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# Examining Distinctive Jurisprudence in the Federal Circuit: Consequences of a Specialized Court

Alan B. Parker

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## EXAMINING DISTINCTIVE JURISPRUDENCE IN THE FEDERAL CIRCUIT: CONSEQUENCES OF A SPECIALIZED COURT

*Alan B. Parker*<sup>1</sup>

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*“We’ll be keeping an eye on you.”*

*Chief Justice Burger at the inauguration of the Court of Appeals  
for the Federal Circuit.*<sup>2</sup>

### I. INTRODUCTION

Since 2006, the Supreme Court has profoundly shifted the rights and relationships between patentees and potential infringers.<sup>3</sup> The Court

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1. Alan B. Parker, Reminger Co., LPA.

2. Judge Giles Sutherland Rich, *My Favorite Things*, 35 IDEA 1, 6 (1994).

3. Three opinions reduced the power of the patentee or increased the ability of an accused infringer to invalidate a patent. See *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388, 391 (2006)

of Appeals for the Federal Circuit<sup>4</sup> (“Circuit”) has exclusive<sup>5</sup> and national jurisdiction over patent appeals.<sup>6</sup> However, the Circuit is generally the court of last resort for patent cases. Its judges are patent authorities; their decisions are rarely reviewed. The Supreme Court’s newfound interest in patent law is noteworthy in itself.<sup>7</sup> The recent attention from the high court and the reversals of Circuit precedent appear to be a reaction to concerns that the Circuit is exhibiting some unappreciated characteristics of a specialized court.

Specialized courts are associated with certain tendencies and patterns of behavior, including:

The aggregation or centralization of decision-making to the specialized authority. One would expect a specialized court to suspect a non-expert’s ability to correctly decide the issues in the specialty field. Thus, as expected, appellate courts could shift decision making toward judges and away from juries.

An increasing role of the court within its specialty jurisdiction. A specialized appellate court could afford less deference to trial judges than a non-specialized appellate court. With less deference, one can expect higher rates of review and higher reversal rates in a field supervised by a specialized appellate court.

The development of specialized rules and doctrines. Over time a specialized court and a specialized legal practice will diverge from mainstream practices. The court and lawyers develop distinct jargon,

(requiring the patentee to satisfy the four-factor equitable test to obtain a permanent injunction); *MedImmune, Inc. v. Genentech*, 127 S.Ct. 764, 777 (2007) (allowing a licensee to challenge patent validity); *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007) (expanding the challenge to the validity of a patent for § 103 obviousness grounds). A dissenting opinion issued in a denial of certiorari revealed that three justices would review whether patentable subject matter is too expansive, and question whether current jurisprudence affords too much patent protection. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, cert. dismissed, 548 U.S. 124, 138 (2006) (Breyer, J., dissenting).

4. Marcia Coyle, *Critics Target Federal Circuit*, THE NATIONAL LAW JOURNAL, Oct. 19, 2006, <http://www.law.com/jsp/article.jsp?id=1161162317072>; Gregory A. Castanias, et al, *Survey of the Federal Circuit’s Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialog with the Supreme Court*, 56 AM. U. L. REV. 793, 848 (2007).

5. To be accurate, a nearly exclusive subject matter jurisdiction. The regional circuits retain some jurisdiction to determine patent issues under *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830(2002), where the “well pleaded complaint” did not raise a patent issue directly, but the subject arose and required ruling in the course of the litigation.

6. 28 U.S.C. §1295.

7. See, Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. REV. 387, 387 (2001); Timothy R. Holbrook, *The Return of the Supreme Court to Patent Law*, 1 AKRON INTELL. PROP. J. 1 (2007).

practices, and cultures. That in turn discourages non-specialists from entering the practice. These tendencies amplify the trend toward greater distinctiveness and isolation in the court and its bar.

Doctrines and practices that favor the dominant interests within the specialty field. A patent specialty court may create rules that promote the use of its principal constituency – patent lawyers.

Before the Circuit's<sup>8</sup> creation, concern existed that the court may develop doctrinal isolation as a consequence of being a quasi-specialized court.<sup>9</sup> This paper observes that patent cases have characteristics that are distinctive to the specialty. These characteristics have included:

Trial judges, not the jury, are to decide certain factually intensive key issues.

A high reversal rate, which corresponds with relatively little deference for trial courts' rulings.

Law that fell out of step with other areas of practice. Notable examples in patent practice included unique rules on attorney-client privilege and injunctive relief.

Doctrines and practices that encourage the employment of patent lawyers. Until recently this included an affirmative duty to obtain legal opinions as to patent enforceability. One could, to some degree, view each of the characteristics discussed in this paper as favoring patent lawyers, who are arguably the most dominant identifiable group to benefit from a specialized court.

While the Supreme Court's recent scrutiny has not criticized the Circuit for being specialized *per se*, its opinions do raise concerns that the Circuit applies rules that do not align with approaches by other appellate circuits. Other statements by the Justices suggest that the Circuit's development of patent law is out of balance in favor of patentees, or that the Circuit's patent law decisions weigh heavily toward the interest of the patent bar.

The Circuit has an explicit Congressional mandate to promote uniformity in patent law.<sup>10</sup> The Circuit's first chief judge, Howard T.

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8. At times in this paper, the Federal Circuit will be referenced as "CAFC" for brevity and convenience.

9. *See infra* § 5.

10. H.R. REP. No. 312, at 20-23 (1981).

Markey, embraced the mandate, but rejected the criticism that “specialization” would negatively impact the court.

From its very first case, the Federal Circuit set out to meet Congress’ express intent that it contribute to increased uniformity and reliability in the fields of national law assigned . . . The Federal Circuit also recognized at the outset that assurance of reliability required the maintenance of a maximum level of uniformity among its own statements of the law. Simply put, a court created to reduce existing conflicts would fail in its mission if its opinions were to create new jurisprudential conflicts . . . Now that over 10,000 appeals have been decided, early assumptions that the Federal Circuit would somehow be more “specialized” than the regional circuit courts appear to have been abandoned – and rightly so.<sup>11</sup>

Despite Judge Markey’s comments, the concerns he dismissed live on. The court’s behavior explored in this paper – a tendency to consolidate decision-making power within the court of appeals, to expand its influence within its specialty, and to distinctively apply rules and develop doctrine – are the kinds of conduct expected from specialized courts.<sup>12</sup>

The CAFC’s trend toward distinctiveness may be unintended. It may also be unappreciated, especially on the court and within the patent bar. The patent bar is the Circuit’s principal constituency and it exercises an important role in the selection and confirmation of Circuit Judges.<sup>13</sup> The patent bar also shapes the attitudes and perspectives of the judiciary, because issues are framed and analyzed for courts through attorney briefing.<sup>14</sup> As compared to the regional circuits, the Circuit

11. Howard T. Markey, *The Federal Circuit and Congressional Intent*, 2 FED. CIR. B. J. 303, 304 (1992).

12. Simon Rifkind, *A Special Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A.J. 425, 425 (1951); COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE, 92nd Cong. 2nd Sess., 86 Stat. 807 (1975), reprinted in 67 F.R.D. 195, 234-36; William M. Landes & Richard A. Posner, *An Empirical Analysis of the Patent Court*, 71 U. CHI. L. REV. 111, 111 (2004); JAMES BESSEN & MICHAEL A. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS AND LAWYERS PUT INNOVATORS AT RISK*, § 3.1, (2008).

13. The New York Patent Bar Association, for example, was self-designated to evaluate Federal Circuit nominees and report to the Congressional committees with respect to its findings. Its self-designation has been accepted; its report has become a routine step in the confirmation process. See, Richard L. Revesz, *Specialized Courts and the Administrative Lawmaking System*, 138 U.P.A. L. REV. 1111, 1148-49 (1990).

14. It has also been argued that the patent bar in general favors a lenient standard of patentability. Among other effects, a lenient standard serves the patent bar’s interest in successfully securing patents for clients, and enlarges the scope of the patent system’s reach, thereby maximizing

hears a less diverse spectrum of cases, and considers a higher concentration of patent cases. Patent specialists, i.e., attorneys who are required to be educated or experienced in scientific or engineering fields for admission to practice before the U.S. Patent Office, typically argue patent cases. The effect is to expose the Circuit to a relatively homogeneous set of lawyers: technically sophisticated, scientifically educated, and frequently specialized practitioners. Over time the institutional influences trend toward insularity and distinctiveness, even when special interest influence is not intended or perceived by the lawyers or judges.

Whether or not special interest influence on a court really exists may be less important than whether the court's audience of policy makers, superior courts, and interest groups with political weight perceive such influence.<sup>15</sup> Some perceive a specialized court to be more likely to have a 'mission' orientation than a generalist court. That has been the experience with the Circuit; it has defined its mission as "promoting technological progress by enlarging patent rights."<sup>16</sup> Even if an institution performs well objectively, its power and effectiveness can nevertheless be limited if it is perceived to be negatively influenced by the interests or constituencies it serves.

Therefore, after reviewing jurisprudence that is consistent with the predicted behavior of specialized courts, this paper will discuss some recent Supreme Court cases which address some of the Circuit's distinctive jurisprudence. In addition to examining evidence of characteristics consistent with specialization-caused effects, this paper will highlight several examples suggesting that the perception is growing at the Supreme Court that the Circuit is behaving as a specialized court – developing distinctive jargon and rules, and unduly tending to its constituency. That perception may or may not be justified, but there are signs that the CAFC is responding to the perception in its early cases implementing the Supreme Court rulings.

We may be witnessing a significant new relationship between the Supreme Court and the Circuit, and the beginning of a new chapter in the CAFC's history. The Circuit has eradicated the geographical

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patent attorney business. See, Lawrence Baum, *Judicial Specialization, Litigant Influence, and Substantive Policy: The Court of Customs and Patent Appeals*, 11 LAW & SOC'Y 823, 835 (1977).

15. See LAWRENCE BAUM, *JUDGES AND THEIR AUDIENCES: A PERSPECTIVE ON JUDICIAL BEHAVIOR* (2006).

16. William M. Landis & Richard A. Posner, *The Political Economy of Intellectual Property Law*, AEI-Brookings Joint Center for Regulatory Studies, 26 (2004), available at [http://www.aei.org/docLib/20040608\\_Landes.pdf](http://www.aei.org/docLib/20040608_Landes.pdf).

inconsistencies of pre-CAFC patent law and has brought technical competence and policy expertise to patent adjudication. In the process, though, the Circuit has succumbed to some of the predicted problems that characterize specialized tribunals. The Supreme Court and the Circuit may be recognizing the need to temper the CAFC's technical sophistication against the tendency to overextend its judicial role.

## II. PREDICTING THE TENDENCIES OF SPECIALIZED COURTS

American courts typically have broad subject matter jurisdiction.<sup>17</sup> Specialized courts on the federal level are relatively rare,<sup>18</sup> and criticism typically follows proposals for them.<sup>19</sup> Three decades before the Circuit's creation some predicted that a specialized court may create a divergent body of law.

The patent law does not live in the seclusion and silence of a Trappist monastery. It is part and parcel of the whole body of our law . . . In time such a body of law, secluded from the rest, develops a jargon of its own, thought-patterns that are unique, internal policies which it subserves and which are different from and sometimes at odds with the policies pursued by the general law . . . Very soon their internal language becomes so highly stylized as to be unintelligible to the uninitiated. That in turn intensifies the seclusiveness of that branch of the law and that further immunizes it against the refreshment of new

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17. *E.g.*, 28 U.S.C. § 1331 vests United States District Courts with "original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."

18. In recent times, specialized courts have included the Court of International Trade, the Tax Court, the Court of Veterans Affairs, the Temporary Emergency Court of Appeals, the Special Court under the Regional Rail Reorganization Act of 1973, the Foreign Intelligence Surveillance Court, the Foreign Intelligence Surveillance Court of Review, the Court of Military Appeals, the Court of Claims, and, arguably, the Bankruptcy Court. Some of these courts do not possess exclusive jurisdiction even in their field, e.g. tax cases may be brought in either district court or the tax court. The bankruptcy court frequently conducts trials that apply all substantive areas of law in order to assess the validity of a creditor or debtor claim. Thus, even though these are specialty courts, they arguably benefit more directly from the contributions of and competitions from other courts.

19. Simon Rifkind, *A Special Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A.J. 425, 425-26 (1951); COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE (1975) (The Hruska Commission Report), *reprinted in* 67 F.R.D. 195, 234-6. "[A] widespread sentiment was evident among the bench and bar against having 'specialized courts,' according to the assistant attorney general who headed the Office for Improvements in the Administration of Justice. Daniel J. Meador, *Origin of the Federal Circuit: A Personal Account*, 41 AM. U. L. REV. 581, 587-88 (1992).

ideas, suggestions, adjustments and compromises which constitute the very tissue of any living system of law.<sup>20</sup>

Indeed, shortly after Judge Rifkind wrote those comments, the Circuit's predecessor court began to pursue a new policy direction in patent law. From the 1920s through the mid 1950s there was consistent support for rigorous standards of patentability in all federal courts, district courts, courts of appeals including the CCPA, and the Supreme Court.<sup>21</sup> However, in the late 1950s the CCPA "diverged from the judicial 'mainstream' in its support for relatively lenient standards."<sup>22</sup> The Court's change in course has been attributed to the appointment of patent specialists to the bench. In turn, the patent bar played a greater role in the selection of the CCPA judges.<sup>23</sup> While the patent bar did not seek a specific change in court policies, the appointment of patent specialists populated the court with members who were likely to share the policy preferences that dominate the patent bar, presumably including a relatively lenient patentability standard.

The patent specialists on the court, appointed through the efforts of the patent bar, have lead the CCPA to adopt a line of policy significantly different from the patent policies that prevail in most of the federal judiciary. The CCPA's specialization ultimately has been responsible for the court's distinctive path in the past two decades . . . The case of the CCPA, then, does not establish that specialized courts necessarily will behave differently from generalists. Rather, it indicates only that specialization may create conditions that cause a court to take a distinctive path.<sup>24</sup>

Despite the emerging trend, by the time of final hearings on the Circuit's creation, the possibility that the tribunal might behave like a

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20. Simon Rifkind, *A Special Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A.J. 425, 425-26 (1951).

21. Lawrence Baum, *Judicial Specialization, Litigant Influence, and Substantive Policy: The Court of Customs and Patent Appeals*, 11 LAW & SOCIETY 823, 839 (1977).

22. *Id.* at 839.

23. This is to be expected since "[i]t would be difficult to get the patent bar excited about the appointment of an appellate judge who might hear only two or three patent appeals a year, but if the judge were going to be a member of the court that heard all patent appeals, the patent bar and its clients would exert themselves to influence the selection." William M. Landis & Richard A. Posner, *An Empirical Analysis of the Patent Court*, 71 U. CHI. L. REV. 111, 112 (2004). Professor Landis and Judge Posner have observed that "[t]he most certain effect of the creation of the court has been to increase the demand for the services of patent lawyers." William M. Landis & Richard A. Posner, *The Political Economy of Intellectual Property Law*, AEI-Brookings Joint Center for Regulatory Studies, 26 (2004), [http://www.aei.org/docLib/20040608\\_Landes.pdf](http://www.aei.org/docLib/20040608_Landes.pdf).

24. Lawrence Baum, *Judicial Specialization, Litigant Influence, and Substantive Policy: The Court of Customs and Patent Appeals*, 11 LAW & SOC'Y REV. 823, 845-46 (1977).



specialty court received little attention.<sup>25</sup> The Department of Justice Office for Improvements in the Administration of Justice acknowledged that appellate courts generally should not be specialized,<sup>26</sup> but maintained that the proposed Circuit would not be a “‘specialized court’ as that term is normally used.”<sup>27</sup>

One witness testifying in favor of the new Circuit responded to the arguments against a specialized court. The testimony predicted one of today’s major criticisms of the Circuit:

CONTENTION . . . Presumed expertise of single court of appeals would encourage attempts to retry cases at the appellate level and encourage the court to substitute its judgment for that of the trial court, thereby changing the standards and level of review.

Response . . . To the extent the Court of Appeals for the Federal Circuit is reviewing questions of fact from a lower court, that review will be subject to the same restrictions as is review by all Federal appellate courts of district court findings of fact.<sup>28</sup>

What the witness failed to foresee was the Circuit’s development of a jurisprudence based on issues of mixed fact and law, and that the court would conduct *de novo* reviews of findings that were inherently factual.<sup>29</sup> More testimony foreshadowing the court’s future conduct came at the end of the hearing.

Given the existing jurisdiction of the Court of Customs and Patent Appeals, and the proposed jurisdiction of the new court, that court will be a highly specialized court at its inception, and is likely to remain so for an extended period of time. There is substantial risk that such a specialized court would be less prone to adhere to the ‘clearly

25. *Add. to Hearings before the Subcomm. on Improvements in Judicial Machinery on the Comm. on the Judiciary United States S.*, 96th Cong., S. 677 and S. 678 Fed. Courts Improvement Act, No. 96-24 (1979).

26. *Id.* at 31 (statement of Daniel J. Meador, Asst. Att’y. Gen.).

27. *Id.* at 37-38 (Statement of Daniel J. Meador, Asst. Att’y. Gen.). The Department noted that the court would hear a varied docket, including cases involving federal claims, Indian claims, pay disputes, and certain tax claims. At the time of the hearings the reforms also included proposals for Federal Circuit jurisdiction over trademark and copyright – subject matter that was later dropped from the Act.

28. *Id.* at 58 (statement of Donald R. Dunner, patent Att’y).

29. The Supreme Court, it must be said, countenanced such an approach in patent claim construction. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

erroneous' standard for appellate review, set forth in Rule 52 of the Federal Rules of Civil Procedure.<sup>30</sup>

Despite these and other occasional references objecting to the danger of specialization, by 1979 the hearings are most remarkable for their lack of such reservations – especially once proposed jurisdiction over trademark, copyright, and tax cases fell out of the legislation.

At the time, patent law badly needed national uniformity, because forum shopping was rampant as plaintiffs searched for favorable law from among the regional circuits.<sup>31</sup> Although Congress did not display overt concern over the Circuit wielding special power and status, the judges of the newly formed court were aware of the potential.<sup>32</sup>

Some of the trends predicted by opponents of the CAFC have become manifest.<sup>33</sup> The CAFC has expanded its influence in two respects. First, the Circuit has reduced the role of the USPTO and the district courts in claim interpretation, while expanding its own role. Second, the CAFC and its predecessor court have expanded the scope of patentable subject matter.<sup>34</sup> Such behavior is consistent with the premise that specialized courts are more likely to expand their influence as compared to generalized courts.<sup>35</sup>

30. *Add. to Hearings before the Subcomm. on Improvements in Judicial Machinery on the Comm. on the Judiciary United States Senate*, 96th Cong., S. 677 and S. 678 Federal Courts Improvement Act, No. 96—24, p. 91 (1979) (statement of John O. Tramontine, New York Patent Law Association). Notably, Mr. Tramontine was the last witness – the slot often reserved for *pro forma* opposition during committee hearings.

31. *See, e.g.*, S. REP. P.L. 97-275, FEDERAL COURTS IMPROVEMENT ACT OF 1982 AT 4 (1982) (explanation of Bill).

32. Chief Judge Markey reminisced that, “[t]he Federal Circuit also recognized the special responsibility placed on it as the probable court of last resort in most of its cases.” Howard T. Markey, *The Federal Circuit and Congressional Intent*, 2 FED. CIRCUIT B. J. 303, 304 (1992).

33. *E.g.*, “a jargon of its own, thought-patterns that are unique, internal policies which it subverts and which are different from and sometimes at odds with the policies pursued by the general law.” Rifkind, *A Special Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A.J. 425, 425-26 (1951).

34. *E.g.*, *In re Alappat*, 33 F.3d 1526, 1571 (Fed. Cir. 1994) (digital oscilloscope utilizing mathematical principles to display a smooth waveform eligible subject matter despite “mathematical algorithm” exception); *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1369 (Fed. Cir. 1998); *Application of Chakrabarty*, 571 F.2d 40, 43 (C.C.P.A. 1978), rehearing sub nom. *Application of Bergy*, 596 F.2d 952, 987 (C.C.P.A. 1979), affirmed sub nom. *Diamond v. Chakrabarty*, 447 U.S. 303, 318 (1980).

35. William M. Landes & Richard A. Posner, *An Empirical Analysis of the Patent Court*, 71 U. CHI. L. REV. 111, 111-12 (2004); JAMES BESSEN & MICHAEL A. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS AND LAWYERS PUT INNOVATORS AT RISK*, § 3.1, (2008).

### III. PATENT CLAIM CONSTRUCTION – FACT-FINDING BY THE APPELLATE COURT

Patent claim construction is a clear and controversial<sup>36</sup> example of decision-making power resting in the court of appeal. The claim construction ruling is a key step in patent infringement litigation. The ruling defines the patent's claims in laymen's terms. Often though, there is no jury trial, because the ruling is outcome determinative; whatever falls within the construed language of the claim will by definition infringe. Therefore, after the claim construction ruling the matter is resolved by summary judgment, settlement, or capitulation by one of the litigants. In *Markman v. Westview Instruments, Inc.*,<sup>37</sup> the Supreme Court held that claim construction is exclusively the province of the court. The Circuit interpreted the holding as subjecting the district court's claim construction to *de novo* review.<sup>38</sup> For nearly a decade now, the Circuit has treated claim construction entirely as a matter of law with no deference afforded the trial court determination.<sup>39</sup>

The judges of the CAFC disagree over the wisdom of *de novo* review.<sup>40</sup> Judges Michel and Rader challenge the premise that claim construction is a purely legal question without a factual component. “[T]he claim construction exercise often cannot be answered without assessing, at least implicitly, what the average artisan knew and how she thought about the particular technology when the patent claims were written.”<sup>41</sup> Judge Newman observes that the “Federal Circuit’s position that patent interpretation requires more rigorous appellate review than other fact/law issues has not well withstood the test of experience.”<sup>42</sup> Judge Rader “urge[s] this court to accord deference to the factual components of the lower court’s claim construction.”<sup>43</sup> Judges Gajarsa, Linn, Dyk, and Moore indicate at least a willingness to reconsider *de*

36. See Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231, 231-33, n.2 (2005).

37. 517 U.S. 370, 116 S.Ct. 1384 (1996).

38. *Cybor Corp. v. FAS Tech., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1328 (Fed. Cir. 2005).

39. *Cf.*, *Gasperini v. Ctr. for Humanities*, 518 U.S. 415, 443 (1996) (Kennedy, J., dissenting) (asserting that “mixed questions require courts to construe all record inferences in favor of the factfinder’s decision and then to determine whether, on the facts as found below, the legal standard has been met”).

40. *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1045 (Fed. Cir. 2007) (denying petition for rehearing en banc).

41. *Id.* at 1040-41.

42. *Id.* at 1043.

43. *Id.* at 1044.

*novo* review of claim construction in an appropriate case.<sup>44</sup> Judge Mayer indicted *de novo* review stating, “I am convinced of the futility, indeed the absurdity, of this court’s persistence in adhering to the falsehood that claim construction is a matter of law devoid of any factual component.”<sup>45</sup>

A claim construction hearing is necessarily a factual inquiry, despite its definition as a question of law. It frequently includes competing testimony from experts, often requires the evaluation of witness credibility, and always demands an examination of the meaning and intent of words both as they are drafted by a litigant and as they are understood by a person of ordinary skill in the art. The Supreme Court reasoned that sometimes “‘as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question.’” So it turns out here, for judges, not juries, are the better suited. . . .<sup>46</sup>

There may be good reasons for judges, not juries, to construe patents. The Supreme Court offers some reasons in *Markman*.<sup>47</sup> Arguably, *de novo* review at the CAFC is desirable because of the Circuit’s experience, technical expertise, and the benefits of national consistency in claim construction. Even so, it is not clear that *Markman* necessarily required that appellate review of the district court’s construction be without any deference whatever. Judge Mayer of the Circuit writes that the CAFC’s “unbridled” review is “irrational and reckless” and allows the Circuit to “decide cases according to whatever mode or method results in the outcome we desire.”<sup>48</sup> Instead of achieving consistency, unfettered appellate review arguably causes confusion and even threatens the legitimacy of the institution.<sup>49</sup>

Despite the sharp differences of opinion among the Circuit judges, the Supreme Court has not stepped in to resolve the dispute or to address whether its *Markman* decision necessarily implied a non-deferential

44. *Id.* at 1045-46. Judges Gajarsa, Linn, and Dyk concurred in the denial of petition for rehearing en banc. Judge Moore dissented from the denial of petition for rehearing en banc.

45. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (Mayer, J., dissenting).

46. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388, (1996), *quoting* *Miller v. Fenton*, 474 U.S. 104, 114 (1985).

47. *See id.* at 384, 388, 390. These include: the relative interpretive skills of judges compared to juries, the special training and practice benefiting judges, and the desire for uniformity in interpretation.

48. *Phillips*, 415 F.3d at 1303, 1330 (Fed. Cir. 2005) (Mayer, J. dissenting).

49. *Id.* ([W]e have ... focused inappropriate power in this court. In our quest to elevate our importance, we have, however, disregarded our role as an appellate court; the resulting mayhem has severely undermined the legitimacy of the process, if not the integrity of the institution.)

appellate review. Perhaps the high court's reticence is due in part to the CAFC's congressional mandate. The intention of the Circuit's creation was to lessen the need for Supreme Court involvement in enforcing national uniformity, consistency, and coherence in patent law.<sup>50</sup> The quasi-specialized Court has exclusive national appellate jurisdiction over patent cases, in order to harmonize divergent legal approaches.<sup>51</sup> Indeed, the CAFC has succeeded in reducing the geographic variation in the treatment of patent cases to the overall benefit of patent holders.<sup>52</sup>

Unfortunately, the Court has been less successful in achieving certainty and predictability.<sup>53</sup> The Circuit overrules at least one-third of trial court patent claim constructions.<sup>54</sup> The high reversal rate leaves litigants unsure of their rights even after trial, and undermines confidence in district court decision-making.<sup>55</sup> It may be that increasing central control by imposing non-deferential appellate review paradoxically leads to decreased certainty and predictability for litigants.

While *de novo* review is the clearest example of an expanded role for the appellate court in patent law, it is not the only instance of the CAFC's singular influence over patent law and policy. 'Judicial hyperactivity' is a term coined by William Rooklidge and Matthew F. Weil to refer to "an intermediate appellate court [that] usurps elements of the decision making process that are supposed to be the province of

50. S. REP. No. 96-304, at 14 (1979).

51. *But cf.* Richard L. Revesz, *Specialized Courts and the Administrative Lawmaking System*, 138 U. PA. L. REV. 1111, 1161 (1990) (arguing that specialized courts, deprived of alternative legal approaches from other tribunals, frustrate the development of coherent substantive policy).

52. STEPHEN A. MERRILL ET AL., *A PATENT SYSTEM FOR THE 21ST CENTURY* 23 (2004); William M. Landis & Richard A. Posner, *An Empirical Analysis of the Patent Court*, 71 U. CHI. L. REV. 111, 112 (2004).

53. See ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT*, 56-64, 171 (2004); Matthew F. Weil & William C. Rooklidge, *Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making*, 80 J. PAT. & TRADEMARK OFF. SOC'Y 791, 793 (1998).

54. Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?* 12 Fed. Circuit B. J. 1, 10 (2002); Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231, 243 (2005); Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L. J. 1075, 1104 (2001); Gretchen Ann Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time is Ripe for a Consistent Claim Construction Methodology*, 8 J. INTELL. PROP. L. 175, 207 (2001); JAMES BESSEN & MICHAEL A. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS AND LAWYERS PUT INNOVATORS AT RISK* § 3.1(2008),

55. *Improving Federal Court Adjudication of Patent Cases: Hearing Before the H. Subcommittee on Courts, the Internet, and Intellectual Property*, 109th Cong. 28 (2005) (statement of Kimberly A. Moore).

the lower courts, administrative bodies or even litigants.”<sup>56</sup> The purpose of the terms creation was to describe the unusually assertive role of the Circuit in patent cases.

#### IV. JUDICIAL HYPERACTIVITY IN THE FEDERAL CIRCUIT

In addition to claim construction, patent law under the CAFC offers other examples of distinctive jurisprudence. The distinguishing trends include: a shift of decision-making from the jury or the fact-finder to the trial judge and ultimately to the appellate court, the Circuit’s tendency to create policy that discounts Supreme Court precedent or statutory language, and an application of rules in a manner that does not align with other appellate circuits’ approaches. To a general civil practitioner, patent litigation is notable for the court’s paramount role in deciding issues that seem factual.<sup>57</sup> By characterizing key issues, as mixed issues of law and fact, the trial court and the CAFC have more opportunity to decide salient issues than is typical in ordinary civil cases.<sup>58</sup>

Some have stated that the obviousness determination is “one of the more challenging legal feats in all of common law jurisprudence.”<sup>59</sup> Historically, it seems that courts have been eager to devise tests that ensure it remained so. In addition to being new and useful, an innovation must advance the useful arts sufficiently to warrant the right to exclude others by granting a patent. This advance, the “inventive” step, has been difficult for courts to define. Past characterizations – requiring “skill and ingenuity,”<sup>60</sup> to “the flash of creative genius,”<sup>61</sup> to a synergism in which the whole of the innovation exceeds the sum of its constituent parts or results in unusual or surprising consequences<sup>62</sup> – were at least potentially subjective. These tests, imposed by the generalist Supreme Court, left would-be patentees vulnerable to hindsight bias, through which innovations might appear obvious with the benefit of retrospection. This recast the inventiveness element with a more objective standard based on “obviousness” with the 1952 passage

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56. William Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit’s Discomfort with its Appellate Role*, 15 BERKELEY TECH. L.J. 725, 727 (2000).

57. See Janine Robben, *Who Decides? Specialized Courts v. the Jury of Peers*, 65-JUL Or. St. B. Bull. 9 (2005).

58. See e.g., *Control Res., Inc. v. Delta Elec., Inc.*, 133 F.Supp.2d 121, 123-25 (D.Mass. 2001).

59. MARTIN J. ADELMAN ET AL, *CASES AND MATERIALS ON PATENT LAW* 311 (2d ed. 2003).

60. *Hotchkiss v. Greenwood*, 52 U.S. 248, 267 (1851).

61. *Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91, (1941).

62. *Great A.&P. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152, (1950).

of the Patent Act.<sup>63</sup> The Supreme Court subsequently established a test for obviousness<sup>64</sup> based upon a factual inquiry.<sup>65</sup>

Thereafter, the CAFC went to work telling the Supreme Court what it meant to say.<sup>66</sup> The Circuit converted the factual inquiry commanded by the Supreme Court into an inquiry subject to a non-deferential review by the appellate court.<sup>67</sup> The judicial gloss developed in a manner that facilitated appellate review, rather than produced a judicial metric that a district court could readily apply.<sup>68</sup>

Additionally, the CAFC materially altered the *Graham* language when it elevated secondary considerations to a primary status, and it significantly lowered the obviousness hurdle to patentability by developing the teaching, suggestion or motivation standard for combining prior art references. The reinterpretation of the explicit language in *Graham* appears to this author to have been more than an

63. 35 U.S.C. § 103.

64. *Graham v. John Deere Co.*, 383 U.S. 1, 3-4(1966).

65. *Id.* at 17. “While the ultimate question of patent validity is one of law [citation omitted], the § 103 condition ... lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.”

66. For example, the *Graham* test used verbs that mandate a consideration of three issues in determining obviousness (the scope and content of the prior art, the differences between the claims and the prior art, and the level of ordinary skill in the pertinent art). Secondary considerations, in the words of the Supreme Court, *might* be utilized or *may* have relevancy. But to the Federal Circuit, “the secondary considerations are also essential components of the obviousness determination.” *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998). The authority cited for the proposition that secondary considerations are “essential components of the obviousness determination” was, ironically, *Graham*.

67. See *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1383 (Fed. Cir. 1986), (the district court had invalidated the patent for obviousness applying the *Graham* test, including the so-called “objective” secondary factors. The CAFC reviewed the district court’s factual findings, agreeing or disagreeing without any significant level of deference. The CAFC then held “*as a matter of law*, that the claimed subject matter ... would not have been obvious ... and therefore reverse[d] the court’s judgment to the contrary.”) (emphasis added).

68. The Federal Circuit’s gloss on obviousness doctrine – to necessarily include secondary considerations, and to require some teaching, suggestion, or motivation (T-S-M) to combine references – afforded the court many more opportunities to reverse a lower court. Moreover, the T-S-M test, in effect, became inseparable from the obviousness determination; a nonobvious invention lacked the T-S-M to combine references, while an obvious invention failed by virtue of some teaching, suggestion or motivation. While that was tolerated for twenty years, the T-S-M gloss seems to be the development that commanded the Supreme Court’s attention in *KSR*. See also, Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231, 247 (2005).

ordinary common law interpretation and refinement of prior law. It was a judicial rewrite of the Supreme Court's opinion by the CAFC. Although *KSR International Co. v. Teleflex, Inc.*,<sup>69</sup> did not specifically address the CAFC's promotion of secondary considerations from potentially relevant factors to mandatory considerations,<sup>70</sup> the Supreme Court reasserted the continuing vitality of *Graham* as the controlling precedent in obviousness determinations. The opinion opens with a direct quotation of the *Graham* test, and immediately follows with the unambiguous statement that the CAFC "addressed the question of obviousness in a manner contrary to § 103 and our precedents."<sup>71</sup>

Clearly, the Circuit's approach to the obviousness inquiry had diverged from that directed by the Supreme Court. The CAFC's development of that approach is one example of distinctive jurisprudence in the Circuit. Another notable instance is the Circuit's proclivity for finding mixed issues of fact and law – a process that then allows the appeal court to review trial court findings without deference.

The on-sale statutory bar to patentability offers another example, like claim construction, in which law and fact are conflated in patent cases. This combining affords the CAFC an opportunity to avoid deferring to the fact-finder. The Patent Act states that a "person shall be entitled to a patent unless ... the invention was ... in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . ."<sup>72</sup> When an invention has been tested in real-life conditions, the issue arises whether the use was a "public use." One Circuit panel ruled:

To determine whether a use is 'experimental,' a question of law, the totality of the circumstances must be considered, including various objective indicia of experimentation surrounding the use, such as the number of prototypes and duration of testing, whether records or progress reports were made concerning the testing, the existence of a secrecy agreement between the patentee and the party performing the testing, whether the patentee received compensation for the use of the

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69. 127 S.Ct. 1727 (2007), discussed *infra* at § 6.1.

70. But, the Supreme Court may have indicated acceptance of the alteration by writing, "While the sequence of these questions might be reordered in any particular case, the factors continue to define the inquiry that controls." *KSR Int'l Co.*, 127 S.Ct. at, 1734 (2007).

71. *Id.* at 1734

72. 35 U.S.C. § 102(b).



invention, and the extent of control the inventor maintained over the testing. The last factor of control is critically important....<sup>73</sup>

The panel concluded that evidence presented by the inventor demonstrating that use of experimental prototypes was “of minimal value when viewed in light of the totality of the other circumstances.”<sup>74</sup> Thus, the totality of circumstances test – which purports to be a factual issue – is equal to, coexistent with, and inseparable from the legal conclusion on experimental use.<sup>75</sup> Judge Rader, in a dissent to the denial of an en banc rehearing made the point: “the *Lough* court had to separate experimental use from its proper context of public use, then create a separate list of required elements for a factual inquiry, and finally make the separate list a question of law to avoid the deference due to the jury verdict.”<sup>76</sup> The analysis “shows the plastic malleability of a totality of circumstances test when divorced from the discipline of a deferential standard of review.”<sup>77</sup>

In most litigation, prevailing at trial is paramount. Trial courts have considerable discretion in ruling on evidentiary matters and procedural issues. Appeal courts will disturb such rulings only for abuse of discretion, not merely because others would disagree with the ruling. Appellate courts use deferential standards to review findings of fact by trial courts<sup>78</sup> depending on the subject matter and the jurisdiction, e.g., manifest error, arbitrary and capricious, or clear and convincing error. As a result, in many civil cases no reversible error exists. Even if an error occurred, it may be harmless and the trial result will stand. Prevailing at trial is essential, because the chances of securing a reversal are minimal. Patent practice, particularly in the Circuit, is different.<sup>79</sup>

73. *Lough v. Brunswick Corp.*, 86 F.3d 1113, 1120 (Fed. Cir. 1996), *reh'g en banc denied*, 103 F.3d 1517.

74. *Id.* at 1122.

75. *Cf. McElmurry v. Arkansas Power & Light*, 995 F.2d 1576, 1578 (Fed. Cir. 1993) (applying a totality of circumstances test on a case by case basis to determine whether, under principles of fairness and equity, an employer enjoys “shop rights” to a patent). The review was limited to whether the district court conducted a factually driven analysis of the circumstances. The CAFC made no attempt to conflate the factual and legal conclusions or to elevate the standard of review.

76. *Lough v. Brunswick Corp.*, 103 F.3d 1517, 1534 (Fed. Cir. 1997) (Rader, J., dissenting).

77. *Id.* at 1537.

78. *See, e.g.*, FED R. CIVIL P. 52(c).

79. One federal court made the point explicitly:

“The Federal Circuit is different. Unlike the other circuit courts of appeal, the Federal Circuit came into being, in part, pursuant to an express Congressional mandate to foster uniformity in the application of the law of patents. The Supreme Court refers to the Federal Circuit as ‘a specialized court,’ and pays heed to its ‘sound judgment’ on patent law. Indeed the Federal Circuit views itself

The legal standards that mix fact and law, the complexity and proliferation of factual issues, and the willingness to reverse and remand, or even to substitute the appellate court's findings despite these factual issues, are consistent with a specialized court's tendency to expand its influence within its field of expertise.<sup>80</sup>

Until recently, another example of a distinctive rule in IP for a non-distinctive concept involved enhanced damages and willfulness.<sup>81</sup> The Patent Act provides for the possibility of enhanced damages, but is silent as to the predicate for awarding them.<sup>82</sup> Courts had little choice but to fashion a test for when enhanced damages would be appropriate. The Circuit developed the rule that an award of enhanced damages requires a showing of willful infringement.<sup>83</sup> Once again the CAFC turned to a totality of circumstances test.<sup>84</sup> Further complicating an already malleable totality of circumstances test are alternative bases for finding a case to be "exceptional" and thereby justify enhanced damages.<sup>85</sup> Moreover, while the totality of circumstances test purported to afford deference to the trial court's determination on willfulness, the variety of potential factors, and the mixture of objective and subjective standards of review applied to the factors provided little guidance to litigants.<sup>86</sup>

Another arguable example of the CAFC expanding its influence is its treatment of the § 112 ¶ 2 requirement that claims "particularly" and "distinctly" claim the invention. The Circuit has been hesitant to invoke the requirement:

[W]hat we have asked is that the claims be amenable to construction, however difficult that task may be. If a claim is insolubly ambiguous,

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as a substantive policymaker, a court with a mission...." *Control Res., Inc. v. Delta Elec., Inc.*, 133 F.Supp.2d 121, 123 (D.Mass. 2001) (citations omitted).

80. "Almost since its inception, the Federal Circuit has been dogged with criticism for straying from the path carefully delineated for appellate tribunals.... Increasingly, the bar is expressing concern over the court's decision-making procedures and its apparent willingness to take over the roles of patent examiner, advocate and trier of fact." *Control Res., Inc. v. Delta Elec., Inc.*, 133 F.Supp.2d 121, 123-24 (D.Mass. 2001).

81. This discussion of the Federal Circuit's test for willfulness in enhanced damages cases was recently recast in *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007), discussed *infra* at § 8.

82. According to 35 U.S.C. § 284, "[T]he court may increase the damages up to three times the amount found or assessed." Under 35 U.S.C. § 285, "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

83. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1980).

84. *See Rite-Hite Corp. v. Kelley Co., Inc.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987) (willfulness is not the only basis on which a court may find a case "exceptional." Misconduct during litigation, vexatious or unjustified litigation, and frivolous suits are other cited examples.)

85. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992).

86. *Id.*

and no narrowing construction can properly be adopted, we have held the claim indefinite. If the meaning of the claim is discernible, even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, we have held the claim sufficiently clear to avoid invalidity on indefiniteness grounds.<sup>87</sup>

Invalidity determinations based on indefiniteness are not only relatively rare at the CAFC,<sup>88</sup> but the reluctance to invoke the definiteness standard overlooks both statutory directive and Supreme Court guidance.<sup>89</sup>

Still other doctrines take on a particular gloss in the patent field compared to their application in other areas of law. One example involves the use of business records in determining patent priority disputes. In typical civil litigation an exception exists to the hearsay rule for records kept in the course of regularly conducted business.<sup>90</sup> In patent cases, when proof of inventive activity is at issue, Rule 803(6) conflicts with the “shopbook” rule,<sup>91</sup> since such records are felt to be self serving and fail as an independent corroboration<sup>92</sup> of the inventor’s testimony.<sup>93</sup> In an attempt to navigate the ground between the general admissibility of business records and the anti-fraud purpose of the shopbook exclusionary rule, the Circuit has crafted a hard to define “rule of reason”<sup>94</sup> that counsels reasonable consideration of all evidence in

87. *Exxon Research and Eng’g Co. v. U.S.*, 265 F.3d 1371, 1375 (Fed. Cir. 2001).

88. Indefiniteness was the basis for only 5.8% of invalidity determinations in reported decisions during 1989-96. John R. Allison and Mark A. Lemley, *Empirical Evidence On the Validity of Litigated Patents* (1998), 26 AIPLAQ.J. at 185-275 (1998), available at <http://ssrn.com/abstract=118149>.

89. “[C]laims must be reasonably clear-cut to enable courts to determine whether novelty and invention are genuine.” *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1943). In *White v. Dunbar*, 119 U.S. 47, 51 (1886), the Court warned that a patent is not “like a nose of wax which may be turned and twisted in any direction, by merely referring to the specification, so as to make it include something more than, or something different from, what its words express.” 119 U.S. 47, 51, 7 S.Ct. 72, 74.

90. FED. R. EVID. 803(6) (2009).

91. See KENNETH S. BROUN, 2 MCCORMICK ON EVIDENCE § 285 441 (6th ed.).

92. *Adenta Gmbh v. OrthoArm and Am. Orthodontic*, 501 F.3d 1364, 1371 (Fed. Cir. 2007). “We have held that a patent cannot be invalidated based on one person’s testimony alone without corroborating evidence, particularly documentary evidence.” See *Finnigan Corp. v. Int’l Trade Comm’n*, 180 F.3d 1354, 1369 (Fed. Cir. 1999).

93. *Horton v. Stevens*, 7 U.S.P.Q.2d 1245, 1249 (1988).

94. *Berry v. Webb*, 412 F.2d 261, 266 (C.C.P.A. 1969) (“There is no single formula that must be followed in proving corroboration”); *Coleman v. Dines*, 754 F.2d 353, 359 (Fed. Cir. 1985); *Price v. Symsek*, 988 F.2d 1187, 1195 (Fed. Cir. 1993); *Holmwood v. Sugavanam*, 948 F.2d 1236, 1238 (Fed. Cir. 1991); *Woodland Trust v. Flowertree Nursery*, 148 F.3d 1368, 1371 (Fed. Cir. 1998).

considering inventive activity.<sup>95</sup> However, It stops short of following Rule 803(6).<sup>96</sup>

Each of these examples – the CAFC’s reinterpretation of secondary considerations of obviousness, the treatment of mixed fact/law issues in obviousness determinations and in on-sale statutory bar cases, the restrictive interpretation of § 112 ¶ 2, and imprecision in the legal standards that allow the appeal court flexibility to overrule district court determinations, can be viewed as the Circuit expanding its influence within its field of specialty, i.e. as examples of “judicial hyperactivity.”<sup>97</sup> The Supreme Court addressed none of these examples in its recent spate of patent cases. Indeed one could argue that such judicial hyperactivity is a desired trait of the CAFC that advances its mandate as a policy-making tribunal. Another concern relating to specialized courts – insularity from other areas of law – is a theme that runs through several of the recent Supreme Court cases.

#### V. IS THE FEDERAL CIRCUIT BECOMING INSULATED?

Academics and policy makers have expressed concern that the Circuit may be intellectually and judicially isolated.<sup>98</sup> The CAFC has been criticized because its opinions and policies are inconsistent within the Circuit.<sup>99</sup> The CAFC produces the fewest signed opinions per judge per year.<sup>100</sup> One might expect that the additional time spent by CAFC judges on their signed opinions could be the result of an effort to

95. Jessica R. Underwood, *Impeaching Finnegan and Realigning the Corroboration Standard for Disinterested Single Witness Testimony with Precedent and Policy*, 17 FED. CIR. B. J. 53, 72 (2007).

96. Lisa A. Doak, *Patents without Papers: Proving a Date of Invention with Electronic Evidence*, 36 HOUS. L. REV. 471, 499 (1999); Steven N. Hird, Casenote, *In Finnegan’s Wake: Recent Confusing Changes in the Federal Circuit’s Requirement for Corroboration of Witness Testimony During Patent Infringement Litigation*, 72 U. COLO. L. REV. 257, 279-82 (2001).

97. “[A]n intermediate appellate court [that] usurps elements of the decision making process that are supposed to be the province of the lower courts, administrative bodies or even litigants.” William Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit’s Discomfort with its Appellate Role*, 15 BERKELEY TECH. L.J. 725, 227 (2000).

98. E.g., Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 3 (1989).

99. See John R. Allison & Mark A Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 27 FLA. ST. U. L. REV. 745, n.46 (2001); see also Matthew F. Weil & William C. Rooklidge, *Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making*, 80 J. PAT. & TRADEMARK OFF. SOC’Y 791, 793-94 (1998) (identifying a number of unresolved intra-circuit conflicts).

100. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 774 (2004) (citing an annual CAFC per judge rate of 11.55 signed opinions, compared with a federal appeals court average of 26.28).

articulate the law more carefully, more consistently, or with greater authority. If so, one would expect the opinions to be consistent among Circuit panels,<sup>101</sup> and to be relied upon by other circuits. But, data addressing consistency does not support that position. Too often, courts construe the same patent differently by the CAFC in successive cases.<sup>102</sup> The court too frequently seems unable to articulate a single coherent policy.<sup>103</sup> According to data examined by Professors Landes, Lessig and Solimine, CAFC judges are less likely than their regional circuit counterparts to cite to opinions from within their own court.<sup>104</sup> This raises the question of whether the court is sufficiently engaged in meaningful policy debate that compares and analyzes differing approaches – part and parcel of Anglo-American judicial tradition.

Another characteristic, “external consistency,” may indicate the degree to which a court attempts to coordinate its jurisprudence with that of other courts as evidenced by the CAFC’s citations to other federal appeal courts. This measure – while grossly imprecise<sup>105</sup> – is nevertheless striking. CAFC judges cite other circuit cases less than 1/10<sup>th</sup> as often as other federal appellate judges cite to their sister courts.<sup>106</sup> If one acknowledges that specialized courts carry a risk of its bench and law becoming insular,<sup>107</sup> then this data – rough though it may

101. This characteristic is referred to as “internal consistency.” Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 775-76 (2004).

102. Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?* 15 HARV. J. L. & TECH. 1, 19-20 (2001).

103. Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231, 246 (2005); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1555 (Fed. Cir. 1995); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 234 F.3d 558, 575 (Fed. Cir. 2000); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co., Inc.*, 62 F.3d 1512, 1518 (Fed. Cir. 1995).

104. William M. Landes, et al, *Judicial Influence: A Citation Analysis of Federal Courts of Appeals Judges*, 27 J. LEGAL STUD. 271, table 1 at 277-78 (1998). In the Federal Circuit, judges annually cited CAFC cases 44.8 times per year on average. By comparison, the average for all federal appellate judges was 122.7 citations per year.

105. Since the regional circuits have limited opportunities to consider patent issues, they will rarely be the source of relevant legal authority on substantive patent law. Additionally, whether the lack of inter-circuit citation is the court’s doing, or the result of limited citation by the patent bar, is an open question.

106. William M. Landes, et al, *Judicial Influence: A Citation Analysis of Federal Courts of Appeals Judges*, 27 J. LEGAL STUD. 271, 278-79 (1998).

107. Justice Stevens seems to recognize that possibility in his dissent in *Holmes Group, Inc. v. Vornado Circulations Sys., Inc.*, 535 U.S. 826 at 838-39:

[W]e have already decided that the Federal Circuit does not have exclusive jurisdiction over all cases raising patent issues. Necessarily, therefore, other circuits will have some role to play in the development of this area of the law. An occasional conflict in decisions may be useful in identifying questions that merit this Court’s attention.

be – should be of concern.<sup>108</sup> Undoubtedly, one would expect the CAFC's limited and exclusive jurisdiction to reduce the number of occasions that it would appropriately look to other courts for legal authority, and vice versa. Even so, Landes, Lessig, and Solimine conclude that Circuit judges have the least influence of any of the federal judges.<sup>109</sup>

## VI. RECENT SUPREME COURT REVIEW OF FEDERAL CIRCUIT CASES

The Supreme Court has not addressed the scholarly criticisms of internal or external consistency, nor has it directly spoken on the potential negative consequences of specialization. However, the Justices are concerned that the Circuit erred on several fundamental issues. In the last two years, the Supreme Court reentered patent law with three high profile cases<sup>110</sup> and an unusually pointed denial of certiorari opinion.<sup>111</sup> The high court's attention was noteworthy for several reasons. The number of cases accepted for review was high.<sup>112</sup> The resulting opinions reversed well-established Circuit precedent. The results, the level of attention, and the language of the opinions taken together are a reproach to the CAFC. The Supreme Court scrutiny and attitude raise questions about how intellectual property law – in the opinion of the justices – has gone so wrong.

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Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias. (Case citations omitted.)

108. See, Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 774-75 (2004).

109. William M. Landis, et al, *Judicial Influence: A Citation Analysis of Federal Courts of Appeals Judges*, 27 J. LEGAL STUD. 271, 303 (1998).

110. See *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388, (2006); *MedImmune, Inc. v. Genentech*, 127 S.Ct. 764 (2007); *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).

111. *Lab. Corp. of Am. Holdings v. Metabolite Lab.s, Inc.*, cert. dismissed 548 U.S. 124,125-40) (Breyer, J., dissenting).

112. See also, *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 32 (2006), and *Microsoft Corp. v. AT&T Corp.*, 127 S.Ct. 1746, 1759 (2007) (showing the Court decided two other patent cases during 2006-2007). The last comparable period of Supreme Court activity in patent law was in 1965-66.

A. *KSR – Restoring Precedent and Common Sense to Obviousness Doctrine*

The Supreme Court used the *KSR International Co. v. Teleflex, Inc.*<sup>113</sup> opinion to lecture the Circuit for disregarding long-standing Supreme Court precedent.

We begin by rejecting the rigid approach of the Court of Appeals. Throughout this Court's engagement with the question of obviousness, our cases have set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied its TSM test here. To be sure, *Graham* [v. *John Deere Co.*<sup>114</sup>] recognized the need for "uniformity and definiteness." Yet the principles laid down in *Graham* reaffirmed the "functional approach" of *Hotchkiss*. To this end, *Graham* set forth a broad inquiry and invited courts, where appropriate, to look at any secondary considerations that would prove instructive.

Neither the enactment of § 103 nor the analysis in *Graham* disturbed this Court's earlier instructions concerning the need for caution in granting a patent based on the combination of elements found in the prior art. For over a half century, the Court has held that a "patent for a combination which only unites old elements with no change in their respective functions ... obviously withdraws what is already known into the field of its monopoly and diminishes the resources available to skillful men."<sup>115</sup>

After admonishing the court for ignoring the dictates of fifty-year-old precedent, the opinion chastised the circuit for failing to apply common sense in its legal standard.<sup>116</sup>

The second error of the Court of Appeals lay in its assumption that a person of ordinary skill attempting to solve a problem will be led only to those elements of prior art designed to solve the same problem.... Common sense teaches, however, that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle.... A person of ordinary skill is also a person of ordinary creativity, not an automaton. . . . Rigid preventative rules that deny factfinders recourse to common sense,

113. 127 S.Ct. 1727 (2007).

114. 383 U.S. 1, 86 S.Ct. 684 (1966).

115. *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1739 (2007).

116. The term, "common sense," appears five times in the *KSR* opinion. *Id.* at 1727, 1741-43, 1746.

however, are neither necessary under our case law nor consistent with it.<sup>117</sup>

What we hold is that the fundamental misunderstandings identified above led the Court of Appeals in this case to apply a test inconsistent with our patent law decisions.<sup>118</sup>

From the perspective of many intellectual property constituencies – lawyers, district courts, and technology innovators and users – *KSR* was a sea change.<sup>119</sup> The opinion directed a profound alteration to the Circuit’s approach to obviousness analysis.<sup>120</sup> Yet from the Supreme Court’s perspective, the proper obviousness analysis had not changed one iota; rather, the CAFC had diverged from the proper analysis. The Supreme Court reaffirmed the *Graham* approach to determining whether combinations of prior art are obvious.<sup>121</sup> Thus, the opinion concluded that the Circuit – the patent specialty court – fundamentally misunderstood one of patent law’s basic issues. The Supreme Court even seems to suggest that the CAFC had developed and applied its test so rigidly as to defy common sense.

### B. *eBay* – Reintroducing General Principles of Equity to Patent Injunctions

The *KSR* opinion was not the only recent Supreme Court case criticizing the Circuit for using rigid rules that disregard established legal doctrine. *eBay, Inc. v. MercExchange LLC*<sup>122</sup> similarly took the Circuit to task – this time on its standard for imposing injunctions in patent infringement cases.

Injunctive relief, considered an extraordinary remedy in other fields of law, has a four-part equitable test. The applicant must demonstrate: (1) an irreparable injury, (2) inadequate remedies available at law, (3) a remedy in equity is warranted in light of a balancing of hardships between the parties, and (4) that the public interest would not be

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117. *Id.* at 1742–43.

118. *Id.*

119. See Mark Nowotarski, *Using KSR to Overcome an Obviousness Rejection*, INTELL. PROP. TODAY, March 30, 2009, <http://www.iptoday.com/articles/2007-09-nowotarski.asp>; Benjamin A. Tramm, et al, *Supreme Court Dictates Flexible Approach to Obviousness*, INTELL. PROP. TODAY, 18-19, June 2007.

120. *But, cf.*, *Dystar Textilfarben GmbH & Co., v. C.H. Patrick Co.*, 464 F.3d 1356, 1356 (Fed. Cir. 2006) (in which the CAFC claims that the T-S-M test is quite flexibility and requires the application of common sense), discussed *infra* at § 6.1

121. *KSR International Co. v. Teleflex, Inc.*, 127 S.Ct. at 1739, 1745.

122. 547 U.S. 388, 126 S.Ct. 1837 (2006).



disserved by granting the injunction.<sup>123</sup> Some view injunctive relief as an intrinsic and inseparable feature of intellectual property rights, since two major intellectual property statutes recognize it.<sup>124</sup> Patents, in particular, grant the right to exclude others from infringing on the claimed invention. In patent law the importance of, and the entitlement to, injunctive relief had become a given if the patent was determined to be valid, enforceable, and infringed. Prior to *eBay* only the rare case, in which public health and safety stood in jeopardy if the patent was enforced, led to a denial of a permanent injunction on behalf of an otherwise victorious patentee.<sup>125</sup>

In *eBay*, the Supreme Court rejected the Circuit's application of a "general rule, unique to patent disputes, that a permanent injunction will issue once infringement and validity have been adjudged."<sup>126</sup> Instead, the Court directed judges to apply the four-part test for injunctive relief used in every other field of law.<sup>127</sup> The *eBay* requirement that an injunction will only issue after consideration of all four parts of the equitable test changed IP law, because it conflicted with years of prevailing practice by lower courts in patent cases.<sup>128</sup>

### C. *MedImmune – Applying Ordinary Rules of Standing to Patent Challenges*

In *MedImmune, Inc. v. Genentech, Inc.*,<sup>129</sup> the Supreme Court again overturned an established intellectual property doctrine by rejecting the Circuit's restrictive view of declaratory judgment standing for challenges to patents by patent licensees. The CAFC's precedent had

123. See, e.g., *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-13, (1982); *Amoco Prod. Co. v. Gambell*, 480 U.S. 531, 542, (1987).

124. See *Lanham Act* 15 U.S.C. § 34-36, 15 U.S.C. § 1116 (2008); *Patent Act* 35 U.S.C. § 283 (2008).

125. *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934); see also *Hybritech, Inc. v. Abbott Laboratories*, 4 U.S.P.Q.2d 1001, 1015 (C.D. Cal. 1987) (excluding from a preliminary injunction items that would deprive cancer and hepatitis patients of access to otherwise infringing test kits).

126. *eBay*, 126 S.Ct. at 1841.

127. Some practitioners now counsel litigants who require injunctive relief to proceed to the ITC, which seems more prone to impose preliminary injunctions since *eBay*. Robert Hahn, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions*, 3 (AEI-Brookings Joint Center for Regulatory Studies) (2007), available at <http://aei-brookings.org/publications/abstract.php?pid=1155>. See also, John F. Rabena and Kim E. Choate, *Injunctive Relief in the ITC Post eBay*, 1 AKRON INTELL. PROP. J. 27 (2007).

128. Deborah Platt Majoras, Chairman, Fed. Trade Comm'n, Address at The IP Grab: The Struggle Between Intellectual Property Rights and Antitrust, A Government Perspective on IP and Antitrust Law (June 21, 2006) available at <http://www.ftc.gov/speeches/majoras/060621aai-ip.pdf>.

129. *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764, 777 (2007).

required a declaratory judgment plaintiff to show a “reasonable apprehension of suit.”<sup>130</sup> A patent owner cannot bring an infringement suit against a patent licensee that is current with its royalty payments. Thus, under the CAFC standard, licensees in good standing had no fear of suit and therefore were effectively precluded from seeking a declaratory judgment that the patent was invalid or unenforceable. The Circuit’s reluctance to allow licensees standing to challenge seemed out of step with other Supreme Court precedent.<sup>131</sup>

The Supreme Court held that declaratory judgment jurisdiction was much broader than the CAFC standard, that no actual infringement was required, and that no default on royalty payments was required.<sup>132</sup> A notable aspect of the Supreme Court opinion is its review of cases from a wide variety of disciplines, not just patent or intellectual property cases. While the *MedImmune* opinion does not carry the reproachful tone of the *eBay* and *KSR* decisions, the CAFC recognized high court’s message; “the Supreme Court’s opinion in *MedImmune* represents a rejection of our reasonable apprehension of suit test.”<sup>133</sup>

The *KSR*, *eBay*, and *MedImmune* decisions do not turn on sophisticated issues of statutory interpretation of the patent act. They do not involve applying existing statutes to new or unforeseen situations. They do not address a split of authority among circuits or panels. Certainly the effect of the three cases was to limit the availability of injunctions, reduce the contractual insulation from attacks on validity and enforceability by licensees, and strengthen the threat of invalidation for obviousness. To some degree these cases may reflect a policy shift by the Supreme Court to rebalance patent law by modestly strengthening the legal position of potential infringers and heightening the obviousness barrier to patentability. After all, such shifts seem to be periodic,<sup>134</sup> and

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130. *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1380 (Fed. Cir. 2004).

131. *See Lear, Inc. v. Adkins*, 395 U.S. 653, 663-67 (1969); *see also*, *Kewanee Oil v. Bicron Corp.*, 416 U.S. 470, 473 (1974); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 259 (1979); *Altwater v. Freeman*, 319 U.S. 359, 360 (1943); Edmund J. Sease, *The Federal Circuit’s Short Circuit of Validity Challenges: Or, Is the Spirit of Lear Dead?* 38 *DRAKE L. REV.* 229, 232-33 (1989).

132. *MedImmune*, 127 S. Ct. 746, 777 (2007). The Supreme Court articulated a “substantial controversy” test for standing.

133. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380 (2007); *Adenta GmbH v. Orthoarm, Inc.*, 501 F.3d 1364, 1370 (Fed. Cir. 2007).

134. F. M. Scherer, *The Political Economy of Patent Policy Reform in the United States*, (September 2007 revision) (unpublished manuscript, available at [www.researchoninnovation.org/scherer/patpolic.pdf](http://www.researchoninnovation.org/scherer/patpolic.pdf)) (pp. 1-3 contain general background on periods of support and antipathy of courts and Congress toward patent protection); *see also*, Gregory A. Castanias, et al., *Survey of the*

are fitting to the IP field with its conflicting policy interests. However, clearly and just as importantly the decisions are a rejection of the Circuit's isolated use of precedent and its creation of distinctive legal doctrines.

Intellectual property policy goals carry inherent tension. On one hand the law seeks to encourage the use of new inventions and works, on the other hand it promotes that innovation and creativity by restricting propagation and use. The purpose, of course, is to create an incentive to invest in, and ultimately to disclose and exploit, innovative and creative activities. Getting the balance right is a continuing challenge. Justice Breyer has stated one contemporary view succinctly: "sometimes too much patent protection can impede rather than 'promote the Progress of Science and useful Arts,' the constitutional objective of patent and copyright protection."<sup>135</sup> But except for Justice Breyer's sharp words – which were made in a case the Supreme Court declined to review – the Supreme Court's recent patent focus has been directed at the CAFC's narrow legal approaches, not the CAFC's broad policy objectives.

Thus it appears that the Supreme Court is reigning in the Circuit – at least in part – because the Circuit applied doctrines uniquely or distinctively. In *KSR*, obviousness was recognized to have a common sense meaning that the CAFC's rigid teaching, suggestion, or motivation test had ignored. In *eBay*, the Circuit applied a principle of equity in a manner the CAFC acknowledged was unique to patent law. And, in *MedImmune*, the Circuit applied a restrictive standard to patent licensees to trigger declaratory judgment jurisdiction.

## VII. CRITICISM THAT MATTERS – THE SUPREME COURT WEIGHS IN

Theoretical models that warn of institutional isolation are one thing, and criticism from courts and policy makers is quite another. In recent years, especially, critics claim patent law has become too biased in favor of patentees,<sup>136</sup> too lenient as to the patentable subject matter threshold, too aggressive in extending injunctive relief, and too insulated from

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*Federal Circuit's Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialog with the Supreme Court*, 56 AM. U. L. REV. 793, 798-815 (2007).

135. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 127, *cert. dismissed*, 126 S.Ct. 2921, 2922 (2006) (Breyer, J., dissenting).

136. ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT*, 56-64, 171 (2004).

challenge by those with the incentive to do so, namely licensees.<sup>137</sup> In the past, CAFC itself rejected the potential for such bias. According to Chief Judge Markey, “[t]he uninformed, unsupported, and unsupportable assertion that the Circuit might somehow become biased in favor of patents has apparently by now foundered on the facts.”<sup>138</sup> However, fifteen years after Judge Markey’s observation, the belief that IP rights may inhibit innovation has gained traction at the Supreme Court,<sup>139</sup> and the Court has reasserted its power.

Justice Breyer has written that “[t]he problem arises from the fact that patents do not only encourage research by providing monetary incentives for invention. Sometimes their presence can discourage research by impeding the free exchange of information....”<sup>140</sup> He further suggests that the “generalist [Supreme] Court could contribute to the important ongoing debate ... as to whether the patent system ... adequately reflects the careful balance” that patent law serves.<sup>141</sup>

Judge Rich, the first patent specialist appoint to the CCPA, a preeminent jurist on the CAFC, and the author of the *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*<sup>142</sup> opinion, would likely have found Justice Breyer’s observation that patents “impede the free exchange of information” to reflect a profound misunderstanding of a patent’s fundamental purpose, public disclosure of the invention.<sup>143</sup> This difference of perspective is significant. To Judge Rich, patents promote the exchange of information; to Justice Breyer they impede it.

Additionally, there is reason to suspect that the CAFC is suffering from a perception that it is out of step with mainstream legal doctrine, is substituting its judgment for that of the trial court, and has changed its

137. The issue of licensee’s ability to challenge a patent’s validity was addressed by the Supreme Court in *MedImmune v. Genentech*, 127 S.Ct. 764, 777 (2007). The Supreme Court has recently granted certiorari to address whether the first sale doctrine exhausts patent rights despite narrow license terms that exclude the licensee’s customers who incorporate the licensed product into their goods. *Quanta v. LG Electronics*, 128 S.Ct. 28 (2007).

138. Howard T. Markey, *The Federal Circuit and Congressional Intent*, 2 FED. CIR. B. J. 303, 305 (1992).

139. See *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, cert. dismissed, 126 S.Ct. 2921 (2006) (Breyer, J., dissenting); *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

140. *Lab. Corp. of Am. Holdings*, 548 U.S. at 127.

141. *Id.* at 2929 (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, (1989)).

142. 149 F.3d 1368 (Fed. Cir. 1998).

143. Judge Giles Rich, quoted by Janice Mueller, *A Rich Legacy*, 81 J. PAT. & TRADEMARK OFF. SOC’Y 755 (1999). “[T]he patent ... is not only a grant of a right to exclude from the government; simultaneously, it is a publication, making (in principle at least) a full public disclosure of the invention due to section 112-1. So even if it does not go into the public domain during the patent term, the public gets the advantage of knowing what the invention is and how to practice it.”

standards of review – the very concerns dismissed by witnesses at the hearings that established the court.<sup>144</sup> Chief Justice Roberts and Justice Scalia comments during the *KSR* oral argument reflect some of these concerns. In response to counsel’s observation that the teaching, motivation or suggestion test is merely an analytical framework and elaboration for objectively evaluating obviousness, the Justices pointedly observed:

CHIEF JUSTICE ROBERTS: It adds a layer of Federal Circuit jargon that lawyers can then bandy back and forth, but if it’s -- particularly if it’s nonexclusive, you can say you can meet our teaching, suggestion, or motivation test or you can show that it’s nonobvious, it seems to me that it’s worse than meaningless because it complicates the inquiry rather than focusing on the statute.

...

JUSTICE SCALIA: It is -- I agree with the Chief Justice. It is misleading to say that the whole world is embraced within these three nouns, teaching, suggestion, or motivation, and then you define teaching, suggestion, or motivation to mean anything that renders it nonobvious. This is gobbledygook. It really is, it’s irrational.

MR. GOLDSTEIN: Justice Scalia, I think it would be surprising for this experienced Court and all of the patent bar -- remember, every single major patent bar association in the country has filed on our side

...

CHIEF JUSTICE ROBERTS: Well, which way does that cut? That just indicates that this is profitable for the patent bar.

(Laughter.)

MR. GOLDSTEIN: Mr. Chief Justice, it turns out that actually is not accurate.

JUSTICE SCALIA: It produces more patents, which is what the patent bar gets paid for, to acquire patents, not to get patent applications denied but to get them granted. And the more you narrow the obviousness standard to these three imponderable nouns, the more likely it is that the patent will be granted.<sup>145</sup>

This exchange appears to reflect concerns by Justices Roberts and Scalia about characteristics associated with specialized courts: distinctive jargon, increasing barriers to non-specialists, and the expansion of the specialty court’s influence within its field of expertise, to the benefit of the court’s dominant constituency.

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144. Discussed at *supra* §5.

145. Transcript of Oral Argument at 40-42, *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).

## VIII. CRITICISM THAT MATTERS – AND THE CAFC RESPONDS

Whether or not one accepts the premise that the CAFC has developed unnecessarily distinctive doctrine, and whether or not one acknowledges that the Circuit has trended toward specialty court behavior, there is certainly evidence that the Circuit is aware of the Supreme Court's hovering presence over patent law. The Circuit decided *Dystar Textilfarben GmbH & Co., v. C.H. Patrick Co.*<sup>146</sup> while *KSR* was pending before the Supreme Court. Undoubtedly aware of the concern that the teaching, suggestion or motivation test had narrowed the obviousness inquiry nearly out of existence, the CAFC asserted that the "test is in actuality quite flexible and not only permits, but *requires*, consideration of common knowledge and common sense."<sup>147</sup>

Another recent case, *In re Seagate Technology, LLC*,<sup>148</sup> demonstrates that the Circuit is more aware of the potential relevance of other areas of law to patent issues since the Supreme Court's rulings in 2006 and 2007. The court's analysis of willful infringement begins with the observation that "[t]he term willful is not unique to patent law, and it has a well-established meaning in the civil context."<sup>149</sup> The opinion referenced copyright law, civil liability under the Federal Credit Reporting Act and the Fair Labor Standards Act, and the Restatement of Torts. The court adopted a willfulness standard that imposed both a recklessness requirement<sup>150</sup> and a clear and convincing burden of persuasion.<sup>151</sup> Whether the Circuit will ultimately exercise deference to the fact finder's decisions on the elements will not be known until enhanced damage issues under the new standard find their way to the CAFC.

Even more recently, after years expanding the scope of patentable subject matter, the CAFC recently decided a pair of cases<sup>152</sup> that reasserted limits to patentability under 35 U.S.C. § 101. Perhaps this was a response to Justice Breyer's dissent to the denial of a writ of

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146. 464 F.3d 1356 (Fed. Cir. 2006).

147. *Id.* at 1365. The opinion can be seen as a preemptive attempt to offer either guidance to, or deflection from *KSR*, which was then pending before the Supreme Court. If so, it may have achieved partial success; the high court cited *Dysart* with the observation that *Dysart* "elaborated a broader conception of the TSM test than was applied" when *KSR* was before the circuit.

148. 497 F.3d 1360 (Fed. Cir. 2007).

149. *Seagate Tech.*, 497 F.3d at 1370.

150. "[A]n objectively high likelihood that [the defendant's] actions constituted infringement of a valid patent." *Seagate Tech.*, 497 F.3d at 1371.

151. *Id.*

152. *In re Comiskey*, 499 F.3d 1365, 1368 (Fed. Cir. 2007); *In re Nuijten*, 500 F.3d 1346, 1348 (Fed. Cir. 2007).

certiorari in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*,<sup>153</sup> which questioned whether *State Street Bank's* test extended patentability too far.<sup>154</sup> *In re Cominsky*<sup>155</sup> is notable, not for its recitation of the principle that “mental processes – or processes of human thinking – standing alone are not patentable even if they have practical application,” but because it actually applied that principle to rule that a method of mandatory arbitration for unilateral and contractual documents was not eligible subject matter for patenting. Similarly, *In re Nuijten*<sup>156</sup> asserts that the list of statutorily enumerated patentable subject matter – process, machine, manufacture, or composition of matter – is exclusive. The holding is noteworthy because the court’s prior decisions all but erased the categories in favor of an “anything under the sun that is made by man” threshold of patentability.<sup>157</sup> Instead, *Nuijten* drew a narrower test:

*State Street* sets forth a sound premise, but this case presents a different situation. The essence of the dispute between the parties is whether a transitory signal is covered by *any* statutory category. The four categories together describe the exclusive reach of patentable subject matter. If a claim covers material not found in any of the four statutory categories, that claim falls outside the plainly expressed scope of § 101 even if the subject matter is otherwise new and useful.<sup>158</sup>

So, one can see the CAFC responding to the looming presence of the Supreme Court and Congress. The *Seagate Technology* opinion referenced non-IP law to reverse and redefine its willful infringement standard.<sup>159</sup> Some have called *Seagate Technology* a new and “more proactive approach to aligning the rules of patent law with Supreme

153. 548 U.S. 124, 126 S.Ct. 2921 (2006).

154. “Neither does the Federal Circuit’s decision in *State Street Bank* help respondents. That case does say that a process is patentable if it produces a ‘useful concrete, and tangible result.’ But this Court has never made such a statement...” *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 126, *cert. dismissed*, 126 S.Ct. 2921, 2928 (2006) (Breyer, J., dissenting).

155. 499 F.3d. 1365 (Fed. Cir. 2007).

156. 500 F.3d 1346 (Fed. Cir. 2007).

157. *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed.Cir.1998). “The question of whether a claim encompasses statutory subject matter should not focus on which of the four categories of subject matter a claim is directed to-process, machine, manufacture, or composition of matter-but rather on the essential characteristics of the subject matter, in particular, its practical utility.” In fairness to the CAFC, though, the “anything under the sun” language is that of the Supreme Court in *Diamond v. Chakrabarty*, 447 U.S. 303, 309(1980), not the creation of the Federal Circuit.

158. *In re Nuijten*, 500 F.3d 1346, (Fed. Cir. 2007).

159. Discussed at *supra* § 3.3.4.

Court rulings in other areas of law.”<sup>160</sup> Similarly, Congressional concerns over patent law have informed the *Comiskey* and *Nuijten* opinions.

[W]e decide this case against a backdrop of ongoing controversy regarding the wisdom of software patenting and our decision in *State Street Bank*. ... I appreciate the majority’s desire to draw an exclusionary line. However, mindful of our duty to interpret the law as Congress wrote it rather than attempt ‘to preempt congressional action by judicially decreeing what accords with “common sense and the public weal.”’ I respectfully disagree that the majority’s holding is compelled by or consistent with precedent or the language of the statute. Indeed, I fear that it risks further confusing an already uncertain set of doctrines.<sup>161</sup>

These cases not only reverse the CAFC’s long expansion of patentable subject matter, but they specifically reflect the controversy and scrutiny recently visited upon the patent system. One patent law professor has characterized the *Comiskey* and *Nuijten* decisions as a “gangrene treatment” that sacrifices some healthy patent law doctrine in order to prevent further damage to Circuit jurisprudence by the Supreme Court.<sup>162</sup>

## IX. CONCLUSION

Patent law is deservedly specialized. It is also extraordinarily important today – even more so than in 1933, when Judge Graham, Chief Judge of the newly formed Court of Customs and Patent Appeals, observed:

While these patent and trademark cases are of vast importance to the industrial life of the country, I can think of a number of things about which both layman and judge could become more wildly excited. Tabloid reporters do not haunt our confines, and newspaper

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160. Kathleen Pauley Barecchia, *In re Seagate: How Claims and Defenses for Willful Infringement Have Changed*, 14 No. 12 ANDREWS INTELL. PROP. LITIG. REP. 13 (2007).

161. *In re Nuijten*, 500 F.3d 1346, (Fed. Cir. 2007) (Linn, J., concurring in part, dissenting in part). Judge Linn also purports to answer Justice Breyer’s criticism of *State Street Bank* at footnote 5 of his concurring/dissenting opinion.

162. Posting of Dennis Crouch to Patent Law Blog (Patently –O), *Ineligible Subject Matter: 35 USC 101 Finds its Teeth (biting into Nonobviousness)*, <http://www.patentlyo.com/patent/2007/09/ineligible-subj.html> (March 30, 2009). “In the political world of the courts, this case might be seen as the CAFC’s gangrene Treatment – where the Supreme Court is the disease and patent law jurisprudence is the patient. Several toes have already been lost, and the CAFC is cutting off a foot to prevent further the disease from reaching any further.”



photographers do not snap-shot us as we wait. The questions presented are technical, and deal with every branch of mechanized, and even plant, industry. Some of them cry to the very heavens in their aridity. Tedious or not, the march of national progress in the arts depends upon a proper and sensible construction of these laws by the Patent Office and its appellate judicial tribunal.<sup>163</sup>

The bench and the patent bar need to ensure that patent jurisprudence is soundly reasoned in law and policy. The specialized bar and bench need to be aware of their tendency to become isolated from other ways of solving difficult legal issues.

Much of this paper dwelt on the CAFC's heavy reliance on characterizing issues as questions of mixed law and fact, and the implications of *de novo* review. There is an argument that a court's experience and technical expertise, and the desire for national consistency justify the allocation of decision-making authority to judges and appellate courts. That argument reached its zenith with the *Markman* and *Cybor Corp.* claim construction doctrine, as applied by the CAFC.<sup>164</sup> But the premise – that low deference to fact-finders and high levels of intervention by appellate courts leads to consistency and predictability – is not borne out in the areas explored in this paper. As stated by CAFC Judge Mayer, “reviewing these questions *de novo* has not clarified the law, but has instead distorted the appellate process, causing confusion among the district courts and bar.”<sup>165</sup> Indeed, Kimberly A. Moore, now a judge on the CAFC, concluded while still a law professor:

With judicial claim construction now nearing its adolescence ... there should be more predictability. The reversal rate ought to be going down, not up. The fault, at this point, undoubtedly lies with the Federal Circuit itself. The court is not providing sufficient guidance on claim construction. There have not evolved any clear canons of claim construction to aid district court judges, and in fact the Federal Circuit judges seem to disagree among themselves regarding the tools available for claim construction.<sup>166</sup>

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163. William J. Graham, *The United States Court of Customs and Patent Appeals, Its History, Functions and Jurisdiction*, 14 J. PAT. & TRADEMARK OFF. SOC'Y 932, 940 (1932).

164. Discussed at *supra* § 3.1.

165. Phillips v. AWH Corp., 415 F.3d 1303, 1333 (Fed. Cir. 2005) (Mayer, J., dissenting) (quotations omitted).

166. Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?* 9 LEWIS & CLARK L. REV. 231, 246-247 (2005).

Professor Moore's comments suggest that the problems arise from the court's inability to agree on definitive standards and metrics for district courts to apply. The social science literature suggests that judicial hyperactivity can be attributed in part to the institution itself, i.e., to the creation of a specialized court. As alluded to by Judge Mayer, the unnecessary usurpation of decision-making authority has institutional consequences for the Circuit:

This court was created for the purpose of bringing consistency to the patent field. [Citation omitted.] Instead, we have taken this noble mandate, to reinvigorate the patent and introduce predictability to the field, and focused inappropriate power in this court. In our quest to elevate our importance, we have, however, disregarded our role as an appellate court; the resulting mayhem has seriously undermined the legitimacy of the process, if not the integrity of the institution.<sup>167</sup>

This writer cannot conclude whether the problems of inconsistency, confusion, and distinctiveness in patent doctrine arise primarily from the quality of judging, from the quality of advocacy, from the influence of specialization in the Courts and bar, or from a combination of such factors. Additional research and empirical studies designed to measure and compare the trial court reversal rates in different practice areas,<sup>168</sup> correlated by the appellate review standard might provide additional insight into the potential effect of a specialized appellate court.<sup>169</sup>

In the meantime, the Supreme Court's recent cases suggest that the Circuit erred on fundamental issues and applied rigid rules that disregarded established legal doctrine. Since issuance of those opinions, the CAFC may be endeavoring to align the rules it applies in patent law to those existing in other disciplines. The Circuit's success in doing so may ultimately preserve its institutional legitimacy and increase its institutional effectiveness.

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167. Phillips v. AWH Corp., 415 F.3d 1303, 1330 (Fed. Cir. 2005) (Mayer, J., dissenting).

168. A potentially illuminating comparison would examine copyright cases reviewing "substantial similarity" determinations, and trademark "likelihood of confusion" determinations. Some regional circuit courts of appeals afford deference to the trial court on these issues, others review them *de novo*.

169. If the CAFC behaves uniquely as a specialty Court, one would expect to see a difference in reversal rates between the CAFC and the regional circuit courts in cases employing a comparable standard of review.

