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THE U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT: ITS CRITICAL ROLE IN THE REVITALIZATION OF U.S. PATENT JURISPRUDENCE, PAST, PRESENT, AND FUTURE

Donald R. Dunner *

Until 1982, the general bias in the United States against specialized courts prevented the formation of a patent-specific court. However, without just such a court, the circuit courts of appeals generated inconsistent results in patent cases, leading to unpredictability in patent jurisprudence. When the United States faced an innovation crisis in the early 1980s, indicating that the nation no longer held a position at the forefront of technological innovations, Congress finally formed the U.S. Court of Appeals for the Federal Circuit. The court would hear a wider variety of patent cases than had its predecessors, as well as a variety of cases unrelated to patent law. Despite the apparent need for a court with some focus on patent cases, there remained a fair amount of opposition to its creation. Now that the U.S. Court of Appeals for the Federal Circuit has existed for over twenty-five years, it seems appropriate to examine what it has done since its inception. This Article assesses the court's response to the critical need for providing uniformity and greater predictability in patent law.

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The U.S. Court of Appeals for the Federal Circuit has now been in existence for about twenty-eight years and has had a dramatic impact on the development of patent law in the United States. This Article will discuss the innovation crisis that led to the court's formation in 1982 and the court's response to the critical need for providing uniformity and greater predictability in patent law.

1. THE INNOVATION CRISIS THAT LED TO THE COURT'S FORMATION IN 1982

The concept of a specialized patent court has been around in the United States for over one hundred years. A general bias against specialized courts, however, consistently blocked the formation of such a court. This bias is best reflected in a 1967 statement by a well-known U.S. district court judge, Simon Rifkind, the co-chairman of U.S. President Lyndon Johnson's Commission on the Patent System, delivered to the U.S. House of Representatives:

In my view, when you are dealing with a matter that concerns the general welfare of the United States, it is not wise to create a small group of men who become, like the Egyptian priests, the sole custodians of a body of knowledge and who sooner or later begin to talk a language that nobody else understands but which is common only to them and the practitioners that appear before them and who drift away from those general principles of equity [and] morality, which pervade the entire judicial system.¹

Judge Rifkind's remarks were, of course, directed to the concept of a specialized court in general, not the Federal Circuit, which had not been conceived at the time. But it and the similar views of others stood in the way of the formation of any court with specialized jurisdiction over patent cases. These hostile views were especially prevalent among generalist lawyers in the United States.

In the early 1970s, concern was expressed about the limited ability of the U.S. Supreme Court to oversee and supervise the circuit courts of appeals. The U.S. Senate accordingly formed the Commission on Revision of the Federal Court Appellate System, commonly known as the Hruska Commission. I was privileged to be

1. *General Revision of the Patent Laws: Hearing Before the H. Subcomm. No. 3 of the Comm. on the Judiciary*, 90th Cong. 175 (1967) (statement of J. Simon Rifkind).

appointed as one of two consultants (along with a colleague, Professor James B. Gambrell) to the Hruska Commission to evaluate the impact of the problem in the area of patent litigation.

In the performance of our duties as patent consultants, Professor Gambrell and I conducted a survey among patent litigators to determine, among other things, what their sentiment was toward a specialized court of patent appeals. The survey results showed an approximately fifty-fifty split in views, half favoring and half opposing such a court. As a result, Professor Gambrell and I recommended against the formation of a specialized court of patent appeals.

At the same time, however, we noted a significant problem. At that time, appellate review of patent cases litigated in the many district courts around the United States took place in eleven different circuit courts of appeals, depending on the geographic location of the district courts. Because those circuit courts had widely varying views of the patent laws—some very friendly to patents and some very hostile to them—lawyers handling patent cases engaged in mad and undignified races to the courthouses of their choice in order to position their clients in the circuit most friendly to their clients' interests. The end result was an extremely inefficient and unfair administration of justice in the patent law area, not to mention the total unpredictability of patent jurisprudence, contingent on who reached the courthouse first.

In the early 1980s, however, an innovation crisis arose in the United States over concern that the United States had lost its leading edge in the making, development, and commercialization of inventions. To address this and other problems, in 1982 U.S. President Jimmy Carter convened the Domestic Policy Review on Industrial Innovation, in one advisory committee of which—devoted to patents—I participated. At or about the same time, Professor Daniel J. Meador was assigned to lead the Office for Improvements in the Administration of Justice of the U.S. Department of Justice. Professor Meador came up with an ingenious idea designed to address the hostility to specialized courts, an idea that—as I will discuss—was endorsed by the Carter Domestic Policy Review in its recommendations as to how to deal with the crisis in U.S. industrial innovation.

That idea, of course, led directly to the formation of the Court of Appeals for the Federal Circuit. In a nutshell, the idea involved the combining of two existing courts, the Court of Customs and Patent Appeals and the Claims Court, which at the time shared the same courthouse, immediately adjacent the White House. These existing courts had jurisdiction over a small percentage of several different types of patent cases, and thus the twelve judges of the combined court had some patent experience. The idea of Professor Meador, however, was not only to expand the number and kind of patent cases to be appealed to this new combined court but to give the new court jurisdiction over a large number of non-patent cases so that the judges would be exposed to diverse areas of the law and would not in fact be specialized. This new court—which became the Court of Appeals for the Federal Circuit—was enthusiastically supported by the Carter Domestic Policy Review and officially supported by the U.S. Congress during the early days of the administration of U.S. President Ronald Reagan. The doors of the new court were opened on October 1, 1982, with the legendary Chief Judge Howard T. Markey as its first chief judge.

2. THE COURT'S RESPONSE TO THE CRITICAL NEED FOR PROVIDING UNIFORMITY AND GREATER PREDICTABILITY IN THE PATENT LAW

Before the Federal Circuit was officially formed by the U.S. Congress, there was a significant debate by the opponents and supporters of this new court.

The concerns of the opponents were many. In addition to Judge Rifkind's Egyptian priest fears, opponents were convinced that the new court would become a dumping ground for political has-beens, that the court would inevitably become too pro-patent, and the like.

Proponents of the new court felt that the fears of the opponents were greatly exaggerated. Moreover, they felt that a court like the Federal Circuit was needed to eliminate the huge conflicts and disparities between the views in patent cases of the various federal circuit courts of appeals and to create much-needed uniformity in patent law. They were also of the view that such a court would do much to eliminate the mad and undignified races to the courthouse fostered by the wide variety of views on patent law issues expressed by the different federal circuit courts of appeals.

Now that the court has been in existence for over twenty-five years, it is appropriate to ask how the court has done. To what extent have the fears of the court's opponents been realized? And to what extent have the aspirations of its proponents been achieved?

As I think most will agree, the concern that the court would become a dumping ground for spent politicians has disappeared. The quality of the Federal Circuit judges compares with the best of the U.S. federal circuit courts of appeals. Indeed, as I write, the court's judges include three former Supreme Court law clerks,² two former lower court judges,³ two Ph.D. chemists,⁴ and two law professors,⁵ one of whom was a law school dean.⁶ Four of the eleven active judges were patent attorneys before they joined the court.⁷

As to the Rifkind Egyptian priest concern, I doubt many would characterize the court in that manner. While the language they use in their opinions is more uniformly the language one would hope and expect to appear in opinions on patent law, it is quite well understandable to the courts whose opinions they review and is more than adequately based on general principles of equity and morality that pervade the entire judicial system, with an occasional lapse here and there.

What about the concerns that the new court would become too pro-patent? The short answer to this question is that there is ample evidence that the court has become neither too pro-patent nor too anti-patent.

It is true, of course, that the court has—on the pro-patent side—opened the doors to new technologies such as business methods⁸ and has interpreted the law in such a way as to make possible meaningful

2. Judges Bryson, Dyk, and Clevenger

3. Judges Mayer and Rader

4. Judges Lourie and Newman

5. Judges Plager and Moore

6. Judge Plager

7. Judges Linn, Lourie, Moore, and Newman (Judge Gajarsa spent a brief period as a patent attorney at the beginning of his career.)

8. *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999); *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998). In *Bilski v. Kappos*, 130 S. Ct. 3218 (June 28, 2010), the Supreme Court rejected the Federal Circuit holdings in *AT&T* and *State Street Bank* but, by a five-to-four majority, left the door open to the grant of business method patents.

patent protection in the biotechnology industry.⁹ It has also been somewhat unreceptive to obviousness arguments under 35 U.S.C. § 103,¹⁰ has removed the straitjacket from the grant of preliminary injunctions in patent cases,¹¹ and has sustained huge damage awards.¹²

The court, however, has balanced its pro-patent jurisprudence with what many would regard as anti-patent holdings. By way of example, it has made it much harder to prove infringement (best illustrated by its 35 U.S.C. § 112 ¶ 6 holdings, which deal with means-plus-function claims,¹³ and its prosecution-history-estoppel holdings, the most celebrated of which is its *Festo* holding¹⁴), to obtain totally speculative damage verdicts,¹⁵ and to rein in juries (e.g., taking claim construction away from juries¹⁶ and requiring particularized testimony and linking argument to support doctrine-of-equivalents verdicts¹⁷).

In sum, the court would appear to have struck a balance between its pro- and anti-patent holdings.

9. *Regents of Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997); *In re Lundak*, 773 F.2d 1216 (Fed. Cir. 1985); *Amgen, Inc. v. Chugai Pharm. Co., Ltd.*, 927 F.2d 1200 (Fed. Cir. 1991).

10. *See Teleflex, Inc. v. KSR Int'l Co.*, 119 F. App'x 282 (Fed. Cir. 2005), *rev'd*, 550 U.S. 398 (2007). This lack of receptiveness to § 103 obviousness arguments has been tempered by the Supreme Court's reversal of the Federal Circuit holding in the *KSR* case.

11. *Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230 (Fed. Cir. 1985). While the Supreme Court has criticized the Federal Circuit in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), for its almost inflexible willingness to support the granting of permanent injunctions in patent cases, it is still much easier to obtain preliminary injunctions in patent cases now than it was pre-Federal Circuit.

12. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010); *Fonar Corp. v. Gen. Elec. Co.*, 107 F.3d 1543 (Fed. Cir. 1997); *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556 (Fed. Cir. 1986).

13. *See, e.g., JWV Enters., Inc. v. Interact Accessories, Inc.*, 424 F.3d 1324 (Fed. Cir. 2005); *Mas-Hamilton Group v. LaGard, Inc.*, 156 F.3d 1206 (Fed. Cir. 1998); *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419 (Fed. Cir. 1997).

14. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 234 F.3d 558 (Fed. Cir. 2000) (en banc).

15. *See, e.g., Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009); *Oiness v. Walgreen Co.*, 88 F.3d 1025 (Fed. Cir. 1996).

16. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

17. *Lear Siegler, Inc. v. Sealy Mattress Co. of Mich., Inc.*, 873 F.2d 1422 (Fed. Cir. 1989); *Tex. Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1566–67 (Fed. Cir. 1996); *Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320 (Fed. Cir. 1991).

To what extent has the court eliminated conflicts in the law and provided greater uniformity in patent jurisprudence?

The early years of the court were devoted to clearing up existing conflicts in the patent law decisions of the federal appellate courts and to developing a body of law that would instruct the bar and the district courts in the proper application of the patent laws. Former Chief Judge Markey reported with pride that “in its first three years . . . [the Federal Circuit] identified and resolved all of the thirteen conflicts in the previous patent law decisions of the regional circuit courts and removed the slogans that for years had barnacled the patent law.”¹⁸ More significantly, in those first few years, the court wrote uncharacteristically long and detailed opinions that—in full effect—constituted tutorials on sound patent law as the court saw it for the benefit of the lower courts and the bar.¹⁹ The court also rendered a number of en banc decisions, the most notable of which were its *Markman* (dealing with claim construction)²⁰ and *Warner-Jenkinson* (dealing with the doctrine of equivalents)²¹ decisions, all designed to provide uniformity in the law.

The common view is that the court has largely succeeded in its uniformity efforts. Many still feel, however, that Federal Circuit predictability is not what it should be and that its decisions are often panel dependent and result oriented, a characterization that perhaps is applicable to all federal appellate courts.

What about the venue-related conflicts that predated the Federal Circuit? Having a single reviewing court for essentially all of the patent-based holdings of the district courts necessarily reduced the number of races to the courthouse to secure a favorable venue, but not completely. Litigants still perceive an advantage in litigating in their home venues, and many continue to flock to “rocket dockets” such as the Eastern District of Virginia and the District of Delaware, both of which are stocked with patent-savvy jurists, and to the

18. Howard T. Markey, *The Federal Circuit and Congressional Intent*, 41 AM. U. L. REV. 577, 577 (1992).

19. See, e.g., *Lindemann Maschinenfabrik GMBH v. Am. Hoist & Derrick Co.*, 730 F.2d 1452 (Fed. Cir. 1984); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530 (Fed. Cir. 1983); *Envtl. Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693 (Fed. Cir. 1983).

20. *Markman*, 52 F.3d 967.

21. *Hilton Davis Chem. Co. v. Warner-Jenkinson Co., Inc.*, 62 F.3d 1512 (Fed. Cir. 1995), *rev'd*, 520 U.S. 17 (1997).

Eastern District of Texas,²² perceived by many to be a pro-patentee venue. On balance, the Federal Circuit has had a beneficial effect in this area, but perhaps not as great as its proponents envisaged.

And what about the quality of its decision making? To be sure, some voices of concern have been raised about the functioning of the Federal Circuit. A group of intellectual property law professors has filed amicus briefs challenging several important Federal Circuit patent holdings.²³ Two of those professors have written a scholarly article urging the need to change the system to supplement the Federal Circuit with a small number of additional circuit courts to create competition and diversity in the rendering of appellate patent decisions.²⁴ One article has suggested that the Federal Circuit system is broken and seriously in need of repair.²⁵

I respectfully dissent from these views. It is my view and that of many of my colleagues in the bar that the appellate experiment that began over twenty-five years ago has been a hugely successful one, for the reasons spelled out above.

But what about the professors' proposal to supplement the Federal Circuit with a few appellate courts to create competition and diversity in appellate review of patent cases? In my view, the cost of that proposal in terms of decreased uniformity and predictability greatly outweighs its benefits. More significantly, considerable competition and diversity of views already exist in the court, as reflected in the court's resort to the en banc process to resolve intracircuit conflicts and the generation, when necessary, of strong dissents, which are not lost on the Supreme Court in its review of certiorari petitions. To this must be added the increased scrutiny of Federal Circuit decisions provided by scholarly articles and amicus briefs and the frequent review of Federal Circuit decisions by the

22. Recent Federal Circuit decisions may negatively impact the frequency of filing of patent infringement lawsuits in the Eastern District of Texas. See *In re Zimmer Holdings, Inc.*, No. 2010-M938, 2010 WL 2553580 (Fed. Cir. June 24, 2010); *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008).

23. See, e.g., *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

24. Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 NW. U. L. REV. 1619 (2007).

25. Harold C. Wegner, *The Invention Court Reinvented: The Federal Circuit at Age 25* (2007) (unpublished manuscript, on file with author).

solicitor general under the *CVSG*²⁶ process. Much of the benefit of multicircuit patent jurisdiction is therefore currently available without the negatives of decreased predictability and uniformity of decision making. And the current high frequency of Supreme Court review of Federal Circuit decisions²⁷ demonstrates that circuit conflicts are not necessary to assure appropriate monitoring of Federal Circuit decisions.

To be sure, there is room for improvement and change. Merely by way of example, a recent Federal Circuit opinion²⁸ suggests a dialogue is currently ongoing as to whether the court will change its “no deference” rule in claim construction, a rule that has been widely criticized inside and outside the court. The court has recognized the desirability of adding a district court trial judge to its bench,²⁹ as reflected by the large number of such judges recently sitting with the court by designation. And I could add still other examples of the court’s ongoing effort to improve and refine the quality of its decision making.

The bottom line at the conclusion of the first quarter century of the court’s existence is that the court has more than delighted its early proponents and surprised its opponents with its high level of performance.

26. *CVSG* is an acronym for “call for the views of the solicitor general.” Under a procedure that has been used with recently increasing frequency, the Supreme Court has sought the views of the U.S. solicitor general on whether it should grant certiorari of cases before it. A meaningful number of patent cases have been included in this process.

27. See, e.g., *Bilski v. Kappos*, 130 S. Ct. 3218 (June 28, 2010); *Microsoft Corp.*, 550 U.S. 437; *KSR Int’l Co.*, 550 U.S. 398; *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

28. *Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039 (Fed. Cir. 2006).

29. District Court Judge Kathleen O’Malley (N.D. Ohio) has recently been nominated to fill a vacancy on the Federal Circuit.

