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THE NATURAL FLOW OF IDEAS: WHY THE FIFTH AMENDMENT TAKINGS CLAUSE AND AN OBSCURE WATER-RIGHTS DECISION MIGHT THWART ATTEMPTS AT STREAMLINING THE PATENT QUEUE

Joseph Kamien *

INTRODUCTION

As Abraham Lincoln once said, “In the world’s history certain inventions and discoveries occurred of peculiar value, on account of their great efficiency in facilitating all other inventions and discoveries. Of these were the art of writing and of printing, the discovery of America, and the introduction of patent laws.”¹ Certainly, the American patent system has tremendously facilitated American inventiveness, and has therefore benefitted the American economy and improved standard of living.² However, this system is currently faced with a significant problem: a massive backlog of unexamined applications.³ As a result, patent applications often languish for long periods of time, thereby decreasing the rate at which technology progresses and reducing the incentive to invest in innovation.⁴ Against this backdrop, the United States Patent and Trademark Office (USPTO) may grant “petitions to make special,” which allow applications to be examined out of turn.⁵ The USPTO has also proposed formalizing this procedure by creating three separate patent application tracks.⁶

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¹ Abraham Lincoln, Lecture: Discoveries, Inventions and Improvements (Feb. 22, 1860), in *COMPLETE WORKS OF ABRAHAM LINCOLN* (John G. Nicolay & John Hay eds., 1905).

² See *Bridging the Tax Gap: Hearing Before the S. Comm. on Fin.*, 108th Cong. 2 (2004) (statement of Nick Godici, Comm’r of Patents for the U.S. Dep’t of Commerce), available at <http://finance.senate.gov/imo/media/doc/072104ngtest.pdf>. But see Andrew W. Torrance & Bill Tomlinson, *Patents and the Regress of Useful Arts*, 10 COLUM. SCI. & TECH. L. REV. 130, 132 (2009) (arguing that a system of patent laws does not actually spur technological innovation).

³ See Courtney Rubin, *What Happened to Your Patent Application?*, INC.COM (May 7, 2010), <http://www.inc.com/news/articles/2010/05/patent-office-backlog-hurting-startups.html> (describing the deleterious impact of the patent office backlog on small businesses).

⁴ See *id.*

⁵ 37 C.F.R. § 1.102(c) (2011).

⁶ Press Release 10-24, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce,

This Note will examine the question of whether a place in the patent application queue of the USPTO could be considered property. This is an important question, because if it could be considered property, then granting a petition to make special could be considered a taking under the Fifth Amendment to the United States Constitution, and therefore require the payment of “just compensation.”⁷ This is an especially relevant time to answer this question because, under the Leahy-Smith America Invents Act, the USPTO is currently in the process of replacing the current one-queue-for-all model with the aforementioned three-track model.⁸ Consequently, advancement out of turn is becoming a part of the normal application system, rather than a sporadic occurrence.⁹

When answering the question of whether a place in the patent queue could be property, it is important to keep in mind Justice Holmes’s assertion that law is nothing more than “[t]he prophecies of what the courts will do in fact.”¹⁰ Thus, the important question is not whether, in the abstract, a petition to make special would be considered a taking. Instead, the important question is whether a future Court of Federal Claims might find a petition to make special to be a taking, and whether such a decision is likely to be overruled.¹¹

To answer this question, this Note will describe the Court of Federal Claims’s decision in *Tulare Lake Basin Water Storage District v. United States*,¹² which dealt with water rights and endangered species in California.¹³ This decision has been heavily criticized,¹⁴ but has not been overruled.¹⁵ Part II will give an overview of the

USPTO Proposes to Establish Three Patent Processing Tracks (June 3, 2010), available at http://www.uspto.gov/news/pr/2010/10_24.jsp.

⁷ U.S. CONST. amend. V. In addition to requiring “just compensation,” this amendment also requires that such takings be for “public use.” *Id.*

⁸ See Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 11(h), 125 Stat. 284 (2011); Press Release 10-24, U.S. Patent & Trademark Office, *supra* note 6; Michael Cronin, *America Invents Act Provides a “Fast Track” Through the Patent Office*, WISCONSIN TECHNOLOGY NETWORK (Oct. 21, 2011), <http://wtnnews.com/articles/9128/>. The USPTO originally planned to begin accepting requests to move applications to Track I in May of 2011, but due to funding restrictions it changed the date to September 26, 2011. Changes to Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. 59,050 (Sept. 23, 2011) (to be codified at 37 C.F.R. pt. 1).

⁹ *Id.*

¹⁰ Oliver Wendell Holmes, *The Path of the Law*, 10 HARV. L. REV. 457, 461 (1897).

¹¹ See 28 U.S.C. § 1491 (2011) (granting the Court of Federal Claims jurisdiction to hear claims against the United States that are “founded . . . upon the Constitution”).

¹² 49 Fed. Cl. 313 (2001).

¹³ *Id.*

¹⁴ See, e.g., *Klamath Irrigation Dist. v. United States*, 67 Fed. Cl. 504, 538 (2005) (“[W]ith all due respect, *Tulare* appears to be wrong on some counts, incomplete in others and, distinguishable, at all events.”). *But see* Jesse W. Barton, Note, *Tulare Lake Basin Water Storage District v. United States: Why It Was Correctly Decided and What This*

Fifth Amendment's Takings Clause and describe the *Tulare* decision. Part III will then go through a hypothetical case in which a plaintiff attempts to use this decision persuasively to seek just compensation for the loss of priority in the patent queue. Part III.C will explain why it is rational to apply the reasoning from a water rights decision to one concerning patent rights by showing how modern water rights law and modern patent rights law both evolved to solve the same problems, and how both have the same symbolic underpinnings. Part III.D will then address the four biggest counterarguments. This Note will conclude that the USPTO can likely go ahead with the new system without worrying about a constitutional problem, and will provide suggestions about what the USPTO can do to minimize the threat of litigation.

I. THE USPTO APPLICATION PROCESS AND THE PROPOSED CHANGE

A. Background Information on the Current USPTO Application Process

Under the current system, anyone may apply for a United States patent.¹⁶ The USPTO normally examines applications on a first-come, first-served basis,¹⁷ although an application may be assigned a filing date that is earlier than the actual date the paperwork was received by the USPTO.¹⁸ All non-provisional applications must contain a specification, any necessary drawings, and at least one claim.¹⁹ If a claim fails to meet a procedural requirement of the USPTO, then the USPTO will

Means for Water Rights, 25 ENVIRONS ENVTL. L. & POL'Y J. 109 (2002) (arguing that *Tulare* was correctly decided).

¹⁵ A later court did, however, find fault with the method used to calculate just compensation. *See Tulare Lake Basin Water Storage Dist. v. United States*, 61 Fed. Cl. 624 (2004). Additionally, another court found that a subsequent Supreme Court decision, *Tahoe-Sierra Preservation Council, Inc. v. Tahoe Regional Planning Agency*, 535 U.S. 302 (2002), "clarified takings law so as to require a different result" than *Tulare*. *Casitas Mun. Water Dist. v. United States*, 543 F.3d 1276, 1283 (Fed. Cir. 2008). *Tahoe-Sierra*, though, never explicitly mentioned or discussed *Tulare*. *See* 535 U.S. 302 (2002).

¹⁶ 35 U.S.C. § 101 (2010).

¹⁷ 37 C.F.R. § 1.102(a) (2011).

¹⁸ 35 U.S.C. §§ 119–120.

¹⁹ 37 C.F.R. § 1.53(b). The specification must describe the invention and . . . the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112. The claims must "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention." *Id.* When the patent grants, the patentee's rights are limited to what is described in the claims, and equivalents thereof. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 37–39 (1997).

object to it.²⁰ If a claim fails to meet a substantive legal requirement, then the USPTO will reject it.²¹ If the USPTO rejects or objects to any claim, then 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; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined.²²

If an application is free of objections or rejections, then the USPTO will send the applicant a “notice of allowance,”²³ and upon payment of the issue fee, will issue the patent.²⁴ Once issued, a patent is generally valid for twenty years after the date of filing,²⁵ so long as maintenance fees are paid.²⁶ Once issued, patents generally “have the attributes of personal property.”²⁷

Applicants still in the queue have the option of filing a petition to make special, which would allow the USPTO to advance the application out of turn.²⁸ Common reasons for filing such a petition include “the applicant’s age or health,” as well as claims that the “invention will materially: (i) Enhance the quality of the environment; (ii) Contribute to the development or conservation of energy resources; or (iii) Contribute to countering terrorism.”²⁹ These petitions are rare, but are often granted

²⁰ See U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 706.01 (8th ed., rev. 8 2010) [hereinafter MPEP].

²¹ See *id.*

²² 35 U.S.C. § 132.

²³ 37 C.F.R. § 1.311.

²⁴ *Id.* § 1.314.

²⁵ 35 U.S.C. § 154(a)(2).

²⁶ 37 C.F.R. § 1.362.

²⁷ 35 U.S.C. § 261.

²⁸ 37 C.F.R. § 1.102.

²⁹ *Id.* § 1.102(c). Under the 1959 rules, the appropriate reasons for advancement out of turn were far less specific; the regulations allowed advancement for “inventions . . . deemed of peculiar importance to some branch of the public service.” Patents, Trademarks, and Copyrights: Republication of Regulations, 24 Fed. Reg. 10,332, 10,340 (Dec. 22, 1959). In 1982, the rules were amended to provide that a petition to make special would be granted and that no fee would be required if the invention “w[ould] materially enhance the quality of the environment or materially contribute to the development or conservation of energy resources.” Revision of Patent and Trademark Fees Confirmation, 47 Fed. Reg. 41,272 (Sept. 17, 1982) (codified at 37 C.F.R. pts. 1, 2). The rule was then changed in 2004 to include inventions relating to counterterrorism. Changes to Support Implementation of the U.S. Patent & Trademark Office 21st Century Strategic Plan, 69 Fed. Reg. 56,482 (Sept. 21, 2004) (codified at 7 C.F.R. pts. 1, 5, 10, 41, 104).

when based on the applicant's age.³⁰ The USPTO has also been trying to encourage the advancement of patent applications that benefit the environment.³¹

B. The Proposed Change

1. Overview

In an attempt to get through its massive backlog, the USPTO is creating a more formalized system for reviewing applications in a manner other than first-come, first-served.³² Under the new system, applicants will be able to place their applications onto one of three "tracks."³³ Track II equates to "traditional examination under the current procedures."³⁴ Track III will allow the applicant to intentionally delay review of the application.³⁵ Track I consists of "prioritized examination."³⁶ An applicant must pay an additional fee to move an application to Track I.³⁷ There are certain other requirements designed to increase the speed at which applications can be handled.³⁸ For example, applications must be filed electronically and have fewer than four independent claims and fewer than thirty claims total.³⁹ The new prioritized application system has already been implemented,⁴⁰ and the Director of the USPTO has stated that he intends to cap the number of prioritized applications at around 10,000.⁴¹

³⁰ See Dennis Crouch, *A First Look at USPTO Petitions Data*, PATENTLY-O (Oct. 25, 2010, 4:56 PM), <http://www.patentlyo.com/patent/2010/10/a-first-look-at-uspto-petitions-data.html>.

³¹ See Press Release 09-33, U.S. Patent & Trademark Office, U.S. Dep't of Commerce, The U.S. Commerce Department's Patent and Trademark Office (USPTO) Will Pilot a Program to Accelerate the Examination of Certain Green Technology Patent Applications (Dec. 7, 2009), available at http://www.uspto.gov/news/pr/2009/09_33.jsp.

³² See Amy Schatz, *Patent Fast Track Proposed*, WALL ST. J. (June 3, 2010), <http://online.wsj.com/article/SB10001424052748704515704575282951991894276.html>.

³³ Press Release 10-24, U.S. Patent & Trademark Office, *supra* note 6.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *See id.*

³⁷ See Eilene Zimmerman, *Business Owners Adjusting to Overhaul of Patent System*, N.Y. TIMES, Feb. 1, 2012, at B8.

³⁸ See Dennis Crouch & Jason Rantanen, *USPTO Implements Prioritized Examination (Track I)*, PATENTLY-O (Feb. 21, 2011, 1:01 PM), <http://www.patentlyo.com/patent/2011/02/uspto-implements-prioritized-examination-track-1.html>.

³⁹ *Id.*

⁴⁰ Press Release 11-74, U.S. Patent & Trademark Office, U.S. Dep't of Commerce, USPTO Updates Rules for "Track I" Fast Track Patent Processing (Dec. 19, 2011), available at <http://www.uspto.gov/news/pr/2011/11-74.jsp>.

⁴¹ Timothy J. Maier, *USPTO Announces First Allowed Application Under New Prioritized Examination (Track I) Program*, MAIER & MAIER PLLC (Nov. 4, 2011, 10:21 AM),

2. Motives for the Change

a. Enhancing Speed

The USPTO believes that the change will help it process applications faster, and will ultimately benefit all applicants.⁴² The theory is that those who pay to enter Track I will be better served because their applications will be processed more quickly.⁴³ Those who enter Track III are given more time before their applications are officially reviewed, thus giving the inventors more time to perfect their inventions or determine if there is a sizeable enough market to make a patent worthwhile.⁴⁴ Additionally, some applicants who are in Track III may decide to abandon their applications, and can do so without the USPTO having spent significant resources examining the application.⁴⁵ Those who go through Track II, the system that was formally used by all applicants, will benefit because their applications will have to wait in a shorter queue once other applications leave for Track I or Track III.⁴⁶ As USPTO Director David Kappos explained, “There’s a component of this proposal that a rising tide lifts all boats. . . . It’s like having someone in the butcher shop get out of line in front of you.”⁴⁷

While little has been written about the likely effects of the USPTO’s new system, a tremendous amount has been written about a similar idea known as “congestion pricing.”⁴⁸ This is a system under which drivers are charged fees for access to certain roadways.⁴⁹ The idea is not novel; “[a]irlines and utilities have used congestion or peak pricing for several decades to shift discretionary demand to off-peak periods. For example, most long-distance telephone service is priced only one-third as high on weekends as during business hours.”⁵⁰ Congestion pricing on roadways is obviously more similar to the USPTO’s new system than to these

<http://www.postgrant.com/2011/11/uspto-announces-first-allowed-application-under-new-prioritized-examination-track-1-program.html>.

⁴² Schatz, *supra* note 32.

⁴³ *See id.*

⁴⁴ *See id.*

⁴⁵ *See* David Kappos, *The Three-Track Proposal: Putting Applicants in Control of Examination Timing*, USPTO.GOV (June 15, 2010, 1:14 PM), http://www.uspto.gov/blog/director/entry/the_three_track_proposal_putting.

⁴⁶ *Id.*

⁴⁷ Schatz, *supra* note 32.

⁴⁸ *See, e.g.*, JOHN F. McDONALD ET AL., *ECONOMICS OF URBAN HIGHWAY CONGESTION AND PRICING* (1999); U.S. FED. HIGHWAY ADMIN., OFFICE OF TRANSP. MGMT., *CONGESTION PRICING: A PRIMER* (2006); Charles Komanoff, *Pollution Taxes for Roadway Transportation*, 12 PACE ENVTL. L. REV. 121 (1994); Jonathan Remy Nash, *Economic Efficiency Versus Public Choice: The Case of Property Rights in Road Traffic Management*, 49 B.C. L. REV. 673 (2008).

⁴⁹ Nash, *supra* note 48, at 708.

⁵⁰ Komanoff, *supra* note 48, at 132.

previous examples, because its goal is not to divert demand from peak- to off-peak periods, but to allow certain applications to get through the process faster.⁵¹ San Diego has been experimenting with a similar system, charging “single-occupant vehicles for access to the road’s express lanes.”⁵² Although it is unclear how well the system will work for the USPTO, congestion pricing on roadways has had clear economic benefits and has increased efficiency.⁵³

b. Prioritizing Certain Applications

As David Kappos explained, part of the reason for the proposed change is that not all applications are equal. Since at least 2009, the USPTO has attempted to find ways to bring “green” technology patents—i.e., patents that are expected to benefit the environment—to market more quickly.⁵⁴ In 2010, the USPTO experimented with a green technology pilot program, which applied to the first 3,000 patent applicants who applied for expedited review.⁵⁵ While the aims of this program were noble, the problem with this sporadic approach is that green technology often takes a long time to develop, and is, in many ways, still in its infancy.⁵⁶ Consequently, these sorts of sudden bursts of awards for innovation may not properly incentivize the long-term, dedicated investment that is needed.⁵⁷ A set policy change implementing three tracks with specific criteria for what will move an application from one track to another will likely provide bigger incentives to invest in long-term green technology research.⁵⁸

3. Criticism

The three-track system is not without its critics. Intuitively, it seems unfair to allow certain applicants to pay extra to “cut in line.”⁵⁹ It is also unlikely that an application’s moving from Track II to Track I will benefit another application in

⁵¹ See Kappos, *supra* note 45.

⁵² Nash, *supra* note 48, at 714. Drivers may access the roads’ normal lanes, however, free of charge. *Id.* London has a similar system, where people must choose either to pay for roadway “access to the central city during the day,” or use public transportation, “which is less expensive, [though] not free.” *Id.* at 713.

⁵³ See *id.* at 725.

⁵⁴ See Press Release 09-33, U.S. Patent & Trademark Office, *supra* note 31.

⁵⁵ Rieva Lesonsky, *Get on the Fast Track to Green Tech Patents*, SMALL BUSINESS TRENDS (Jan. 11, 2010, 11:39 AM), <http://smallbiztrends.com/2010/01/get-on-the-fast-track-to-green-tech-patents.html>.

⁵⁶ See RON PERNICK & CLINT WILDER, *THE CLEAN TECH REVOLUTION: THE NEXT BIG GROWTH AND INVESTMENT OPPORTUNITY* 280 (2007).

⁵⁷ See *id.*; Patrick Avato & Jonathan d’Entremont Coony, *Accelerating Clean Energy Technology Research, Development, and Deployment: Lessons from Non-energy Sectors* 15–18 (World Bank, Working Paper No. 138, 2008).

⁵⁸ See Avato & Coony, *supra* note 57, at 15–18.

⁵⁹ See Nash, *supra* note 48, at 726 n.367 (discussing the concerns that the public tends to have about congestion pricing, one of which is that it is “in one way or other, unfair”).

Track II, given that the application that left the queue will still be examined before the application that remained.⁶⁰ Already, “[s]ome independent inventors have complained that Mr. Kappos understands the needs of large companies better than startups,” because large companies often have the financial resources to benefit from prioritized examination whereas independent inventors often do not.⁶¹ In situations in which congestion pricing is proposed, there is often a perception that revenue from the program will simply find its way into government coffers.⁶² The USPTO has stated that the extra revenue will only be used to pay for the additional cost of priority examination,⁶³ but it is unclear whether the public will believe this statement.

Others criticize the proposed change for not going far enough, arguing that the government should utilize a multi-tier approach when determining patent terms and patent rights, not just application speed.⁶⁴ The basic argument is that factors such as the speed of technological change in the industry and the benefit of the technology to the public should influence the length of the patent term and its level of protection.⁶⁵ While this argument may be persuasive, it does not necessarily detract from the USPTO’s multi-track patent application queue system.

The benefits of the USPTO’s proposed change are clear. A multi-track approach that allows inventors to advance their applications should have economic benefits similar to or the same as those associated with congestion pricing.⁶⁶ Additionally, providing a more stable understanding of how the USPTO will handle green technology patents should help spur investment in that technology.⁶⁷ Although the proposal will likely have critics who will attack the fairness of congestion pricing regimes⁶⁸ or believe that the proposal should go further,⁶⁹ its likely benefits outweigh

⁶⁰ *But see* Changes to Implement the Prioritized Examination Track (Track 1) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. 6,369, 6,370 (Feb. 4, 2011) (to be codified at 37 C.F.R. pt. 1) (in which the USPTO explains that the added fees will be used to pay for more examiners, thus allowing the USPTO to examine applications in Track II equally as quickly despite prioritizing Track I applications).

⁶¹ *See* Schatz, *supra* note 32. Also, Kappos may be biased in favor of large inventive companies because “[h]e was previously IBM Corp.’s top intellectual-property [sic] lawyer.” *Id.*

⁶² *See* Nash, *supra* note 48, at 726 n.367 (referring to the pricing system as a “tax”).

⁶³ *See* Changes to Implement the Prioritized Examination Track (Track 1) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. at 6,370 (“The prioritized examination fee is being proposed to be set at a level to recover the full cost of the resources necessary to increase the work output of the Office so that the non-prioritized applications would not be delayed due to resources being diverted to process the prioritized applications.”).

⁶⁴ *See, e.g.,* Alexander I. Poltorak, *Poltorak: Patent Reform Misses the Mark*, WASH. TIMES (May 25, 2010), <http://www.washingtontimes.com/news/2010/may/25/patent-reform-misses-the-mark/>.

⁶⁵ *See id.*

⁶⁶ *See* Nash, *supra* note 48, at 725.

⁶⁷ *See* Avato & Coony, *supra* note 57, at 15–18.

⁶⁸ *See* Nash, *supra* note 48, at 726 n.367. *See generally* Schatz, *supra* note 32.

⁶⁹ *See generally* Poltorak, *supra* note 64.

its costs. Hence, if there is a constitutional problem that prohibits the USPTO from implementing the proposal, it could have serious consequences.

II. THE CONSTITUTIONAL ISSUE

A. Overview of the Fifth Amendment

The Fifth Amendment's Takings Clause forbids the taking of "private property . . . for public use, without just compensation."⁷⁰ In addition to forcing the government to pay just compensation for the taking of property, it also forbids the government from taking "the property of *A* for the sole purpose of transferring it to another private party *B*, even though *A* is paid just compensation."⁷¹ If a spot in the patent application queue could be considered property, then granting a petition to make special would raise considerable issues under this Clause. One could argue that advancing one application out of turn would be taking property from the applicants who were previously ahead of that applicant merely to give that property to someone else. This would be unconstitutional, unless the government could show that there was a public interest involved.⁷² If the government were able to show such a public interest, that would still leave the issue of just compensation.⁷³ Although it may seem unusual to deem a spot in the patent application queue "property," this would be the logical conclusion if a future court were to follow the unusual and often-criticized—though never overruled—Court of Federal Claims opinion in *Tulare Lake Basin v. United States*.⁷⁴

B. The Tulare Decision and Its Impact

1. Facts of the Case

The *Tulare* case concerned the "delta smelt and the winter-run chinook salmon—two species of fish determined by the United States Fish and Wildlife Service ('USFWS') and the National Marine Fisheries Service ('NMFS') to be in jeopardy of extinction."⁷⁵ The case involved the intersection of "the Endangered Species Act and California's century-old regime of private water rights."⁷⁶

⁷⁰ U.S. CONST. amend. V.

⁷¹ *Kelo v. City of New London*, 545 U.S. 469, 477 (2005).

⁷² *See id.* at 476.

⁷³ U.S. CONST. amend. V (permitting government takings for public use only so long as just compensation is provided).

⁷⁴ 49 Fed. Cl. 313 (2001).

⁷⁵ *Id.* at 314.

⁷⁶ *Id.*

Essentially, California's water system must transport water from water-rich northern California to other, more arid areas, such as the Central Valley.⁷⁷ The *Tulare* case concerned two water projects designed to facilitate this goal: the Central Valley Project (CVP) and the State Water Project (SWP).⁷⁸ The CVP is a federal project and the SWP is a state project, but "the two projects share a coordinated pumping system that requires, as a practical matter, that the systems be operated in concert."⁷⁹ The managing agencies in charge of these projects "are granted water permits by the State Water Resources Control Board ('SWRCB' or 'the Board')—a state agency with the ultimate authority for controlling, appropriating, using and distributing state waters."⁸⁰ These agencies then "contract with county water districts, conferring on them the right to withdraw or use prescribed quantities of water."⁸¹

The plaintiffs in *Tulare* all had either direct or subsidiary contracts giving them a set allotment of water.⁸² The state cannot actually guarantee how much water will ultimately fall in a given year, so the contracts "explicitly provide that the state will not be held liable for shortages due to drought or other causes beyond its control."⁸³ In this way, the rights granted under these contracts seem like patent applications in a queue. They do not necessarily guarantee anything, but establish that the contracting party may be entitled to some right in the future, depending on the circumstances.⁸⁴

With California's water allocation system firmly rooted in place, the Endangered Species Act was signed into law.⁸⁵ This Act requires federal agencies "to consult with the Secretary of the Interior or Commerce to 'insure [sic] that any action authorized, funded, or carried out by such agency . . . is not likely to jeopardize the continued existence of any endangered species or threatened species.'"⁸⁶

On February 14, 1992, the NMFS issued a biological opinion concluding that the SWP and CVP were likely to jeopardize the population of winter-run chinook salmon, an endangered species.⁸⁷ The Service declared that it would be a "reasonable and prudent alternative" to restrict the pumping of water, thereby reducing the amount of water available for distribution.⁸⁸ This was repeated the following year.⁸⁹ Each year, the state implemented the Service's recommendation.⁹⁰ The plaintiffs in

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.* at 315.

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Cf. id.*; *supra* Part I.

⁸⁵ *Tulare*, 49 Fed. Cl. at 315.

⁸⁶ *Id.* (alteration in original) (citing 16 U.S.C. § 1536(a)(2) (1994)).

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.* at 316.

Tulare, California water users, filed suit on the grounds that, in following the federal agency's recommendation, the state had taken the plaintiffs' private property for public use without just compensation.⁹¹

2. The Ruling

The *Tulare* court ultimately found that the federal government had taken the plaintiffs' property in order to serve a public interest.⁹² The court held that the government had the power to do this, but was required to pay just compensation.⁹³ The court based its ruling on *United States v. Causby*, an earlier case in which the Supreme Court had ruled "that frequent flights immediately above a landowner's property constituted a taking, comparing such actions to a more traditional physical taking."⁹⁴ In that case, the Supreme Court looked at whether the government's intrusion was "so immediate and direct as to subtract from the owner's full enjoyment of the property and to limit his exploitation of it."⁹⁵

When deciding how to apply *Causby*, the court referred to the unique nature of water as property, mentioning that "the right of property in water is usufructuary, and consists not so much of the fluid itself as the advantage of its use."⁹⁶ The court reasoned that because the government's action had prevented the plaintiffs from using the water, it completely eviscerated the plaintiffs' sole entitlement under their contracts.⁹⁷ The court concluded that the government had deprived the plaintiffs' usufructuary rights of all value, and therefore had engaged in a physical taking.⁹⁸ Because physical takings always require the payment of just compensation, the government was required to pay.⁹⁹

III. A HYPOTHETICAL CASE

A. Facts

In this hypothetical case, imagine that Alice the Inventor has invented a new type of pencil sharpener. She files a patent application, and the USPTO assigns her a filing date. Later, Bob the Inventor invents a new type of pencil sharpener that also converts pencil shavings into an easily biodegradable fertilizer, thus having the

⁹¹ *Id.* at 314.

⁹² *Id.* at 324.

⁹³ *Id.* at 318–19, 324.

⁹⁴ *Id.* at 319 (citing *United States v. Causby*, 328 U.S. 256, 261 (1946)).

⁹⁵ *Id.* (quoting *Causby*, 328 U.S. at 265).

⁹⁶ *Id.* (quoting *Eddy v. Simpson*, 3 Cal. 249, 252–53 (1853)).

⁹⁷ *Id.*

⁹⁸ *Id.* at 320.

⁹⁹ *See id.* at 324.

potential to contribute to soil restoration and hence materially enhance the quality of the environment.¹⁰⁰ Bob files a petition to make special, which is granted, and his application is advanced ahead of Alice's.

Subsequently, both Alice and Bob decide they would like to sell (assign) the rights to their respective patent applications.¹⁰¹ Because Bob's petition to make special was granted, giving him an advanced position, he is able to charge a high price when assigning the rights under the application. Alice, on the other hand, is unable to find a buyer. This is because potential purchasers are afraid that it will take too long for her patent to issue and that by the time it finally issues, Bob's invention will have dominated the market. Alice sues the USPTO, claiming that, by granting Bob's petition to make special, the USPTO has taken Alice's property and given it to Bob without paying just compensation as required by the Fifth Amendment.

B. The Legal Argument

A patent application does not seem like it would constitute property, because it may or may not issue as an actual patent. Alice would argue, however, that the contracts in *Tulare* appeared to be similarly situated. These contracts stipulated that “[b]ecause the amount of water available . . . is largely a function of natural causes . . . the permits explicitly provide[d] that the state will not be held liable for shortages due to drought or other causes beyond its control.”¹⁰² This means that the plaintiffs in *Tulare* were not necessarily guaranteed anything under their contracts except the expectation of possible water. This makes the *Tulare* plaintiffs seem like patent applicants, who are not necessarily guaranteed anything, but nevertheless have the expectation of a possible patent and are permitted to assign the future rights to that patent.¹⁰³

Alice would claim that the USPTO's action completely eviscerated the economic worth of her assignable interest. She would argue that, at least until the patent

¹⁰⁰ To “materially enhance the quality of the environment,” the invention must contribute “to (i) the restoration or maintenance of basic life sustaining elements, i.e., air, water, and soil or (ii) development of fossil fuels, hydrogen fuel technologies, etc., or reduction of energy consumption in combustion systems such as industrial equipment, household appliances, etc.” David McEwing, *Petitions to Make Special*, HOUSTON INTERNET LAW, <http://www.houstoninternetlaw.com/patents/petitions-to-make-special.html> (last visited May 1, 2012) (citing 37 C.F.R. § 1.102(c) (2004)); see also Press Release 09-33, U.S. Patent & Trademark Office, *supra* note 31 (explaining the USPTO's motives for accelerating the examination of patents that benefit the environment).

¹⁰¹ See 35 U.S.C. § 261 (2006) (“Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.”).

¹⁰² *Tulare*, 49 Fed. Cl. at 315.

¹⁰³ See 35 U.S.C. § 261.

issues, the complete economic worth of a patent application lies in its assignability.¹⁰⁴ She would draw parallels to *Tulare*, arguing that the government's action had voided a property interest, and was therefore a physical taking. She would then argue that, because it is a physical taking, she should be automatically entitled to just compensation under the Fifth Amendment.¹⁰⁵

One may immediately think of several counterarguments. For example, the government could point out that Alice's patent application has not been canceled, simply delayed, and that this is therefore a mere regulatory taking.¹⁰⁶ One could also point out that water is an inherently limited resource, whereas patents represent a growing set of knowledge, so it does not make sense to think of the government's action in terms of a total evisceration of economic rights or a physical taking. One could further argue that patents (or the right to a possible patent) simply cannot be considered physical property because of their abstract nature. Finally, one could point out that the government is not really taking anything so much as making a decision about which application has a higher priority, and that it would be just as much a "taking" if the USPTO were to examine Alice's application before Bob's, even under a scheme that is first-come, first-served.¹⁰⁷ These are all counterarguments that will be addressed later in this Note, but first there is an obvious initial hurdle that Alice must overcome. Alice must convince a court that *Tulare* applies.

C. An Initial Hurdle: Is *Tulare* Applicable?

For Alice's use of *Tulare* to be persuasive, she would need to convince a court that water rights are comparable to patent rights. A court might otherwise believe that water rights and patent rights are too easily distinguishable, and hence not even bother to look at *Tulare*. Patents are a statutory grant of rights connected to something produced by human thought and innovation. Water, on the other hand, is a natural resource. At first glance, one might think that it would be difficult for Alice to overcome this hurdle. Examining the origins of water rights and patent rights, however, one might come to a different conclusion. Surprisingly, both areas of law evolved to solve similar problems,¹⁰⁸ and have similar symbolic underpinnings.¹⁰⁹

¹⁰⁴ See *id.*

¹⁰⁵ See *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1015 (1992) (holding that just compensation is required any time the government engages in a physical taking).

¹⁰⁶ See *Penn Cent. Transp. Co. v. N.Y. City*, 438 U.S. 104, 124 (1978) (holding that a regulation that restricts use of the property, e.g., by preventing the construction of a high-rise office building on top of a landmark train station, does not require the payment of just compensation).

¹⁰⁷ See *Miller v. Schoene*, 276 U.S. 272, 279–80 (1928) (holding that the government is not required to compensate when it merely chooses one property over another).

¹⁰⁸ See *infra* notes 110–51 and accompanying text.

¹⁰⁹ See *infra* notes 152–68 and accompanying text.

1. Both Water Rights Law and Intellectual Property Law Evolved out of Concerns Regarding Over-Monopolization

To understand the concerns underlying water rights law and intellectual property law, it is important to understand their histories. Much American law originates in the English common law.¹¹⁰ Hence, to understand the origins both of American water rights law and intellectual property law, it is useful to begin with an understanding of these rights' places within the English common law.

Much like water itself, water rights law has been in a state of flux throughout the history of England as different concerns regarding water rights have shifted in priority.¹¹¹ In the centuries leading up to the Medieval Era, England was essentially part of the Roman Empire.¹¹² Roman law, much influenced by animist concerns, required that water be used in ways that might, in modern times, be seen as inefficient.¹¹³ For example, Roman law typically required that irrigation take precedence over milling.¹¹⁴ Water was harnessed via large public projects and controlled centrally.¹¹⁵

With the fall of the Roman Empire, concerns shifted. The old animist views gave way to the Judeo-Christian idea that "man, under God, must master and control the natural world."¹¹⁶ In this era, there was a significant fragmentation of power compared to the centralized system of the Roman Empire.¹¹⁷ Newfound autonomous communities appeared, often centered around individual manors or monasteries, which would claim a monopoly with regard to the local area's water supply.¹¹⁸ There were a few scattered "free mills," for which the ownership of the mill would be divided among the local villagers, but these became rarer over time as feudal lords zealously worked to consolidate their power.¹¹⁹ Holding a monopoly over an area's water supply would be highly profitable to a feudal lord, but this system was unpopular among urban and rural workers.¹²⁰ Such workers would often attempt to evade the monopoly, despite "strenuous attempts at enforcement, and substantial litigation in local and rural courts."¹²¹ These workers would sometimes express their displeasure using violence.¹²² Guilds, often thought of as powerful, attempted to get

¹¹⁰ See Graham Hughes, *Common Law Systems*, in *FUNDAMENTALS OF AMERICAN LAW* 9–25 (Alan B. Morisson ed., 1996).

¹¹¹ See generally JOSHUA GETZLER, *A HISTORY OF WATER RIGHTS AT COMMON LAW* (2004).

¹¹² See generally MALCOLM TODD, *ROMAN BRITAIN* (3d ed. 1999).

¹¹³ See GETZLER, *supra* note 111, at 13–14.

¹¹⁴ See *id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 17.

¹¹⁷ *Id.* at 16–17.

¹¹⁸ See *id.*

¹¹⁹ See *id.* at 20.

¹²⁰ *Id.* at 21.

¹²¹ *Id.* at 20.

¹²² See *id.* at 21 (explaining how "many lords' mills . . . were destroyed in the Peasants' Revolt of 1381 and other popular insurrections").

legislation passed in opposition to “these swelling feudal monopolies which undermined urban trades; but with little success.”¹²³

This tension was at a crisis point by 1800.¹²⁴ All available sites where water could be harnessed for power were occupied, significantly increasing the cost of water power.¹²⁵ Faced with this concern regarding the deleterious effects of monopolization, “[t]he principle of undiminished natural flow evolved into the doctrine of reasonable use, which allows all reasonable uses of water on the riparian tract, even if natural flows are diminished.”¹²⁶

It is clear that a major focus in this shift was concern regarding over-monopolization. Usually, owners of private property are not required to use their property in ways that local customs, types of important competing uses, and the needs of others make reasonable.¹²⁷ Typically, private property owners are merely forbidden to use their property in ways that hurt others.¹²⁸

A similar over-monopolization concern underpins patent law. At least since the Biblical Era, there have been efforts to control the spread of information.¹²⁹ Modern American patent law, like most of the American legal system, can trace its history to England.¹³⁰ Much like English water rights law, the evolution of English patent law reflects a shift in concerns.¹³¹

The original patent grants were very different from what we might think of as patents today. In England during the Middle Ages, the monarch had the “royal prerogative of granting *letters patent*.”¹³² These early grants would offer “protection for foreigners willing to come to England to train his subjects in their respective trades.”¹³³ First granted in 1331, “these early letters patent functioned like passports

¹²³ *Id.*

¹²⁴ *Id.* at 40. To provide some historical perspective, James Watt began commercializing his famous steam engine in 1775. IVOR BLASHKA HART, *JAMES WATT AND THE HISTORY OF STEAM POWER* 203–06 (1949).

¹²⁵ See GETZLER, *supra* note 111, at 40.

¹²⁶ Sandra B. Zellmer & Jessica B. Harder, *Unbundling Property in Water*, 59 ALA. L. REV. 679, 694 (2008).

¹²⁷ See BLACK’S LAW DICTIONARY 1337 (9th ed. 2009) (defining private property as property “protected from public appropriation—over which the owner has exclusive and absolute rights”).

¹²⁸ See generally William L. Prosser, *Private Action for Public Nuisance*, 52 VA. L. REV. 997 (1966) (explaining different situations in which the state may interfere with private property rights by classifying certain uses as a nuisance).

¹²⁹ See, e.g., 1 *Samuel* 13:19–21 (King James) (relating how the Phillistines kept the Israelites from gaining information related to the forging of weapons).

¹³⁰ See Frank D. Prager, *Historic Background and Foundation of American Patent Law*, 5 AM. J. LEGAL HIST. 309, 311 (1961).

¹³¹ See *infra* notes 132–50.

¹³² Adam Mossoff, *Rethinking the Development of Patents: An Intellectual History, 1550–1800*, 52 HASTINGS L.J. 1255, 1259 (2001).

¹³³ *Id.*

for any foreigners willing to come and establish their trade within the realm.”¹³⁴ Thus, the goal of these grants was to encourage foreigners to practice their trades in England and, in the process, train Englishmen in such trades.¹³⁵ These grants were intended to grow new industries without harming existing industries, and were limited in time.¹³⁶ It is clear that the primary concern was not innovation, but importation.¹³⁷

Though there was a clear goal for patent grants, Queen Elizabeth would often abuse the royal prerogative, provoking the need for change.¹³⁸ She issued several patents which seemed to go against the original goal of encouraging the immigration of foreigners with useful skills without harming existing workers.¹³⁹ Instead of granting monopolies to foreign tradesmen to enable them to practice their crafts in England, Queen Elizabeth would grant these monopolies to English tradesmen as a way of rewarding “long and faithful” service to her.¹⁴⁰ Eventually, during the reign of King James, Parliament passed the Statute of Monopolies, which served to define and limit the authority over patents.¹⁴¹ The Statute of Monopolies was an express attempt to restrict patent abuses.¹⁴² It is clear that this shift in the law came about because of a concern regarding over-monopolization.¹⁴³

American patent law also reflects this concern.¹⁴⁴ The United States Constitution explicitly states that the purpose of granting patents is “[t]o promote the Progress of . . . useful Arts,” as opposed to rewarding faithful service.¹⁴⁵ It also requires that such grants be for a limited time.¹⁴⁶ Under current United States patent law, the patent holder may exclude others from utilizing the patented invention, thus claiming a monopoly over the patented invention during the life of the patent.¹⁴⁷ In current

¹³⁴ *Id.* at 1259–60.

¹³⁵ *Id.* at 1260–61.

¹³⁶ *Id.* At the time, “employment was largely sacrosanct . . . and strong efforts were made to avoid the granting of patent[s] . . . perceived to infringe on the livelihoods of established workers.” *Id.* at 1263 (quoting Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 2)*, 76 J. PATENT & TRADEMARK OFF. SOC’Y 849, 859 (1994)) (second and third alterations in original).

¹³⁷ *See id.* at 1264.

¹³⁸ *Id.* at 1264–66.

¹³⁹ *Id.*

¹⁴⁰ *Id.* at 1266.

¹⁴¹ Statute of Monopolies, 1624, 21 Jac. 1, c. 3 (Eng.).

¹⁴² *See* Prager, *supra* note 130, at 313.

¹⁴³ *See id.* (noting that patents could be voided under the statute if they were “lacking in novelty, or contrary to law, or mischievous to the state . . . or hurt of trade, or generally inconvenient” (alteration in original)).

¹⁴⁴ *See infra* notes 145–50 and accompanying text.

¹⁴⁵ U.S. CONST. art. I, § 8, cl. 8.

¹⁴⁶ *Id.*

¹⁴⁷ 35 U.S.C. § 154(a)(1) (2006) (dictating that the patent holder may exclude others from “making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States”).

practice, however, it is often difficult to convince a court to grant injunctive relief prohibiting an infringer from continuing to make or use the patented invention.¹⁴⁸ Consequently, a patent holder's effective relief is often limited to reasonable royalties.¹⁴⁹ A system in which others can make use of an invention so long as they pay reasonable royalties is very similar to the riparian system of water rights, where others may make "reasonable use" of the water supply.¹⁵⁰

Because Alice can show that water rights law and patent law both evolved to address similar historical concerns, she should be able to persuade a court that a decision concerning water rights is applicable in a situation involving patent applications. If a court is still not persuaded, however, Alice can discuss an additional similarity between the two types of law: they share the same symbolic underpinnings.¹⁵¹

2. Symbolic Underpinnings of Water Rights and Intellectual Property Rights

Obviously, water is very unique when one thinks about its characterization as property. It flows naturally, and it is something that people typically think of as "using" rather than "possessing."¹⁵² Water is "unlike any other natural resource or thing."¹⁵³ This is partially because "[i]t is essential to all life."¹⁵⁴ From a property law standpoint, water is unique because exclusive possession of a body of water, the way one might exclusively possess another piece of property, is downright impossible.¹⁵⁵ This is because water is in a constant state of flux, as it moves, seeps,

¹⁴⁸ See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (stating that, even when patent infringement is proven, a permanent injunction should only be granted when the plaintiff can show "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction").

¹⁴⁹ See § 284; *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009). See generally David M. Laspaluto, *Reasonable Royalty Damages in the Wake of Lucent v. Gateway: Better Guidance or More Confusion?*, INTELL. PROP. TODAY, Sept. 2010, at 28–30, available at http://www.perkinscoie.com/files/upload/IP_10_09_ReasonableRoyaltyDamages.pdf. Note that reasonable access to patented subject matter is also a feature of major international intellectual property agreements. See, e.g., Paris Convention for the Protection of Industrial Property, art. 5(a)(2), Mar. 20, 1883, 13 U.S.T. 2, 828 U.N.T.S. 107 (amended Sept. 28, 1979), available at http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197, available at http://www.wto.org/english/docs_e/legal_e/27-trips_04c_e.htm.

¹⁵⁰ See GETZLER, *supra* note 111, at 340 (discussing the "reasonable use doctrine").

¹⁵¹ See *infra* notes 152–71 and accompanying text.

¹⁵² See GETZLER, *supra* note 111, at 2.

¹⁵³ Zellmer & Harder, *supra* note 126, at 691.

¹⁵⁴ *Id.*

¹⁵⁵ See *id.*

evaporates, and is consumed by plants and animals.¹⁵⁶ Moreover, when it comes to water, “[q]uantities are never entirely certain; drought, precipitation, and variable human uses create ever-changing circumstances.”¹⁵⁷

Similarly, patent rights are unique when characterized as property. A patent is obviously intangible. The knowledge contained in a patent cannot be exclusively owned, but is actually made public.¹⁵⁸ The patent holder merely possesses the right to exclude others from utilizing the claimed invention.¹⁵⁹

When dealing with both water rights and patent rights, there is the concept of a “natural flow” or “public domain”—something that cannot be exclusively owned by anyone.¹⁶⁰ Individuals may garner exclusive rights for set periods of time, but must then return what they have taken back to nature or back to the public.¹⁶¹ This idea is embodied in Locke’s articulation of property. As he explained:

Though the water running in the fountain be every one’s, yet who can doubt but that in the pitcher is his only who drew it out? His labour hath taken it out of the hands of nature, where it was common, and belonged equally to all her children, and hath thereby appropriated it to himself.¹⁶²

As this quote explains, water naturally does not have an owner.¹⁶³ One may, however, use one’s labor to appropriate some water, thereby becoming its owner, though that water must ultimately be returned to nature.¹⁶⁴

An almost identical concept exists in patent law. No invention is truly unique.¹⁶⁵ Inventors take from a pool of available knowledge, and must cite their references when filing for a patent.¹⁶⁶ Like with water, patent holders may only keep their

¹⁵⁶ *Id.*

¹⁵⁷ *Id.* at 691–92.

¹⁵⁸ *See* 35 U.S.C. § 10 (2006).

¹⁵⁹ *See id.* § 154(a)(1).

¹⁶⁰ *Compare* GETZLER, *supra* note 111, at 2, *with* HENRY C. MITCHELL JR., THE INTELLECTUAL COMMONS: TOWARD AN ECOLOGY OF INTELLECTUAL PROPERTY 1 (2005).

¹⁶¹ *Id.*

¹⁶² JOHN LOCKE, SECOND TREATISE OF CIVIL GOVERNMENT AND A LETTER CONCERNING TOLERATION 16 (J.W. Gough ed., Basil Blackwell 1948) (1690).

¹⁶³ *See id.*

¹⁶⁴ *Id.*

¹⁶⁵ Isaac Newton invoked this concept when he famously quipped, “If I have seen farther, it is by standing on the shoulders of giants.” Stephen Hawking, *Isaac Newton (1642–1727): His Life and Work*, in ON THE SHOULDERS OF GIANTS 725 (Stephen Hawking ed., 2002).

¹⁶⁶ *See* MPEP, *supra* note 20, § 1.56; *see also* Dennis Crouch & Jason Rantanen, *Citing References to the USPTO*, PATENTLY-O (July 13, 2010, 10:23 AM), <http://www.patentlyo.com/patent/2010/07/my-entry.html> (describing how the average number of references cited has fluctuated over time).

exclusive property for a limited amount of time.¹⁶⁷ After this period of time, the knowledge returns to its natural state, usable by everyone without restriction.¹⁶⁸

There is a distinction, however, that may make this argument unpersuasive for Alice. One of the reasons for patent laws is to encourage the creation of more knowledge and the advancement of technological progress.¹⁶⁹ Ultimately, more knowledge is returned to the public domain than was originally taken from it.¹⁷⁰ In fact, one of the motives behind patent law is to encourage inventors to make knowledge public that would otherwise have remained secret.¹⁷¹ Water rights law, on the other hand, is clearly not designed to incentivize the creation of new water. Water taken must ultimately be returned to nature, but it is not the case that more water is returned than was originally taken.

This casts doubt on whether Alice will be able to persuade a court that a water rights decision should impact patent law by pointing to the symbolic underpinnings of water rights law and patent law. Nevertheless, the similarities may be too much for a court to ignore, and Alice can still show that the histories of the two types of law are intertwined.¹⁷² Consequently, she should be able to overcome the initial hurdle of convincing a court that *Tulare* should apply to a situation involving patent law. This will not be the end of Alice's struggle, however, as the USPTO will likely present several counterarguments.

D. Counterarguments

There are several arguments that the USPTO could raise in opposition to Alice's argument. This Note will address what are likely to be the four biggest ones. First, the USPTO could argue that it has merely delayed Alice's application, not canceled it, and has therefore engaged in a "regulatory" taking as opposed to a physical taking.¹⁷³ Second, the USPTO could argue that *Tulare*'s reasoning should not apply because water is something inherently limited, whereas the USPTO may grant an

¹⁶⁷ See U.S. CONST. art. I, § 8, cl. 8 (imposing a constitutional requirement that patent grants be for a "limited time"); see also 35 U.S.C. § 154(a)(2) (2010) (limiting the term of patents to twenty years from date of filing). *But see* Eldred v. Ashcroft, 537 U.S. 186 (2003) (holding that, at least with regard to copyrights, Congress may constitutionally extend the protection term, thus casting doubt on whether such protection truly is for a "limited time").

¹⁶⁸ See *id.*

¹⁶⁹ See U.S. CONST. art. 1, § 8, cl. 8 ("To promote the Progress of . . . useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries").

¹⁷⁰ See 35 U.S.C. § 101 (requiring that inventions be novel in order to be patentable).

¹⁷¹ See *id.* § 102 (providing incentives for inventors to patent their inventions rather than keeping them secret).

¹⁷² See *supra* Part III.C.1.

¹⁷³ See *Penn Cent. Transp. Co. v. N.Y. City*, 438 U.S. 104, 124 (1978).

indefinite number of patents. Third, the USPTO could argue that patent applications simply cannot be physical property because of their abstract nature. Fourth, the USPTO could argue that it is simply making decisions as to priority, and that, if *Tulare* is found to be applicable to Alice's case, *any* decision concerning the order of application processing could be considered a "taking" by those whose applications are not processed immediately.¹⁷⁴

1. This Is a Mere "Regulatory" Taking

The USPTO may counterargue that Alice's case is distinguishable from *Tulare* because her case involves a mere delay. In *Tulare*, the government actually prevented the plaintiffs from using water they would otherwise have been entitled to use.¹⁷⁵ In this case, the USPTO has not actually prevented Alice's application from issuing as a patent, nor has the USPTO prevented her from assigning her rights under the application. This is not the same as a situation involving water rights, or another type of physical object, where appropriating the property somewhere else prevents the holder of the rights in question from actually using them.¹⁷⁶ To use the language of the *Tulare* court, "the government has essentially substituted itself as the beneficiary of the contract rights with regard to that water and totally displaced the contract holder."¹⁷⁷ Essentially, the USPTO would be claiming that Alice's argument could only be valid in a scenario in which an application actually issues as a patent. The USPTO could further argue that it has not deprived Alice of all of her economically valuable rights in the patent application because she still has the right to ultimately receive a valid patent and still has the right to assign the application, albeit at a lower cost.¹⁷⁸ Alice would respond by claiming that by advancing Bob's application out of turn simply because it may enhance the quality of the environment, a government policy goal, the government has "substituted itself as the beneficiary" of her earlier patent filing.¹⁷⁹

¹⁷⁴ See *Miller v. Schoene*, 276 U.S. 272, 280 (1928) (holding that it is not a taking when the government is forced to choose between an "unavoidable" taking of one of two types of property).

¹⁷⁵ *Tulare Lake Basin Water Storage Dist. v. United States*, 49 Fed. Cl. 313, 319–20 (2001).

¹⁷⁶ *Id.* at 319 ("In the context of water rights, a mere restriction on use . . . completely eviscerates the right itself since plaintiffs' sole entitlement is to the use of the water.").

¹⁷⁷ *Id.*

¹⁷⁸ See *Andrus v. Allard*, 444 U.S. 51 (1979) (holding that it is not a constitutional taking to outlaw the sale of certain artifacts while permitting the transportation and possession of those artifacts because the government did not deprive the owners of all their economically valuable rights in the property). *But see* *Lucas v. S.C. Coastal Council*, 505 U.S. 1003 (1992) (holding that a regulation that eliminates all economic use of a piece of property can constitute a taking under the Fifth Amendment).

¹⁷⁹ *Id.*

In determining whether or not a restriction on property constitutes a taking, it is important to keep in mind that the purpose of the Fifth Amendment's Takings Clause is "to bar Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole."¹⁸⁰ Alice would be arguing that the government gets something of value from advancing Bob's application out of turn, namely the potential for improved environmental quality, but that she alone must bear the burden because her assignable patent rights are economically worthless. The Supreme Court "has been unable to develop any 'set formula' for determining when 'justice and fairness' require that economic injuries caused by public action be compensated by the government, rather than remain disproportionately concentrated on a few persons."¹⁸¹ Instead, the Court has generally conducted ad hoc inquiries based on the circumstances of each individual case.¹⁸² It is also important to note that a taking does not necessarily occur every time government actions "adversely affect recognized economic values," because "[g]overnment hardly could go on if to some extent values incident to property could not be diminished without paying for every such change in the general law."¹⁸³ On the other hand, a nonregulatory, physical taking always entitles the property owner to just compensation, "no matter how minute the intrusion."¹⁸⁴

Alice would counterargue that, under *Tulare*, the government has engaged in a physical taking, as opposed to a regulatory taking. This argument may seem counterintuitive, but the *Tulare* court ultimately found that the government had engaged in a physical taking by depriving the contract holders of their water rights,¹⁸⁵ even though the water rights are not necessarily physical objects, and by law the physical water itself always belonged to the people of California.¹⁸⁶ The court was guided in its reasoning by a Supreme Court decision in which the government acquired a corporation's right to water power.¹⁸⁷ The Supreme Court's reasoning in that case was that the government had fully deprived the corporation of the use of the water at issue, and thus had effected a physical taking.¹⁸⁸

In this light, it does not seem impossible that a future court would classify the taking of patent rights as a physical taking.

¹⁸⁰ *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

¹⁸¹ *Penn Cent. Transp. Co. v. N.Y. City*, 438 U.S. 104, 124 (1978).

¹⁸² *Id.*

¹⁸³ *Id.* (citing *Pa. Coal Co. v. Mahon*, 260 U.S. 393, 413 (1922)).

¹⁸⁴ *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1015 (1992).

¹⁸⁵ *Tulare Lake Basin Water Storage Dist. v. United States*, 49 Fed. Cl. 313, 319 (2001).

¹⁸⁶ *Id.* at 318 n.5 (citing CAL. WATER CODE § 102 (Deering 1977)).

¹⁸⁷ *See id.* (citing *Int'l Paper Co. v. United States*, 282 U.S. 399, 404 (1931)).

¹⁸⁸ *Id.* at 319 ("[T]he petitioner's right was to the use of water; and when all the water that it used was withdrawn from the petitioner's mill and turned elsewhere by government requisition for the production of power it is hard to see what more the Government could do to take that use." (quoting *Int'l Paper Co.*, 282 U.S. at 407)).

2. Water Is Distinct from Patents Because Water Is Inherently Limited

The USPTO could argue that there is a major distinction between water rights and patent rights that may preclude their comparison when thinking about what constitutes a “taking.” Water is something that is inherently limited. This effectively makes water distribution a zero-sum game. Traditionally, the same is not necessarily true for intellectual property. Thomas Jefferson explained that ideas are the things least susceptible to individual ownership because, once divulged, an idea “forces itself into the possession of every one, and the receiver cannot dispossess himself of it.”¹⁸⁹ Moreover, ideas, unlike tangible property, can be shared without diluting their value. Jefferson used the metaphor of a candle to explain this concept, stating, “He who receives an idea from me, receives instruction without lessening mine; as he who lights his taper at mine, receives light without darkening me.”¹⁹⁰ On this basis, Jefferson believed that “[i]nventions . . . cannot, in nature, be a subject of property.”¹⁹¹

This argument highlights an important distinction between water rights and patent rights: whereas there is only a fixed supply of water, an idea can be shared infinitely.¹⁹² While this line of reasoning may apply to intellectual property in general, it does not automatically preclude the comparison of a place in the patent queue to rights under a contract for water.¹⁹³ While it may be possible to share an idea indefinitely, the number of patent examiners is still inherently limited.¹⁹⁴ Consequently, the number of patent applications that can be examined at a given time is inherently limited, so examining a given patent application out of turn does remove the ability to examine another application at the same time, meaning that the patent examination queue ultimately does have the properties of a zero-sum game.

3. A Patent Application Simply Cannot Be Physical Property

In a similar vein, the government could argue that a patent could absolutely never be a form of physical property because of its abstract nature. Alice might

¹⁸⁹ Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813), *available at* http://press-pubs.uchicago.edu/founders/documents/a1_8_8s12.html.

¹⁹⁰ *Id.*; *see also* MITCHELL, *supra* note 160, at 23 n.8 (explaining that “[t]he metaphor of the taper is a classic example from the poet Ennius which was also used by Cicero, Seneca, and Grotius”).

¹⁹¹ Letter from Thomas Jefferson to Isaac McPherson, *supra* note 189.

¹⁹² *But see* MITCHELL, *supra* note 160, at 14 (listing the arguments for strong intellectual property protection despite the fact that an idea can be shared so easily without diminishing its value).

¹⁹³ *See id.*

¹⁹⁴ *See* U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, PERFORMANCE AND ACCOUNTABILITY REPORT, FISCAL YEAR 2009, at 11 (2009), *available at* <http://www.uspto.gov/about/stratplan/ar/2009/2009annualreport.pdf> (providing details about the number of examiners).

refute this by pointing to *Tulare*, where the court held that contracts for water were, in fact, physical property.¹⁹⁵ A contract for water rights does connect to something physical: water. Likewise, a patent must be connected to something in the physical world.¹⁹⁶ An invention that is completely abstract and not at all connected to the physical world would not be patentable.¹⁹⁷ For example, the Supreme Court has held that no one may patent the idea of hedging risk, because risk hedging is an abstract concept.¹⁹⁸ Additionally, the Court has held that no one may patent a mathematical formula used to convert one type of number to another, even if that formula was very useful when implemented by a computer.¹⁹⁹ In fact, even if a mathematical formula is implemented on a digital computer and is part of a much larger machine used for curing rubber (something that seems much closer to the physical world), it still would not be patentable.²⁰⁰ Because a patent must be somehow connected to the physical world, it would not make sense to say that a patent could never be considered physical property because of its abstract nature.²⁰¹ This is especially true if one were to accept that it is possible for water rights to be considered physical property.²⁰²

4. This Case Is More Analogous to *Miller* than *Tulare*: The USPTO Is Forced to Choose Between Two Classes of Property

Finally, the USPTO could argue that granting a petition to make special would be analogous to the situation in *Miller v. Schoene*.²⁰³ In that case the plaintiff was the owner of a large number of “ornamental red cedar trees,”²⁰⁴ a species that may be host to cedar rust.²⁰⁵ The defendant, a state entomologist, found the plaintiff’s trees

¹⁹⁵ *Tulare Lake Basin Water Storage Dist. v. United States*, 49 Fed. Cl. 313, 317–19 (2001).

¹⁹⁶ *See infra* notes 197–201 and accompanying text.

¹⁹⁷ *See, e.g., Bilski v. Kappos*, 130 S. Ct. 3218 (2010) (holding that the concept of hedging risk is not patentable); *LeRoy v. Tatham*, 55 U.S. 156, 175 (1852) (“[A] principle is not patentable. A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.”).

¹⁹⁸ *Bilski*, 130 S. Ct. at 3222.

¹⁹⁹ *Gottschalk v. Benson*, 409 U.S. 63 (1972) (holding that an algorithm for converting binary-coded decimal numbers into binary numbers is not patentable).

²⁰⁰ *See Diamond v. Diehr*, 450 U.S. 175 (1981); *see also Parker v. Flook*, 437 U.S. 584 (1978) (holding that a mathematical algorithm used for catalytic conversion is not patentable).

²⁰¹ *But see Bilski*, 130 S. Ct. at 3221–22 (holding that the fixed “machine-or-transformation” test for determining patentability is not exclusive, thus leaving open the possibility that a future invention might be patentable without a connection to the physical world).

²⁰² *See Tulare Lake Basin Water Storage Dist. v. United States*, 49 Fed. Cl. 313, 319 (2001).

²⁰³ 276 U.S. 272 (1928).

²⁰⁴ *Id.* at 277.

²⁰⁵ *Id.* at 278–79 (“[C]edar rust is an infectious plant disease in the form of a fungoid organism which is destructive of the fruit and foliage of the apple, but without effect on the value of the cedar. Its life cycle has two phases which are passed alternately as a growth on red cedar and on apple trees. It is communicated by spores from one to the other over a

to be infected, so he lawfully ordered the plaintiff to destroy them.²⁰⁶ In failing to find a constitutional problem or require just compensation, the Supreme Court ruled that:

[T]he state was under the necessity of making a choice between the preservation of one class of property and that of the other wherever both existed in dangerous proximity. It would have been none the less a choice if, instead of enacting the present statute, the state, by doing nothing, had permitted serious injury to the apple orchards within its borders to go on unchecked. When forced to such a choice the state does not exceed its constitutional powers by deciding upon the destruction of one class of property in order to save another which, in the judgment of the legislature, is of greater value to the public.²⁰⁷

The USPTO could argue that the *Miller* reasoning should apply in Alice's situation. The USPTO cannot possibly examine all applications simultaneously, and must make decisions as to priority. Consequently, the USPTO is forced to decide which patent applications should be examined first, and in this case chose Bob's. As in *Miller*, the government must make choices about what type of property is more important.²⁰⁸ Even if the USPTO decided never to grant any petitions to make special, that would still be making a decision about which patent applications should be first to turn into patents. While the most obvious way of deciding might be a first-come, first-served basis, it is still perfectly reasonable to say that patents that "materially . . . [e]nhance the quality of the environment" or "[c]ontribute to countering terrorism" are more valuable to the public than other types of patents.²⁰⁹

Utilizing the *Miller* reasoning, it is also clear that granting petitions to make special would not be taking "the property of *A* for the sole purpose of transferring it to another private party *B*."²¹⁰ In *Miller*, the government could not avoid deciding to prioritize one type of property over another as a result of natural causes.²¹¹

radius of at least two miles. It appears not to be communicable between trees of the same species but only from one species to the other, and other plants seem not to be appreciably affected by it. The only practicable method of controlling the disease and protecting apple trees from its ravages is the destruction of all red cedar trees, subject to the infection, located within two miles of apple orchards.").

²⁰⁶ *Id.* at 277.

²⁰⁷ *Id.* at 279.

²⁰⁸ *Id.*

²⁰⁹ 37 C.F.R. § 1.102 (2010). This argument might not be as persuasive when a petition to make special is granted because of characteristics of the patent applicant, e.g., because of the applicant's age or health.

²¹⁰ *Kelo v. City of New London*, 545 U.S. 469, 477 (2005).

²¹¹ *Miller*, 276 U.S. at 279–80.

Similarly, the USPTO cannot avoid prioritizing certain applications over others. Again, this is through no fault of its own, but is instead a natural consequence of the USPTO having limited examination resources at its disposal.²¹²

CONCLUSION

The USPTO probably does not need to worry about litigation under the Takings Clause when granting petitions to make special, but it risks litigation when implementing its new three-track proposal.

While there is a chance that *Tulare* may be persuasive to a future court faced with litigation over a petition to make special, this is unlikely given the criticism the decision has sustained and the decision in *Miller*.²¹³ Still, a future plaintiff could probably overcome the initial hurdle of convincing a court that there is enough of a connection between water rights and patent rights to consider *Tulare* persuasive. Pointing to the histories of these rights and their symbolic underpinnings, this might actually be the easy part for a plaintiff.²¹⁴

In addition, such a plaintiff could probably overcome the most intuitive counter-arguments. She could overcome the argument that petitions to make special are regulatory takings by pointing out that she has been totally deprived of the economic worth of her place in the queue.²¹⁵ She could overcome the argument that water rights are distinct from intellectual property rights because water is inherently limited by pointing out that the USPTO's examination resources are also inherently limited.²¹⁶ She could overcome the argument that a spot in the patent queue simply cannot be physical property because it is plainly intangible by pointing out that all patents must be connected to the physical world somehow.²¹⁷

Despite all this, the USPTO would have an enormous trump card in *Miller*.²¹⁸ It is simply too easy for the USPTO to argue that, because it cannot examine all applications simultaneously, it must make decisions about priority. Unless the Supreme Court overturns *Miller*, the USPTO likely does not have anything to worry about when granting petitions to make special.

When proceeding with the new three-track system, however, *Miller* may not be so helpful. *Miller* dealt with a situation in which the government needed to make a

²¹² See U.S. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, *supra* note 194, at 17, 19–20 (providing details on the resources of the USPTO).

²¹³ See *Miller*, 276 U.S. at 280; *supra* note 14 and accompanying text.

²¹⁴ See *supra* Part III.C.1–2.

²¹⁵ See *supra* Part III.D.1.

²¹⁶ See *supra* Part III.D.2.

²¹⁷ See *supra* Part III.D.3.

²¹⁸ See *Miller*, 276 U.S. at 280 (stating that when the choice between the two types of property is unavoidable, “we cannot say that its exercise, controlled by considerations of social policy which are not unreasonable, involves any denial of due process”).

decision as to priority between two types of property, and chose to preserve one over the other.²¹⁹ This is directly analogous in a situation in which the USPTO grants a petition to make special based on an important public policy goal, such as protection of the environment or counterterrorism,²²⁰ but is less analogous in a situation in which one applicant simply pays more money to receive prioritized examination.²²¹ The USPTO could point out that there are other requirements besides payment of extra money (e.g., required electronic filing and limits on the number of claims) and could argue that no one truly has been made worse off because the extra revenue raised through prioritized examination is used to pay for extra examination resources, thus helping all patents to issue more quickly.²²² It is unclear, however, whether this counterargument would be persuasive given the intuitive hostility to congestion pricing discussed in Part I.B.3 (i.e., the intuitive unfairness of allowing one applicant to pay extra to cut in line and the general perception that extra money raised will not actually benefit other applicants). On the other hand, prior courts have upheld agency regulations that distributed scarce government-controlled resources to applicants based entirely on the applicant's ability to pay.²²³

If the government is concerned about being sued, it does have some options. For example, the USPTO could require that applicants seeking prioritized examination somehow show that their inventions benefit the public.²²⁴ In addition to removing any constitutional concern under the Fifth Amendment, this change could help to reduce the public perception of unfairness discussed in Part I.B.3.

If the USPTO wants to go ahead without adding any additional requirements, but is still concerned about being sued, Congress could simply implement a plan for payment of compensation similar to the current system by which patent applications are placed under secrecy orders.²²⁵ Currently, if a patent grant or patent application publication might, "in the opinion of the head of [an] interested Government agency, be detrimental to the national security," then the application may be placed under a secrecy order.²²⁶ Once a secrecy order is imposed, the inventor is prohibited from

²¹⁹ See *id.* at 279.

²²⁰ 37 C.F.R. § 1.102 (2010).

²²¹ See Changes to Implement the Prioritized Examination Track (Track 1) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. 6,369 (Feb. 4, 2011) (to be codified at 37 C.F.R. pt. 1).

²²² See *id.*; Crouch & Rantanen, *supra* note 38.

²²³ See, e.g., FCC v. Nextwave Pers. Commc'ns, Inc. (*In re Nextwave Pers. Commc'ns, Inc.*), 200 F.3d 43, 46, 51 (2d Cir. 1999) (upholding the FCC's regulatory authority to allocate parts of the radio spectrum based on competitive bidding and to withdraw licenses based on the licensee's ability to pay).

²²⁴ The USPTO is already trying something similar to this with its green technology pilot program. See discussion *supra* Part I.B.2.b.

²²⁵ See *infra* notes 229–34 and accompanying text.

²²⁶ 35 U.S.C. § 181 (2006).

discussing the subject matter of the invention.²²⁷ These orders cannot last for more than one year, but can be renewed indefinitely.²²⁸ Congress has implemented a procedure for any applicant who feels that he is entitled to “compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Government, resulting from his disclosure.”²²⁹ This only applies to patent applications that are ultimately allowed, not to patent applications generally.²³⁰ The procedure allows the head of the department or agency that recommended the secrecy order to enter into negotiations with the inventor, or his heirs and assigns, to settle the matter.²³¹ If the inventor settles, he gives up his rights to sue.²³² Otherwise, the head of the department or agency may select what he feels is just compensation, pay the inventor seventy-five percent of that sum, and permit the inventor to sue for the balance the inventor believes he is owed.²³³ Effectively, this forces inventors to accept less than they would otherwise be entitled to, unless they have “the patience, the money, and the evidence required to outlast the United States in court.”²³⁴

If the government is truly concerned, then it could implement a similar procedure for petitions to make special. Congress could give the Director of the USPTO, or the head of another department or agency, the authority to negotiate with an applicant in the event that an applicant feels wronged because a rival inventor’s petition to make special was granted (or was selected for prioritized examination, now that the USPTO has implemented that part of its three-track proposal). Congress could also decide that, should negotiations fail, the department head would have the authority to decide upon just compensation. Congress could further mandate that the inventor be paid a fixed percentage of that figure. This procedure could allow the USPTO to grant petitions to make special without fear of potentially costly litigation, knowing that most aggrieved parties would be willing to give up their right to sue in exchange for a compensatory payment.

This procedure, however, would not likely be good as a matter of public policy, because it would create perverse incentives. If the USPTO had to pay an applicant every time another application was advanced out of turn, an unscrupulous inventor

²²⁷ *Id.* § 186 (prescribing a penalty for disclosure of the invention).

²²⁸ *Id.* § 181. If a secrecy order is issued during a time of war, however, then it lasts until one year following the cessation of hostilities. *Id.* If it is issued during a national emergency, then it lasts until six months after the national emergency is over. *Id.*

²²⁹ *Id.* § 183. *But see* Adam J. Citrin, Note, *Are the Secrecy Order Compensation Provisions of the Patent Act Constitutional Under the Fifth Amendment?*, 1 AKRON INTELL. PROP. J. 275 (2007) (raising numerous reasons why the current system for granting compensation in such cases may be unconstitutional).

²³⁰ *See* 35 U.S.C. § 183.

²³¹ *Id.*

²³² *Id.*

²³³ *Id.*

²³⁴ Citrin, *supra* note 229, at 294.

who knows that his invention is not worth very much might try to intentionally delay his application in the patent queue so as to keep receiving “just compensation.”²³⁵ This delay could worsen the already massive backlog of unexamined patents and would soak up valuable USPTO resources, thus preventing worthwhile inventions from coming to market in a timely manner. Consequently, considering that the risk of being sued for just compensation is minimal, it would not be good public policy for the government to implement such a procedure, even though it could potentially save the government future litigation expenses.

Ultimately, the USPTO should continue proceeding with its proposed changes to the queue system and should continue granting petitions to make special. It is extremely unlikely that an applicant could successfully bring suit for just compensation based on a petition to make special, despite what one might think after reading *Tulare*. It is also good public policy to ensure that inventions that benefit the public are brought to market sooner.²³⁶ There is still a chance that a suit for just compensation based on the three-track system would succeed, but the USPTO can reduce this risk by making certain changes, discussed in this Note’s Conclusion. The USPTO still has many problems, including a massive backlog,²³⁷ but it does not need to worry about a Fifth Amendment suit based on the grant of a petition to make special.

²³⁵ Even without this added incentive, the USPTO is concerned about applicants intentionally delaying their applications, and has taken steps to address these concerns. See generally Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63 (2004).

²³⁶ See Citrin, *supra* note 229, at 298.

²³⁷ See Rubin, *supra* note 3.