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## A COURT DIVIDED

SHUBHA GHOSH\*

Patent law has gained prominence over the past few decades. Unfortunately, this prominence has not resulted in more satisfying or coherent patent policy. As former Solicitor General Seth Waxman reminds us, the Supreme Court has granted certiorari on more patent law petitions as a percentage of their otherwise shrinking docket. In addition, news, mostly real, sometimes fake, about scandalous patent cases and dubious grants of patents have made the public more aware of this technical, specialized area of the law. Not coincidentally, entrepreneurship, start-up culture, and technology commercialization have become buzzwords as have an information economy, economic development, and winner-takes-all markets. Mr. Waxman's essay connects these various dots into his explanation for the increased attention by the Supreme Court on patent law.

Despite the attention, sophisticated courts and market watchers wonder whether the law has actually improved. Progress is patent's unrealized promise. But progress' elusiveness is a consequence of the difficulty of measuring when the law, the market, and the world has in fact become better. One indication of the contested meaning of progress is the division within the Federal Circuit. Mr. Waxman points out that the Supreme Court has reviewed more patent cases in order to police the Federal Circuit, the specialized appellate court established in 1982 to review patent appeals.<sup>1</sup> Since patent appeals are channeled through one appellate court, Mr. Waxman reasons, there are no circuit splits for the Supreme Court to resolve.<sup>2</sup> But this argument ignores the splits within the Federal Circuit, as revealed in many *en banc* decisions, most noticeably in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*.<sup>3</sup> The Federal Circuit is a court divided. This division is one reason why patent law has taken up a larger part of the Supreme Court's docket recently.

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1. See Seth P. Waxman, *May You Live in Interesting Times: Patent Law in the Supreme Court*, 2017 CHI.-KENT J. INTELL. PROP. 214, 215 (2017).

2. Waxman, *supra* note 1, at 219.

3. 134 S. Ct. 2347, 2349 (2014).

What is troubling about the Federal Circuit split and the Supreme Court's mixed attempts at reconciliation is the lack of any normative guidance for patent law. Scholars and practitioners question the grounding of many Supreme Court patent decisions in the Patent Act or in precedent. But equally troubling is the lack of any normative policy discussion about what patent law should secure. For example, in its *Myriad* decision,<sup>4</sup> the Supreme Court opinion resorted to an abridged course on biotechnology to somehow justify its decision while ignoring any of the contested policy issues, such as access to genetic therapies and health care costs. The Court instead relied on the authority of science to buttress their ruling without engaging in the political issues.<sup>5</sup> Similarly, the Federal Circuit en banc decisions in *Alice* are fragmented and a fractious attempt to create a doctrinal rule on patentable subject matter based on the language and structure of the Patent Act.<sup>6</sup> While the Supreme Court announces unanimous patent law decisions (with occasional dissenters), the authority of the superior Court only highlights the contentiousness of the intermediate appellate court.

As a court divided, the Federal Circuit has failed at its primary mission. Judge Marion T. Bennett described the legal background against which this Circuit was founded as one in which “technological innovation was being impeded by the lack of uniformity in the application of the patent laws.”<sup>7</sup> For example, the Supreme Court has in the past several years expanded its jurisprudence on patentable subject matter. The Federal Circuit has responded accordingly by more aggressively invalidating patents for failure to meet requirements of patent eligibility. However, the Supreme Court's mandate is not to invalidate patents, but to develop standards for understanding the contours of the patentable subject matter requirement as separate from the other four requirements of novelty, nonobviousness, utility, and enablement. Establishing the independent legal significance of patentable subject matter requires the development of consistent and predictable methods to assess eligibility.

The Supreme Court established a broad test in *Alice*. The test was a synthesis of its holdings in *Bilski v. Kappos*<sup>8</sup> and in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*<sup>9</sup> and an attempt to develop a general test of methodology for determining patent eligibility in the areas of business

4. Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576, 579 (2013).

5. *See id.*

6. CLS Bank Int'l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1273 (Fed. Cir. 2013).

7. ADVISORY COUNCIL, THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, A HISTORY: 1990–2002, 10 (Kristin L. Yohannan eds., 2002).

8. 561 U.S. 593, 605 (2010).

9. 566 U.S. 66 (2012).

methods, software, and medical therapeutics and diagnostics.<sup>10</sup> By announcing a general test, the Court intended for this Circuit to develop the contours that provide substance to the stated two-part test. This substance is not distinct from a case-by-case assessment of patentable subject matter. Like the common-law method, this Circuit's application of the Court's two-part test must evolve into a coherent doctrine, sometimes tailored to a specific industry, but also general enough to serve as a beacon for future patentees and examiners. Because of the need for coherence and the evolution of the law, even a decision labelled non-precedential can undermine legal development and the arc towards consistency and predictability. Future patentees and attorneys will not know whether the patents they enforce will be summarily rendered invalid under an inscrutable methodology. Trust in the patent system is potentially eroded, and fields most affected by *Alice* and its progeny will potentially develop more slowly to the detriment of consumers and future innovators.

Scholars of innovation identify risk taking as the key to innovation. As Professor Robert Gordon summarizes the experience of innovators over time:

[I]nnovators, particularly when acting by themselves or in small partnerships, are the ultimate risk-takers. Their inventions may lead them to create large firms, or their inventions may be supplanted by alternatives that are more efficient and perform better. Or they may have a promising idea and fail to find a source of funding for development of their ideas. Invention at the level of the individual "is anything but mechanical, automatic, and predictable. Chance plays a tremendous role."<sup>11</sup>

Professor Gordon identifies the pharmaceutical industry as one of the key sectors where innovation will be critical in the current technology revolution shaping the economy. He notes that "pharmaceutical research has reached a brick wall of rapidly increasing costs and declining benefits."<sup>12</sup> He includes medical advances within this claim. Although Professor Gordon points to regulatory burdens as raising the costs of medical innovation, he

10. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2350 (2014).

11. ROBERT J. GORDON, *THE RISE AND FALL OF AMERICAN GROWTH* 570 (2016).

12. *Id.* at 594.

also points to the rise of large firms and the decline of a democratic culture of innovation fostered by the patent system.<sup>13</sup>

A divided Federal Circuit exacerbates the risks of innovation. It also calls into question the expertise of the court. Judge Rader, in an odd appendix labelled “additional reflections” to his en banc opinion in *Alice*, mourned the loss of collegiality of the Federal Circuit:

In the twenty-fifth year of my judicial service, I am wont to reflect on my early judicial experience in search of the confidence in the correctness of my judicial views that I then enjoyed. . . .

Therefore, I could only describe my emotion as surprise that my senior colleagues on the panel, Judges Newman and Lourie, struggled mightily. The author for the court performed impressive feats of intellectual acrobatics trying to gain some handhold to show that the mathematic equations in the method had some physical connection and no preemptive effect, whatever those concepts mean (and I still do not know if they have any meaning, let alone what that meaning might be). . . .

I enjoy good writing and a good mystery, but I doubt that innovation is promoted when subjective and empty words like “contribution” or “inventiveness” are offered up by the courts to determine investment, resource allocation, and business decisions. Again, it is almost . . . well, “obvious” . . . to note that when all else fails, it makes sense to consult the simplicity, clarity, and directness of the statute.

As I start my next quarter century of judicial experience, I am sure that one day I will reflect on this moment as well. I can only hope it is a brighter reflection than I encounter today.<sup>14</sup>

It is hard to know how to respond to such a *cri de coeur*. One natural question is what was the basis for the solidarity that Judge Rader sees as dissolving. The judges on the Federal Circuit are joined by a technical background combined with training in law. They are members of the patent bar, or traditionally have been. Their common expertise and shared professional

13. *Id.* at 574.

14. *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1333–36 (Fed. Cir. 2013).

experience, Judge Rader may be suggesting, should make their judgments more unified and predictable.

But perhaps the shared expertise is a myth. Invention comes from many fields. There are eighteen judges on the Federal Circuit.<sup>15</sup> There are more than thirteen scientific or technical fields of specialty, as any university course catalog will bear witness. Sometimes judges in the same field of expertise reach different conclusions of law in the same case. Even shared membership of a bar cannot impose solidarity. Differences of opinion, of knowledge, of judgment is what oils the wheels of legal process. So, Judge Rader waxes nostalgic for a false sense of unity, one that is ever elusive, especially in the face of foundational questions such as what is patentable subject matter.

With its expanded review of patent decisions, the Supreme Court has entered the fray. But can the superior Court's intervention offer any basis for reconciliation? There are only so many tools available. As Mr. Waxman points out, the Supreme Court has recourse to common law judging, reverting to concepts of reasonableness and its own precedent (as opposed to those of the Federal Circuit) in order to bring light to the darkness.<sup>16</sup> But the light of the common law is often a dim one. In the patent area, we witness the Court resorting to open ended standards as a counter to blunt rules. Terms like "common sense" and "flexibility" serve to provide guidance for the Federal Circuit, district courts, and the USPTO in implementing the statutory language of the Patent Act. Unfortunately, such open-endedness has been the object of scholarly criticism and frustration for practitioners as the Federal Circuit seems to move to a rigid position of being overly skeptical of what inventions fall into patentable subject matter. The Supreme Court's decision in *Bilski* begets the torpor of the en banc opinion in *Alice*.

Deference to Congress is another tool available to the Supreme Court. We see such deference when the Court adopts a plain meaning approach to the Patent Act. In *KSR v. Teleflex*, for example, the Court relies on the language of section 103, combined with its interpretation in *Graham*, to strike down the Federal Circuit's rule-like application of the "teach, suggest, motivate" approach to nonobviousness.<sup>17</sup> With respect to patentable subject matter, the Court is in a quandary as it confronts the seemingly broad language of Section 101 and the weight of its own precedent, which had carved out

15. *Judges*, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/judges/kathleen-m-omalley-circuit-judge.html> (last visited March 7, 2018).

16. See Waxman, *supra* note 1, at 222.

17. 550 US 398, 399–400 (2007).

exceptions based on policy. Deference to Congress is brushed aside, or so it seems. A plain meaning approach does not mean a rigid literalism. Arguably, the carve-outs within Section 101 set forth in Supreme Court precedent rest on a close reading of the words: process, machine, composition of matter, manufacture. In *Diamond v. Chakrabarty*, for example, the Court adopted a broad view of patentable subject matter, relying on language in the legislative history to find that a living organism is a composition of matter.<sup>18</sup> The recent spate of decisions limiting patentable subject matter is consistent with the Court's interpretation of the Patent Act in *Chakrabarty*. The focus, however, is on the complexities of the meaning of the word, process.

Judge Rader should appreciate this plain meaning approach. In his "additional considerations" in *Alice*, the then Chief Judge of the Federal Circuit urged his colleagues, and by implication all parties engaged in patent law, to "follow the statute."<sup>19</sup> But the Supreme Court's patentable subject matter jurisprudence shows the problems with a plain meaning approach. Reasonable minds can differ as to meaning of words, often with resort to history and tradition to guide interpretation. History and tradition, however, do not provide clarity. The problem is that plain meaning is unmoored from any normative considerations of the purposes underlying patent law. Eluding normative considerations to identify a seemingly neutral and objective meaning is the source of the problem in the current patentable subject matter jurisprudence.

To develop this point, first consider how the current Supreme Court scrutiny of patent law compares with the patent-skepticism of Justice Douglas. This comparison sheds light not only on the errors in the Court's *Kimble* decision,<sup>20</sup> but also on the debates over patentable subject matter. The comparison also leads to the conclusion of this Comment: the Federal Circuit is a court divided because the normative underpinnings of patent law are contested but unexamined.

Justice Douglas' well-known suspicion of patents reflected a general populist, anti-corporate outlook, nurtured by the concentration of wealth that allegedly caused the Great Depression and the New Deal redistributive policies that were the cure. It may be an exaggeration to say that during Justice Douglas' tenure on the bench, the only valid patent was one that escaped review by the Supreme Court. But in a range of opinions, Justice Douglas successfully swung the Court to a view that patents were symptomatic of

18. *Diamond v. Chakrabarty*, 100 S. Ct. 2204, 2204 (1980).

19. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1292–1294 (Fed. Cir. 2013) (Rader, C.J., Concurring in part and dissenting in part).

20. *Kimble v. Marvel Entm't LLC*, 135 S. Ct. 2401, 2403 (2015).

economic concentration, abuse of contract, and exploitation of licensees and the downtrodden. Even though some commentators view the current Supreme Court's patent scrutiny as reflecting an anti-patent bias, this characterization is misleading. Justice Douglas's stance provides the necessary contrast. The current Court is concerned about the uncertainties of patent doctrine that raises the cost of doing business. While Justice Douglas viewed patents as the fruit of a corrupt capitalist system, the current Court sees patents as potentially detrimental to competitive markets. Patents are not the fruit of business acumen but an impediment to innovation.

The recent judgment in *Kimble v. Marvel* illustrates the complexity of the contrasting positions. In *Kimble*, a 5–4 opinion from 2015, a majority of the Supreme Court upheld the precedent of *Brulotte v. Thys*, a Douglas opinion from 1964.<sup>21</sup> At issue in *Brulotte* and in *Kimble* was a license term that required royalty payment after the expiration of a patent.<sup>22</sup> Justice Douglas's opinion, joined by seven of his colleagues with Justice Harlan dissenting, found such post-expiration royalty obligations in conflict with the limited term of a patent, under the patent statute and the Constitution.<sup>23</sup> The decision, however, was not simply about pre-emption. Justice Douglas was concerned of the exploitative use by a large corporation, Thys, Inc., of its hop-picking machines licenses by farmers in the State of Washington.<sup>24</sup> For Douglas, the continuing payment requirement after the right to exclude expired indicated overreaching by the company, leveraging its economic power to extract undeserved payments from the weak farmers.<sup>25</sup>

Fifty years later, the Court granted certiorari in *Kimble* against several decades of commentary questioning Justice Douglas' decision in *Brulotte*. While four of the nine justices, joining in a dissent written by Justice Roberts, would have overruled *Brulotte*, the majority of the justices, led by Justice Kagan, found no reason to overturn an established precedent.<sup>26</sup> Even if the ruling was incorrect, *Brulotte* was an established canon that parties could always bargain around through various structured transactions. Upholding a precedent set by a recognized anti-patent justice reveals the fault lines in how the Court views patent law (not to mention differences of opinion as to precedent more broadly, a subject worthy of separate investigation).

21. *Id.*

22. *Id.* at 2404; *see also* *Brulotte v. Thys Co.*, 85 S. Ct. 176, 179 (1965).

23. *Brulotte*, 85 S. Ct. at 177–180.

24. *Id.* at 179.

25. *Id.*

26. *Kimble v. Marvel Entm't LLC*, 135 S. Ct. 2401, 2413 (2015).



One fault line pertains to creating clarity for business transactions arising from patents. The appeal to precedent demonstrates a desire not to unsettle expectations about the law, even a case as obscure as *Brulotte*. One surprising revelation during litigation was the confession that counsel was not familiar with the *Brulotte* ruling.<sup>27</sup> This admission seems implausible, but even if true, the majority of the justices were not swayed by the ignorance. As precedent, the rule in *Brulotte* had become hardwired in patent practice over fifty years, and reversals had to have strong justification, which the five justices did not discern. The four dissenters, by contrast, were skeptical about settled expectations as to the *Brulotte* decision. Not only had the ruling little justification in economic theory, it seemed easy to work around. Therefore, the Court should not uphold a precedent with such limited merit. The majority recognized the way transaction attorneys could readily avoid the rule but would have private orderings, rather than public decisions, undo any potential damage from the rule established by Douglas.

As one of the few patent decisions that split the Supreme Court in recent years, *Kimble* illustrates the limited consideration given to normative criteria in patent rulings. Douglas' judgment was a populist one, the creation of a rule to protect exploited farmer-licensees from powerful patent owners. But the facts of the *Kimble* case show how the table had turned. The patent owner was an independent inventor and the licensee was a large corporation. The licensee in *Kimble* was taking advantage of Douglas' rule in *Brulotte* to escape payment obligations to the patent owner under the license. A similar dynamic is at the heart of *Scheiber v. Dolby*,<sup>28</sup> a 2002 Seventh Circuit ruling that also examined the viability of the *Brulotte* rule. In *Scheiber*, Judge Posner grudgingly upheld the *Brulotte* decision, and the Supreme Court denied cert.<sup>29</sup> What the facts of *Scheiber* and *Kimble* have in common is a suspicious tactic by the more powerful licensee to negotiate royalty payment obligations that extended beyond the life of the patent and to invoke *Brulotte* to avoid payment obligations. Contrary to *Brulotte*, the licensee has now become the more dominant party exploiting the independent inventor as patent owner.

Needless to say, the Court does not address this shifting strategic dynamic in its *Kimble* decision.<sup>30</sup> But it seems clear that a rule created on populist grounds has led to anti-populist outcomes. I think that should have mattered in the *Kimble* case. Some may question whether such consequential

27. See *id.* at 2406 (“neither side was aware of *Brulotte*.”).

28. 293 F.3d 1014 (7th Cir. 2002).

29. *Id.*, cert. denied, 537 U.S. 1109 (U.S. Jan. 13, 2003) (No. 02-689).

30. See generally *Kimble v. Marvel Entm't LLC*, 135 S. Ct. 2401 (2015).

analysis are relevant to a judicial ruling. Arguably, such analysis goes beyond the traditional emphasis on statutory language, constitutional text, and precedent. But the *Brulotte* precedent does not rest on text at all.<sup>31</sup> A payment obligation does not extend the duration of a patent. Justice Douglas finds a conflict between the license and the statute largely due to the unequal bargaining power. During oral argument, Justice Breyer raised the specter of a patent owner negotiating a post-expiration payment obligation with all licensees and thereby effectively extending the life of the patent through private agreement.<sup>32</sup> Shades of this hypothetical appear in the majority opinion. Clearly, consequential analysis matters.

*Brulotte* and *Kimble* illustrate contrasting approaches to patent law that suggest a reason for why the Federal Circuit is a court divided. Justice Douglas was a patent skeptic who created a rule that favored patent licensees. Even though *Kimble* upheld the rule in *Brulotte*, the Court's approaches are quite different. The majority adopts a balancing approach that attempts to square incentives for patent owners, clarity of legal rules for business attorneys, and potential adverse effects on markets. The dissent, by contrast, emphasizes private orderings as a means to circumvent questionable precedents. What all approaches lack is a careful understanding of the goals of patent law. Justice Douglas sees patents solely as a tool for economic exploitation. The current Court see patent law as reflecting a range of economic interests. Neither seems to have a coherent sense of patent's purpose. While the current Court's approach may be called pragmatic, especially compared to more dogmatic analyses, there seems to be a lack of principle.

It is worth ending this comment with two questions. First, can appeal to normativity heal a court divided? If so, what principle should we pursue in patent law? The first question asks us to wonder if pragmatism is the best courts can provide. No one is advocating for impractical solutions, but falling back on pragmatism implies an aimlessness that is disappointing. Perhaps we, in whatever position we have in the legal system, are reduced to handling cases, nose squarely to the ground without a sense of moving forward. But raising our eyes to the sky can enliven us, make us emotionally richer and mentally grounded, and give some content, however tentative, to big words like progress. Normative considerations are unavoidable.

So, what principles undergird patent law? Fascination with technology, love of technique, awe at science guides some in their professional pursuits

31. See, e.g., *Scheiber*, 293 F.3d at 1018 (Judge Posner noting that the *Brulotte* case is not "based on a (sic) interpretation of the patent clause of the Constitution, [n]or of the patent statute [n]or of any other statute[.]"').

32. See Transcript of Oral Argument at 9–12, *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015) (No. 13-720).

in patent law. But technology is not solely for technology's sake and emphasis on technique can dull one's sense of empathy by elevating things over people. Perhaps the desire to promote business, to innovate, to commercialize can guide what we seek from patent law. While entrepreneurship and start-up cultures are more than buzzwords, at some point their promise gives way to the reality of economic downturns, single-minded competitiveness, and the pursuit of profits for their own sake. The principles that recur in patent law, and across intellectual property laws more broadly, are the need to invent, create, and tinker and the need for innovation that benefits society. An inventor- and user-centered patent law can invigorate the doctrinal discussions and inform uninspiring slogans such as "follow the statute." Normativity that takes inventors and the users as the beneficiary of patent law can enrich debates over patent rules, refocusing attention on purpose and goals in constructing the law.<sup>33</sup>

What Mr. Waxman's assessment of patent institutions shows is the various actors and interests that drive patent law.<sup>34</sup> But the assessment reveals a directionlessness that is reflected in the divisions within the Federal Circuit. The Supreme Court is limited in its ability to reconcile the divided court. What is needed is a thoughtful dialogue about why patent law was invented in the first place.

33. See Shubha Ghosh, *Managing the Intellectual Property Sprawl*, 49 *SAN DIEGO L. REV.* 979 (2012).

34. See generally Waxman, *supra* note 1.