁵⁵ Brenda Sandburg, *You May Not Have a Choice: Trolling for Dollars*, THE RECORDER, at <http://www.phonetel.com/pdfs/LWTrolls.pdf> (Jul. 30, 2001)(last visited July 28, 2007).

⁵⁶ *Id.* at 1-2.

A fourth reliance interest argument in real property is the Margaret Jane Radin's "personhood argument." By investing in and using the land, the land may become a part of the adverse possessor's identity. Radin uses this argument to explain why someone who does not have legal claim to a piece of property nevertheless might suffer a bigger loss if they do not get to keep it and has reason for his relationship to the property:

Most people possess certain objects they feel are almost part of themselves. . . . [A]n object is closely related to one's personhood if its loss causes pain that cannot be relieved by the object's replacement. If so, that particular object is bound up with the holder [and this relationship constitutes a countervailing] right to personal property that should be recognized.⁵⁷

This personhood argument analogizes well to patent law because patent law focuses on innovation. Whereas land is something that exists independently of its owner, patents are inventions, expressions of an imaginative mind. As a product of one's mind, then, a person feels very strongly about his idea, and if it is patented, even stronger since it is considered an idea that can contribute to society. The personhood bond to an innovation is antecedent to any monetary benefit, since it can happen as early as the creation of the idea, or perhaps well before the inventor applies for his patent.⁵⁸ Even after the patent is granted, personhood exists even if the patent holder makes no money, since others will recognize him as the creator of a unique invention.⁵⁹ This idea of personhood would especially apply to an adverse possessor in patent law, since we require him to have independently created the

⁵⁷ Stake, *supra* note 3, at 2546; Margaret J. Radin, *Property and Personhood*, 34 STAN. L. REV. 957, 959, 1013 (1982); *see also* Merrill, *supra* note 22, at 1131.

⁵⁸ F. Scott Kieff, *IP Transactions: On the Theory & Practice of Commercializing Innovation*, 42 HOUS. L. REV. 727, 751 (2005).

⁵⁹ Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287, 343 (1988). Often inventors will even hang their patent certificates on their walls, like diplomas.

invention.⁶⁰ Therefore, while personhood might exist on both sides of the litigation table, APPL would acknowledge that a balancing of the personhood interest might favor the adverse possessor, who applied for and received a patent and then used the patented invention.

A variation of Professor Radin's theory is Judge Posner's argument about diminishing marginal utility of income. If a person becomes attached to property that he regards as his own, his loss of the property would be greater in magnitude than the gain to the person who loses attachment over time because he might no longer consider the property to be his. If their wealth is otherwise equal, "their combined utility will be greater if [the adverse possessor] is allowed to keep the property."⁶¹ This argument works very well in a situation where APPL applies, because on one side, we have a patent holder who has done nothing with his patent. He has not looked for infringers, sought to license his patent, made or marketed a product, and he has waited a long time to assert his right to exclude other's use of the patent. During this time the thought must have occurred to him that someone out there was infringing his patent. It might have been this very thought that caused him to wake up so many years later and sue the infringer. Given his probable loss of attachment to the patent over time, allowing him to seek an injunction or damages against the adverse possessor would result in a lower combined utility than allowing the alleged infringer, whose attachment has increased in magnitude during the laches period, to continue his allegedly infringing activity.

APPL should have a mechanism for weighing these compelling reliance interests when deciding whether the infringer should really be an adverse possessor. APPL should therefore consider other activity by the adverse possessor which shows

⁶⁰ The "prior art" issue is discussed in a later section.

⁶¹ RICHARD POSNER, *ECONOMIC ANALYSIS OF LAW* § 3.11, at 89-90 (5th ed. 1998).

reliance on his patent's validity, typically investments in production, commercialization, and licensing of a product.⁶²

Urging Land Owners to Sue Promptly

Adverse possession in real property urges land owners to sue promptly for trespass. This policy is advantageous because litigation that occurs closer in time to the incident at issue is less costly because evidence has less of a chance of being lost or becoming unreliable. Further, we do not want land owners lying in wait, racking up damages while the adverse possessor continues to invest in his use of the land.⁶³ Adverse possession in real property also reduces actions for damages since a successful claim of adverse possession will relate back to when the adverse possessor first entered the land, meaning there is no period in which the adverse possessor was on the land while he did not own it, and therefore no time period for which the land owner can sue the adverse possessor for using his land without permission.⁶⁴

In patent law, laches encourages faster suits because patent holders who wait to sue risk limited or no damages. What APPL can add, though, is a threat to the patent holder of a *real* loss of rights, not just the loss of a claim or remedy in a particular case.⁶⁵

⁶² While this can be a separate part of the APPL analysis, it will also be considered under the element of continuous possession, which will require continuous infringing activity.

⁶³ Stake, *supra* note 3, at 2438; Merrill, *supra* note 22, at 1128; Miceli & Sirmans, *supra* note 22, at 161.

⁶⁴ Stake, *supra* note 3, at 2440.

⁶⁵ In real property, possession relates back to when the possessor stepped on to the land. For APPL, possession will relate back to when the infringing activity began, but the term of ownership will not exceed that which it would have been had the original patentee kept his patent. Therefore, APPL does not risk extending the life of the patent beyond its statutory limit of 20 years from the date of filing. 35 U.S.C. § 154. The concern might be with adverse possessors who already have a patent. How long do their adversely possessed claims last—as long as they would have lasted with the first owner, or as long as they can last under adverse possessors current patent? If we allow the latter, we risk extending the life of patents to the detriment of the public and other potential infringers. The default, then, should be extending only so far as its life under the first patent holder.

The possibility of dealing with a laches defense during litigation may not deter patent holders from waiting to sue infringers because at worst they can move on and sue someone else, and at best they might still get some relief since the court has discretionary power to limit the infringer's liability.⁶⁶ APPL will, as discussed below, actually transfer rights from the original patent holder to the infringer. This harsh remedy for sleeping owners provides a real incentive to sue promptly: sue now and get some relief, or sue later and risk losing your intellectual property rights. Furthermore, a patent holder who loses because the infringer wins his laches defense might still have a chance to license his patent to the infringer or to an infringer's competitor, since laches does not affect the validity or subsequent enforceability of the patent. This would mean that in a world of just laches, the adverse possessor will be stuck. Even if he wins his laches defense at trial, he may (a) be forced to pay someone to use a patent or invention he thought he owned, or (b) must cease all infringing activity, which will likely cause the adverse possessor to incur substantial losses. Either situation is inequitable considering our discussion of the sleeping owner and the activities and interests of the adverse possessor. APPL would prevent these situations from occurring.

Justifications Unique to Patent Law

In addition to these justifications for adverse possession in patent law, there are several concerns *specific* to patent law that warrant an adverse possession doctrine, including an interest in protecting standard-setting organizations, an interest in curbing suits from so-called patent trolls, and an interest in protecting the importers of goods from abroad.

APPL will help protect standard-setting organizations from companies who, after a standard is developed, claim to have patent rights to a portion of that standard. Standard-setting activity is

⁶⁶ A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1021, 1030 (Fed. Cir. 1992).

important for the interoperability of products. However, standard-setting organizations sometimes face situations in which a company claims it has proprietary rights over a proposed standard.⁶⁷ This forces other companies which have adopted the standard to either take a license from this patentee, or to start from scratch developing products. When a whole industry adopts a standard, this can be especially problematic. While these problems can be solved by contract, such contracts are only enforceable to the extent that the other organizations can win a claim of unfair competition against the patent holder under antitrust law, or win a claim under patent law doctrines of equitable estoppel and patent misuse.⁶⁸ Even when successful, these claims do not allow the continued infringement of the patentee's invention. In short, current antitrust and patent doctrine does not eliminate the uncertainty that standard-setting organizations will adopt a standard which, years later, after reliance on the part of a whole industry, will be found to infringe a previously unknown patent. APPL would protect standard-setting organizations better than antitrust and patent law and grant the members of an organization more equitable relief when faced with these types of patent infringement suits.

Another benefit of APPL is that it would curb infringement suits initiated by patent trolls. As discussed above, patent trolls are not themselves sleeping owners. They tend to be active entities that aggressively enforce acquired intellectual property rights. However, it is often the case that a troll will approach a patent holder and offer to jointly sue infringers. In these cases, the patent holder, our sleeping owner, is involved in the suit. Therefore, the adverse possessor should still be able to argue APPL as a defense. While this may just change trolls' behavior—making them buy the patent first instead of joining the patentee in a suit—it is at least a first step in weeding out some patent troll cases.

⁶⁷ David Alban, *Rambus v. Infineon: Patent Disclosures in Standard-Setting Organizations*, 19 BERKELEY TECH. L.J. 309, 314 (2004).

⁶⁸ *Id.* at 316-18.

Finally, a third benefit of adverse possession unique to patent law is in the context of products imported to the United States from abroad where there is a sleeping U.S. patent holder. Section 1337 of the Tariff Act allows patent holders to stop infringing products at the border, but only if there is an industry in the U.S. “relating to the articles protected by the patent,” or the industry is “in the process of being established.”⁶⁹ What can happen, then, is that, since the patentee is a sleeping owner, the infringing products are allowed to enter the U.S., are sold, and only later the patentee wakes up and sues for infringement. The reliance interests here are great—someone has come from abroad with the expectation of creating a market for their product in the U.S., and thought such an investment was worthwhile given they were not precluded from entering the U.S. with the product. Punishing the international developer/commercializer after the fact therefore seems inequitable.

Thus, real property and patent law share many policy justifications for adverse possession; both property systems must deal with the concerns of sleeping owners, delayed litigation, ignored reliance interests, and allocating resources to their “best” use.

Adverse Possession in Patent Law (APPL)

Some academics view an analogy from real property to intellectual property—and especially to patent law—as dangerous because doing so requires the same absolute protection of intellectual property rights as it does of land owners’ rights. However, adverse possession, if analogized from real property to intellectual property, would actually *restrict* the absolute protection of patent owners’ rights. It is my thesis that by carving out specific restrictions via an adverse possession doctrine for patent law (APPL), we can restrict the rights of a patent holder in a way that

⁶⁹ 19 U.S.C. § 1337 (a)(2).

encourages innovation. In this section, I develop an APPL doctrine by working with each of the elements of adverse possession in real property and applying them to patent law.

To prove adverse possession in real property, the potential adverse possessor must show his possession of the property was (1) actual, (2) exclusive, (3) open and notorious, (4) adverse,⁷⁰ (5) hostile or under claim of right, and (6) continuous for the statutory period.⁷¹ In a few states, color of title is also a requirement.⁷² Below, I discuss how we could import each of these elements from real property to intellectual property, even though a direct analogy might not be possible. However, with tweaking, the result is a cohesive adverse possession doctrine for patents in which a second comer may adversely possess a patent holder's patent if he can establish these elements, as they translate into patent law.

Actual Possession

Actual possession in real property requires occupation and the use of the property which the "average owner would exercise over similar property under like circumstances."⁷³ A layperson would conceptualize this as physical control over the property. For patent law, the actual possession element will be satisfied if the adverse possessor infringes one or more claims of the original patent holder's patent. The claims of a patent define the metes and bounds of the invention, "much like a property deed describes the metes and bounds of a physical property."⁷⁴ Therefore, infringing

⁷⁰ The terms "adverse," "hostile," "under claim of title," "under claim of right," and "hostile and under claim of right" are sometimes used interchangeably in the literature. Stake, *supra* note 3, at 2426. However, there is a key distinction between possession being adverse and being hostile, under claim of title, or under claim of right, so I discuss the element of adverse possession separately from the element of hostile (the easier label to use of the three choices) possession.

⁷¹ DUKEMINIER & KRIER, *supra* note 1, at 131.

⁷² *Id.* at 136.

⁷³ Stake, *supra* note 3, 2423 n.22 (citing 3 American Law of Property § 15.1, at 765).

⁷⁴ Patent.org, FAQs About Patent Law, <http://www.patent.org/pg-tpl.php?doc=info> (last visited April 6, 2007).

one or more claims of a patent is much like occupying and using the physical space of property defined by a deed.⁷⁵ The analogy of physical occupation over real property to infringement of intellectual property therefore makes sense. Actual possession will thus be satisfied by a party who infringes a patent according to Section 271(a) of the Patent Act: “Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.”⁷⁶

While infringement is an unhelpful test for actual possession given how much litigation goes into determining whether someone has actually infringed, it works uniquely well in the context of APPL. The patentee is suing the adverse possessor for infringement. The adverse possessor can only adversely possess something if he infringes it. Therefore, the adverse possessor has a choice: (1) concede infringement, and hope that laches and APPL apply, or (2) litigate infringement, and if infringement is found, use laches and APPL as a defense. If the adverse possessor is relatively sure that laches will apply, it may be in his best interest to concede infringement and focus on winning his APPL claim. The patentee cannot get out of this since he was the one who sued in the first place.

Which Claims Would Be Adversely Possessed?

Given that APPL would only require infringement of one claim of the patent holder’s patent in order to satisfy “actual possession,” the next question is, if the adverse possessor

⁷⁵ Requiring the physical possession of the patent makes no sense since, even though the patent is “personal property,” the patent itself is an assignment; the paper the patent holder possesses is merely an “instrument relating to the patent” and contains the information regarding the assignment. Therefore, we do not care who has the instrument; the patent is assigned to the same owner no matter where the instrument is.

⁷⁶ 35 U.S.C. § 271(a) (2004).

successfully argues APPL and the patent holder's rights transfer to the adverse possessor, *which* of the patent holder's claims will transfer? It might not make sense for the whole patent to transfer to the adverse possessor if the adverse possessor is only infringing—and thus adversely possessing—some of the claims. Assuming the other elements of APPL are met, what rights actually transfer? In some instances, it may make sense to divide the claims of the patentee's patent into two. The patentee would retain all claims which were not infringed (not possessed) by the adverse possessor. The adverse possessor would receive rights to all claims infringed. As this may increase the number of parties claiming rights to an invention (risking a tragedy of the anti-commons as discussed above), courts may use such a division sparingly. Equity, however, may dictate the division. If the adverse possessor never marketed a product that read on certain claims of the patent, there would be no compelling justification to transfer those claims.

The division would be complicated by the presence of a mix of independent and dependent claims. Patents are made up of independent and dependent claims.⁷⁷ Independent claims do not refer to any other claims in the patent.⁷⁸ The broadest independent claim is usually written first, and is then followed by qualifying dependent claims.⁷⁹ Dependent claims refer to preceding claims, specifying some aspect of the preceding claim.⁸⁰ To win infringement, the patentee would need to argue that the adverse possessor infringes on every element of (at least) one of his claims. Therefore, if the adverse possessor infringes any dependent claim, he necessarily infringes the independent claim. Thus, if the adverse possessor adversely possesses any dependent claim, then he also must adversely possess the independent claim. What if the adverse possessor adversely possesses an independent claim, and there are

⁷⁷ 35 U.S.C. § 112 (1975) ("A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.").

⁷⁸ ROBERT P. MERGES & JOHN F. DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS 30 (2002).

⁷⁹ *Id.* at 31.

⁸⁰ *Id.* at 30.

claims that depend on it? We have to consider it from two perspectives: the patentee and the adverse possessor. From the patentee's perspective, if he only retains rights to dependent claims, the adverse possessor will own a "blocking patent." The original owner cannot make an invention based on this claim without infringing the independent claim that the adverse possessor has. Since, from the patentee's perspective, he would have to pay to use the adverse possessor's patent, and invest costs in making his pencils with erasers, the cost to him of keeping the dependent claim is less than the cost to the adverse possessor of having the claim. The only way the cost could be lower for the patentee is if he decides to "wake up" after the litigation and use his patent to block anyone else who would want to use a pencil with an eraser, rather than actually make pencils with erasers. Do we want to give the patentee this ability, in effect giving him a second chance to be a non-sleeping owner of his patent? The doctrines of laches and equitable estoppel would do this. If an infringer wins a defense of laches, the patent holder's patent is still enforceable and maintains its presumption of validity; if he wins equitable estoppel, the only result is that "all relief on a claim may be barred."⁸¹ Winning a case of adverse possession in real property, however, means getting the title to the land, not just the space the adverse possessor physically squats on, uses, or covers.⁸² In that case, then, the land owner does not get a second chance. This might suggest an incongruity between real property and APPL in that I allow the patent owner to get this second chance. However, the analogy holds perfectly because the patent as a whole is not a deed; instead each independent claim defines a deed to some "property." Therefore, allowing the original patentee to retain some of his rights makes sense.⁸³

⁸¹ A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1021, 1041 (Fed. Cir. 1992).

⁸² Will Saxe, *When "Comprehensive" Prescriptive Easements Overlap Adverse Possession: Shifting Theories Of "Use" and "Possession,"* 33 B.C. ENVTL. AFF. L. REV. 175, 185 (2006).

⁸³ This has some problems, namely, the patents get split up, which may lead to a problem known as the "tragedy of the anticommons." For example, if the adverse possessor has a patent for a pencil, and the patentee has a patent for a pencil and a

The problem of which claims can be adversely possessed is now solved: if the adverse possessor adversely possesses a dependent claim, he gets the independent claim as well. If the adverse possessor adversely possesses an independent claim, the patentee gets to keep the dependent claims.⁸⁴ And, obviously, any independent claims not infringed by the adverse possessor would be retained by the original patentee.

Exclusive Possession

Exclusivity of use in real property means the possession of the property cannot be shared with the owner, and the adverse possessor acts to exclude other users from the property.⁸⁵ This is not an easy concept to import into APPL. First, exclusivity in patent law implies legal exclusivity. A patent holder's "right to exclude" means he can (a) choose to not let anyone use his patent and (b) sue anyone who uses his patent without permission. Many argue

pencil with an eraser, if developer X wants to make a pencil with an eraser, in a world without APPL he could just go to the patentee (because the adverse possessor's patent is invalid under 35 U.S.C. § 102 and/or § 103). In a world with APPL, he may now have to go to both the adverse possessor and the patentee, since the adverse possessor now is the only one with a patent for the pencil. This may not be as big of a problem as it seems, though. In a world without APPL where X wants to make a pencil with an eraser, he can only deal with the patentee, who is a sleeping owner, and therefore does not transact with potential licensees. X would therefore have to risk being sued for infringement if he wanted to make his product. In a world with APPL, the adverse possessor having some rights means X is at least guaranteed the chance to transact with someone who will come to the table. Since in either world X needs permission from the patentee to use the patent for the pencil with an eraser, at least with APPL, we bring parties we know might transact with each other together. It seems to be at least a net benefit over the status quo.

⁸⁴ There are actually two more perspectives from which to analyze this situation: other infringers of the patentee's patent and the public. Other infringers will be dealt with later when we discuss multiple adverse possessors. The concern from the public's point of view is that it is always better for information to be in the public domain and not owned by anyone (lower prices, etc.). Since APPL does not change the patent term, because it would only carry over to the adverse possessor the years leftover in the life of the patent, the public is not affected.

⁸⁵ Stake, *supra* note 3, at 2423-24.

excludability is the essence of the patent.⁸⁶ However, legal exclusivity cannot be an element of APPL because a legal right is what APPL is trying to determine in the first place. Second, excludability, as used in adverse possession in property, is more like the concept of a rival good in technology or design. Paul Romer uses the concept of rivalry in this context to mean that the use “by one firm or person [of the good] precludes its use by another.”⁸⁷ But patents are “independent of any physical object”⁸⁸ and are non-rival goods. Once a patent is registered, anyone, at the risk of being sued for infringement, can “make[], use[], offer[] to sell, or sell[] [a] patented invention.”⁸⁹ So even when we find the term most like exclusive possession of real property in the world of patent law, it is still not a workable term in the context of applying adverse possession to patents. Perhaps the single best reason exclusive possession does not analogize well to patent law is because real property is an exhaustible good, whereas intellectual property is non-rival and inexhaustible.

Because exclusive possession does not translate well from real to intellectual property, we should look at the justifications behind exclusive possession and apply those justifications to patent law. The reason for requiring exclusive possession is that we want to give rights to adverse possessors who believe, rely, or act as if they have rights. Based on this justification, there are two options for a concept of exclusive possession in APPL—requiring the adverse possessor to have a patent, the use of which infringes the original patentee’s patent, or requiring the adverse possessor to have significantly invested in the production and commercialization of a non-patented invention, the use of which infringes the patentee’s patent.

⁸⁶ Saunders, *supra* note 33, at 400 (“[exclusion from use of the patent] may be said to have been the very essence of the right conferred by the patent”) (quoting *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 429 (1908)).

⁸⁷ Paul M. Romer, *Endogenous Technological Change*, 98 J. POL. ECON. S73-74 (1990).

⁸⁸ *See id.* at S75 (talking about ideas and technology).

⁸⁹ 35 U.S.C. 271(a) (2004).

Requiring the Adverse Possessor to Have a Patent of his Own

The adverse possessor's use of his own patent, and his enforcement of his right to exclude by going after infringers, would seem to satisfy the exclusivity element. To see how this would play out, suppose the adverse possessor is being sued for infringement. The infringement occurred because the adverse possessor is using a product that, despite being covered by his own patent, nevertheless infringes the patentee's claims. This situation is not impossible even though the USPTO is not supposed to grant a patent if the invention was already patented.⁹⁰ The USPTO sometimes grants patents that "overlook clearly anticipating prior art."⁹¹ Suppose, further, that the patentee meets our definition of a "sleeping owner," but that the adverse possessor exploits his right to exclude by either licensing his patent or going after infringers to whom he did not license the patent.⁹² Not only might the adverse possessor get the patentee's patent through APPL, but it will not be a radical departure from the status quo since the adverse possessor already has a similar patent. The only thing that would change is that the patentee would no

⁹⁰ See 35 U.S.C. § 102(b) (2002); Lemley & Shapiro, *supra* note 31, at 75-79, 83-84.

⁹¹ Robert P. Merges, *As Many As Six Impossible Patents Before Breakfast: Property Rights For Business Concepts And Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 589 (1999); Raj Bawa, *Nanotechnology Patenting In The US*, 1 NANOTECHNOLOGY L. & BUS. 31, n.48 (2004) ("Many, including the Federal Trade Commission (<http://ftc.gov>), believe that the PTO is often issuing patents of poor quality In fact, more than ever before, many experts are suggesting removing the presumption of validity associated with issued patents."); John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305, 316-22 (2001) (insufficient prior art samples has led to issuance of too many invalid patents); Mark Scarsi, *Sweeping Changes to the U.S. Patent System? Don't Bet on It!*, <http://www.law.com/jsp/article.jsp?id=1120208722648> ("Public perception is that the U.S. Patent and Trademark Office issues too many patents that are clearly invalid in that they cover subject matter that has been in use for years.") (last visited July 28, 2007).

⁹² This is actually a stronger assumption than we need, since the adverse possessor is already being sued for use of the patent, and use would make him not a sleeping owner.

longer be able to sue the adverse possessor—or anyone else—for infringement.⁹³

Not Requiring the Adverse Possessor to Have a Patent of His Own

The second option for defining exclusive possession in APPL is that we require the adverse possessor to act as if he had a patent, which mirrors adverse possession in real property in that we would expect him to act as the true owner would, meaning not a sleeping owner. This view of exclusion is broader than one that requires the adverse possessor to have his own patent. It is also theoretically preferable, although it is harder to understand in practice. Part of being a true owner is excluding others from using one's invention. The adverse possessor cannot do this literally, since he does not have a patent, but maybe exclusion could mean marketing a product, or at least an attempt to gain market share at the exclusion of other market participants. However, if the adverse possessor is innovating and using his innovation, one may ask why he does not have a patent for the innovation. He might have applied for one, and it was rejected. If it was rejected, the Patent Examiner will explain why during the application process.⁹⁴ An

⁹³ A potential problem with using a concept of exclusive possession that requires the adverse possessor to have a patent is that the adverse possessor may have acquired his patent strategically, in order to become an adverse possessor of the patentee's patent. This situation is not a real concern. First, no matter how many patents are granted that are not novel, the adverse possessor cannot be sure his patent will be granted, and if it is not, the adverse possessor will have lost money. Second, this requires the adverse possessor to wait until laches apply before becoming an adverse possessor, and it is doubtful an adverse possessor would conceive of a plan requiring him to wait this long. Finally, if the adverse possessor's goal was to scam the system, he faces potential inequitable conduct or Walker Process claims if he tries to enforce the patent against infringers.

⁹⁴ If a Patent Examiner rejects claims of a patent, that rejection and the reasons for the rejection are sent to the applicant as part of an Office Action. See Section 132(a) of the Patent Act, which states, "[w]henever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application."

adverse possessor cannot satisfy the necessary requirement of hostile possession if he learns of the patentee's patent during prosecution. Therefore we do not need to consider this situation. We need only consider an adverse possessor who never applied for a patent. There are two scenarios in which he will not apply for a patent. In one world, he keeps his innovation as a trade secret. In another, he does not keep it as a trade secret.

The Adverse Possessor Does Not Keep His Invention a Trade Secret

Companies often market products without seeking intellectual property protection for those products. Some examples include a business that hires a consulting company to set up a product or service where the set-up inadvertently infringes an existing patent; an individual without any money to prosecute a patent; and an individual living in a small town with a small consumer base and little competition, who is not worried about his idea being copied. There are several arguments against conferring patent rights onto this sort of infringer. First, part of the theoretical justification of adverse possession in real property is that the adverse possessor has developed a reliance interest in the property used. One could argue that an adverse possessor in patent law has no reliance interest because he knows his innovation is not patented, making it susceptible to being copied without legal recourse. However, even without this reliance in a property right, the adverse possessor might have a reliance interest if he comes to rely on the fact that he is not going to be enjoined by a patentee. In other words, if he is not sued for ten years, he may come to rely on the fact that he is never going to be sued, and structure his business accordingly. The doctrine of laches indicates that we want to allow this reliance at some point. While an adverse possessor who does not have a patent cannot legally exclude others from using his invention, we can sacrifice this aspect of adverse possession to create a more functional doctrine of APPL that better reflects how parties behave with respect to inventions. The adverse possessor still transacts with his innovation: he sells it; he might license it; he

invests significant resources in developing it; he brings it to market. This is as close to a true owner as adverse possession in property gets, since even an adverse possessor cannot legally oust someone else from the land until he is legally made the adverse *owner*. Therefore, there is reason to at least allow the adverse possessor continued use of their invention. This suggests a modified application of APPL for this type of adverse possessor where the original patentee loses his rights and the patent enters the public domain.

Second, the more the adverse possessor uses his innovation, and arguably the greater his reliance, the less likely the innovation can be patented. Section 102 of the Patent Act requires that, in order for an invention to be patented, it cannot be “known or used by others in this country . . . or in public use or on sale in this country, more than one year prior to the date of the application for patent.”⁹⁵ Technically, then, the adverse possessor should not receive patent rights if his activity has occurred for over a year. Again, here, a better solution than allowing APPL as an end-around for the on-sale bar would be to allow the patent to enter the public domain.

Third, as Judge Posner argued in his dissent in *Roberts v. Sears, Roebuck & Co.*:

The purpose of allowing people to obtain patents is strictly . . . to create incentives to invent useful things Since new knowledge is a social good, it might seem that no limits should be placed on the scope or duration of patent protection. The problem is that . . . [a] patent enables its owner to monopolize the production of the things in which the patented idea is embodied The balance tips against protection when the invention is the sort that was likely to be made . . . even if no one could have patented it. In such a case patent protection would have no good incentive

⁹⁵ 35 U.S.C. § 102 (a), (b) (2006).

effects but would have the usual bad monopoly effects . . . on the consuming public with no offsetting gains.⁹⁶

Given the ultimate desire to award these monopolies to patents that might not otherwise have been invented,⁹⁷ there is not only the potential of an economic harm to awarding this kind of an adverse possessor with a patent, but it also would take us further away from the goals of the patent system—encouraging innovation that would have been lost if not for the patent system. It may therefore be inefficient to award a patent to the adverse possessor in this case. Here, then, is another reason we do not want to consider APPL for the adverse possessor innovating and using his innovations without a patent.

These last two arguments expose the problem in applying APPL to infringers who do not have a patent—even if, as discussed with the first argument, the adverse possessor has a strong interest in being able to continue using his invention. These arguments suggest it may be better to cancel the original patent and allow the invention to enter the public domain, unless we could justify transferring patent rights to the adverse possessor, allowing him to exclude other users.

There are reasons that may justify this transfer, even if the adverse possessor does not have a patent. First, if it is true that some patented inventions were invented without patentability in mind, then we do not cause any harm to the patent system if we give patent rights to a nonpatented invention that is being developed and commercialized, the use of which might motivate further innovation. In fact, many inventions are patented despite

⁹⁶ *Roberts v. Sears, Roebuck, & Co.*, 723 F.2d 1324, 1345-46 (7th Cir. 1983) (Posner, J., dissenting).

⁹⁷ Michael Abramowicz, *Perfecting Patent Prizes*, 56 VAND. L. REV. 115, 130 (2003) (“A drawback of the patent system is that it covers, perhaps by necessity, both inventions spurred by the promise of a monopoly and inventions that would have been developed in any event.”). Besides Judge Posner, A. Samuel Oddi also has suggested “enforcing only patents on inventions that would not have been developed in the absence of patent law.” *Id.* at n.45.

motivation from the patent system.⁹⁸ At least here, by transferring rights from a sleeping owner to a productive owner, APPL ensures the rights are in the hands of someone who will be open to market transactions, to innovative uses of their product, and to someone with a justifiable reliance interest in the ownership of the invention. APPL does not uniquely confer monopoly rights—it just transfers monopoly rights from a delinquent owner to a dutiful and mindful owner.

The Adverse Possessor Does Keep His Invention a Trade Secret

The last situation to consider as a potential adverse possessor that might meet an exclusive possession element is the adverse possessor who did not apply for a patent because he wanted to keep his innovation a trade secret. If we allow APPL to apply to someone who has no legal protection of their invention, then we will definitely want APPL to apply to people with trade secrets. Once the patentee sues the infringer, the trade secret will be exposed. The reliance interests of a trade secret holder are huge—he has spent significant time, resources, and energy developing the innovation, reaping the benefits of the secret's competitive value, and maintaining the innovation under reasonable safeguards to assure secrecy.⁹⁹ That the public did not know the secret does not matter; they were still benefited by the creation and commercialization of a product they were able to enjoy.

We might consider this a windfall to the trade secret holder: If no one knows about the patent, he continues to use his innovation in secret. If people find out about the patent, he loses the innovation as a trade secret but then still has the army of patent law protections

⁹⁸ Eric E. Johnson, *Calibrating Patent Lifetimes*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 269, 284 (2006) (discussing a study by economist Edwin Mansfield that showed in many industries, like office equipment, motor vehicles, rubber, and textiles, there was “no evidence that patent protection was necessary for the development or marketing of any invention”).

⁹⁹ See generally Michael P. Simpson, *The Future Of Innovation: Trade Secrets, Property Rights, And Protectionism—An Age-Old Tale*, 70 BROOK. L. REV. 1121, 1123 (2005).

to protect his use of the innovation in the market. But since the choice legally is *either* the patent *or* having a trade secret, it still makes sense to give him both in the unique situation where without APPL he will have lost his trade secret.

I have therefore shown that exclusive possession for APPL can be satisfied by an adverse possessor that has a patent, has a trade secret, or has neither. In the case where the adverse possessor does not have a patent, significant investment and commercialization of the product and proof of reliance interests will show whether or not they have acted as a true owner would. Without a patent, there will be some instances in which a transfer of the original patentee's patent to the adverse possessor makes sense. Often, however, it will make more sense to simply cancel the patentee's patent and allow the invention to enter the public domain. In all cases, we should be mindful of multiple adverse possessors, discussed below.

Multiple Adverse Possessors

Regardless of whether the adverse possessor has a patent, a trade secret, or no intellectual property protection, transferring the original patent to the adverse possessor is problematic if there are multiple adverse possessors. If others have developed a similar reliance interest in a product that infringes the patentee's patent, allowing the adverse possessor to now have the right to exclude everyone else might seem unfair. Since APPL is invoked when one infringer has been sued, this creates an awkward situation in which alleged infringers are harmed by *not* being sued—they risk losing their chance to be an adverse possessor too. This might justify not transferring the patent, or alternatively, some mechanism by which other potential adverse possessors can institute a claim of adverse possession against the patentee, or something like a patent pool, where current users of infringing products share the rights to the patentee's patent and can exclude any other new user. Whereas with a patent pool, several patents are tied together in cross-licensing agreements, allowing members of the pool to continue

their use but preventing new users from infringing, under APPL the pool would consist of one patent, the original patentee's patent.¹⁰⁰

Open and Notorious Possession

In adverse possession of real property, the element of open and notorious means that the adverse possessor's actions are "visible to others, either the neighbors or a diligent owner."¹⁰¹ If you are occupying the land, someone should at least know about it. This is easily imported into APPL. We want to require something more than ownership of a property interest, since even a sleeping owner satisfies that requirement by virtue of having the patent. In patent law, the patent does not serve as notice to others of ownership; patentees give notice of their invention by marking the patented product with the word "patent" or by contacting the alleged infringer.¹⁰² Therefore, open and notorious under APPL will mean (a) infringing activity resulting from (b) the development and commercialization of a product.

Adverse Possession

The element of adverse possession is satisfied if the adverse possessor is on the property without the permission of the owner. That will easily be satisfied in APPL also, since the patentee is suing

¹⁰⁰ The issue of creating mechanisms to deal with problems of third party actors comes up again when we consider when the adverse possessor, before he has legally become an adverse possessor, tries to sue someone else, C, for infringement, and C argues the adverse possessor's patent is obvious and invalid. After all, if the adverse possessor is using his patent, chances are he will want to go after infringers. If the adverse possessor is someone who would have won an APPL claim if the patentee had sued him for infringement at that same time or earlier, there should be some way of maintaining the validity of the adverse possessor's patent. Perhaps the adverse possessor can counter C's invalidity argument by arguing APPL, and the court, can consider the strength of the APPL claim. Or perhaps the adverse possessor can file for a declaratory judgment of APPL.

¹⁰¹ Stake, *supra* note 3, at 2423.

¹⁰² 35 U.S.C. § 287(a).

the adverse possessor for using his patent without permission.¹⁰³ The only way the adverse possessor can infringe without permission is by taking a license from the original patentee. Of course, because an APPL claim will only arise out of an infringement action, it should never be the case the adverse possessor is infringing with a license.

Continuous Possession

In real property, if the adverse possessor leaves the property or someone else interrupts his possession of the property, he risks not fulfilling the requirement of adverse possession, unless the leave is one that would be expected due to some characteristic of the property (a summer home need not be occupied year-round, but must be occupied by the adverse possessor for successive summers). There are a few reasons that possession should be continuous. First, if adverse possession aims to reward the highest and best user of the land, whether the land is at its highest and best use might not be as obvious if the adverse possessor keeps leaving the land when we would expect an owner to stay. Second, if adverse possession tries to accommodate reliance interests, the adverse possessor has a much weaker claim of reliance if he does not actually stay on and use the land. In other words, we require continuous *actual* possession. APPL should similarly require continuous *actual* possession of the patentee's patent. Since the element of actual possession has already been defined to mean infringing activity, we are looking for continuous infringing activity by the adverse possessor.

The problem with importing this element to APPL is the potential difficulty of any time-dependent notion of infringing activity. It is easy to measure the length of infringement in cases where a patent holder can point to a factory that produces a product that infringes on his patent for n number of years.

¹⁰³ 35 U.S.C. § 271.

Continuous infringement there would simply be measured from year 1 until year *n*. But we might not want to force our adverse possessor to infringe a patent in this way in order to satisfy APPL, because situations analogous to the factory running continuously only include a small set of activities the adverse possessor might enter into in reliance on his patent being valid or his right to use a product not being infringing activity. For example, this does not include a one-shot licensing agreement. In general, the analogy from continuous possession in real property to patent law is incomplete. Someone does not have to use the patentee's patent for any amount of time before he is called an infringer; even one offer to sell the patented invention, which could take a few seconds, constitutes infringement under Section 271 of the Patent Act.¹⁰⁴ Looking at the elements of laches or equitable estoppel does not help us find some version of continuous infringement to use in APPL; conduct by the infringer that relates to those two equitable doctrines do not relate to the infringing activity itself, but rather to conduct surrounding the infringing activity.¹⁰⁵

Given the difficulty of establishing some kind of time-element to the infringing activity, it may be wise to reconsider the assumption that continuous possession needs to relate to the infringing activity. It could instead relate to the investment and production of the product. For example, a court could look at what the adverse possessor has done in the context of what similar entities do in similar courses of business. If he has continually made, used, offered to sell, sold the infringing product, or, if he has done none of those things but he has established some pattern of suing infringers of his patent,¹⁰⁶ he has continuously actually possessed the patent for the purposes of APPL. In conclusion, the entity of continuous adverse possession does not easily import to

¹⁰⁴ 35 U.S.C. § 271 (an offer to sell the patented invention is infringement).

¹⁰⁵ See *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1021, 1041 (Fed. Cir. 1992).

¹⁰⁶ Since suing other infringers is an example of how a true owner would act, and we do not want to force the adverse possessor to make his own products, he should feel free to license the patent out or go after infringers.

patent law, and perhaps the best thing courts can do is analyze the adverse possessor's activity contextually and look for patterns of repeated investment and infringement over the period of time in question.

Hostile Possession

Hostile possession, also known as claim of right and sometimes supplemented by the stricter element of color of title, speaks to the intent of the adverse possessor. This is separate from the element of adverse possession, which only requires that the adverse possessor not have a legal right to the patentee's property.¹⁰⁷ While many judicial opinions state adverse possession in property does not require an evaluation of the intent of the adverse possessor, a study by Professor Richard Helmholz found that courts are very curious about the adverse possessor's intent when deciding whether or not to award them title to the property they possessed.¹⁰⁸ Where the adverse possessor occupies land and knows it is not his, he does not obtain title to the land by adverse possession.¹⁰⁹ Still, there is a doctrinal tension since courts claim intent is irrelevant, but consistently find ways to rule against someone arguing adverse possession where they knew the land they occupied was not theirs (by being more strict in their application other elements, perhaps), and are more lenient in their examination of the adverse possession elements where the possessor of the property thought the land was his (as in an innocent boundary mistake).¹¹⁰

When the adverse possessor has a patent of his own, this element is rather straightforward. That the adverse possessor has a patent means he would also satisfy a stricter interpretation of hostile element, color of title. Color of title means the adverse

¹⁰⁷ Stake, *supra* note 3, at 2426.

¹⁰⁸ Merrill, *supra* note 22, at 1122-23.

¹⁰⁹ *Id.* at 1123.

¹¹⁰ *Id.* at 1123-24, 1133.

possessor has some evidence of his claim to ownership of the property, like a deed to the land.¹¹¹ Here the patent registration serves the same purpose as the deed, further supporting the good faith requirement of APPL.

Where the adverse possessor does not have a patent, proof of good faith will need to be based on evidence showing the adverse possessor did not know about the patentee's patent. The standard for determining good faith (or nonwillful) infringement might be found in the factors used to determine whether the adverse possessor is guilty of willful infringement under § 284 of the Patent Act. Such factors include: receiving actual notice of the patentee's rights either because of communication from the patentee or marking on a product (which will not happen here since the patentee is a sleeping owner), opinion of counsel, copying of the patent, whether literal or using the doctrine of equivalents, and activities by the adverse possessor prior to the patent's issuance.

The only possible problem with importing this element of adverse possession from real property into APPL is that patent law does not care if you are an innocent infringer. The difference between willful and accidental infringement matters only at the damages stage of the infringement litigation. But requiring good faith at the APPL stage does not create tension with the other equitable defenses, since it will only become available after laches has been established.¹¹²

¹¹¹ Stake, *supra* note 3, at 2431.

¹¹² Another issue regarding knowledge of the adverse possessor is what would happen if the adverse possessor finds out about the patentee after the adverse possessor has already received his patent or made and commercialized his product. However good faith possession is interpreted under the hostile possession element should also be applied, and possibly refined, in light of an adverse possessor that innovated in good faith, but then continues infringing activity, knowing about the patentee's patent.

Conclusion

Going back to our original hypothetical, Nile.com might wonder whether they would satisfy the standards for APPL if Harvey sues it for infringement. Since Nile.com has a patent for its invention, the elements of exclusive and hostile possession are met. That Harvey is arguing Nile.com never had permission to use an infringing product allows Nile.com to meet the hostile possession requirement and, assuming Harvey's claim for infringement is valid, Nile.com will also satisfy actual possession. Nile.com's use of its patent is open and notorious because its infringing activity results from its development and commercialization of its software product, as evidenced by its development of the software and its subsequent license to fRiver and Sleepster. Lastly, continuous possession will likely be met because Nile.com has, since it received its patent, continuously used and offered to sell or license its product, and there is a pattern of repeated investment in the development and use of its product. Nile.com is a perfect candidate for APPL, and would subsequently adversely possess the claims in Harvey's patent that it infringed. Harvey can, with his modified patent, decide to now go after infringers of the patent claims he still retains, or he can decide to go back to sleep.

As Stewart Sterk concluded his paper on what he unfortunately called the "tenuous connections" between land and certain areas of intellectual property, "insights developed in the law of real property can sometimes illuminate knotty problems that arise with respect to intellectual works. The problem is not with comparison, but with superficial analogies that do not take account of the often different foundations and functions of legal doctrine in these two areas."¹¹³ I hope that this paper's analysis has proven to be more than a superficial analogy, one based on considering the applicability of the underlying principles that motivate the doctrine of Adverse Possession in Real Property, and transliterating, in

¹¹³ Sterk, *supra* note 7, at 469.

effect, the elements of adverse possession in property in such a way that they work for patent law. APPL complements the existing equitable defenses of laches and equitable estoppel in that, while recognizing the necessity of these defenses, it also acknowledges there may be instances in which the result should be harsher than denial of relief or rejection of an infringement claim.