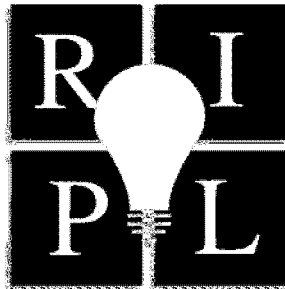


THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



IS THE FEDERAL CIRCUIT READY TO ACCEPT PLENARY AUTHORITY FOR PATENT APPEALS?

MEREDITH MARTIN ADDY

ABSTRACT

Congress formed the U.S. Court of Appeals for the Federal Circuit in 1982 in part to improve uniformity in the interpretation of patent law and to eliminate forum shopping. However, in 2002, the Federal Circuit's ability to achieve that goal was reduced when the U.S. Supreme Court, in *Holmes Group v. Vornado*, held that the Federal Circuit would not have jurisdiction in cases where a federal patent law issue arises only in a responsive pleading. Many commentators have argued that the *Holmes* decision runs afoul of the congressional mandate in forming the Federal Circuit. With the hope of addressing this issue, the House Subcommittee on the Courts, the Internet and Intellectual Property conducted hearings to determine whether Congress should override the Supreme Court's *Holmes* decision and hence grant to the Federal Circuit plenary authority to hear such patent appeals. This paper analyzes some of the recent criticism of the court, argues that the Federal Circuit is achieving its goals, and therefore supports granting plenary patent appeal authority to the Federal Circuit.

Copyright © 2005 The John Marshall Law School



*Cite as Meredith Martin Addy, Is the Federal Circuit Ready to Accept
Plenary Authority for Patent Appeals?*, 4 J. MARSHALL REV. INTELL.
PROP. L. 583 (2005).

IS THE FEDERAL CIRCUIT PREPARED TO ACCEPT PLENARY AUTHORITY FOR PATENT APPEALS?*

MEREDITH MARTIN ADDY**

INTRODUCTION

The U.S. Court of Appeals for the Federal Circuit was formed in 1982 to promote uniformity and stability in the interpretation of patent law, to resolve the problems produced by differing views of regional circuit courts on the value of patents, and to eliminate the resultant forum shopping.¹ The creation of the Federal Circuit “made one immediate improvement: It stopped the appellate forum shopping that had occurred when patent appeals were heard by each of the regional circuits.”² Today, twenty-three years later, the Federal Circuit has generally succeeded in its mandate to promote uniformity³ although, some argue, not without a few bumps in the road.⁴ Those bumps, however, have not been so high or so unexpected, and the Federal Circuit has done, and is doing, a reasonable job of overcoming them.

I. BACKGROUND

Bear in mind that the Federal Circuit did not start with a clean slate for precedent. The Court is required to follow the precedent of its predecessor courts, and, for patents, such precedent comes from the U.S. Court of Customs and Patent Appeals (“CCPA”).⁵ Prior to 1982, the CCPA heard appeals from the U.S. Patent and Trademark Office (“PTO”) when the PTO denied the issuance of a patent. To overrule a prior CCPA decision, the Federal Circuit must sit en banc.⁶ Many early Federal Circuit decisions wrestled with this requirement, and it took years for the

* Taken from the author’s testimony before the House Committee on the Judiciary, Subcommittee on Courts, the Internet and Intellectual Property, during the March 17, 2005 Hearing on *Holmes Group*, the Federal Circuit, and the State of Patent Appeals.

** The author thanks Cynthia A. Homan, Janet A. Pioli, Rashida Y.V. MacMurray and Thomas J. Wrona, Ph.D. for all of their help in preparing this topic for the Congressional Hearings.

¹ See S. REP. NO. 97-275, at 2-7, *reprinted in* 1982 U.S. Code Cong. & Ad. News 11, 12-17; *see, e.g., Chem. Eng’g Corp. v. Marlo, Inc.*, 754 F.2d 331, 333 (Fed. Cir. 1984).

² Richard H. Seamon, *The Provenance of the Federal Courts Improvement Act of 1982*, 71 GEO. WASH. L. REV. 543, 587 (2003) (citing Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) (discussing forum shopping among district courts in patent cases)).

³ *See, e.g., R. Polk Wagner & Lee Petherbridge, Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1112-13 (2004); *see also* Seamon, *supra* note 2, at 588, 594 n.329 (“Many commentators have praised the court for bringing clarity and predictability to significant areas of patent law.”).

⁴ *See, e.g., Seamon, supra* note 2, at 588-89 nn.299, 300.

⁵ *South Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982).

⁶ *Id.* at 1370 n.2.

Federal Circuit to change CCPA precedent on some major doctrines.⁷ In addition, while bound by CCPA precedent for existing issues, the Federal Circuit was in uncharted territory for issues that did not fall within the jurisdiction of the CCPA, such as most patent litigation issues; e.g., infringement, willful infringement and inequitable conduct before the PTO. For these issues, the Federal Circuit had to analyze a myriad of regional circuit law and determine the best course to take. Because of the divergence in regional circuit law on patent doctrines, for the first several years the Federal Circuit made broad-brush corrections to the law.⁸ Most commentators will not deny that, while sweeping in nature, these seminal cases made patent jurisprudence more consistent and predictable.⁹

Today, after clearing away the cobwebs of prior jurisprudence and broadly establishing important patent doctrines, the Federal Circuit is poised to better accomplish its mandate by focusing on important sub-issues of patent jurisprudence. For example, claim construction is a matter of law for the courts.¹⁰ So, rather than focus on whether elements of claim construction should go to the jury, as many regional circuits believed,¹¹ the court can focus on the appropriate rubric for determining the proper claim construction.¹²

II. THE SUPREME COURT IN *HOLMES GROUP V. VORNADO* CHANGED THE SCOPE OF THE FEDERAL CIRCUIT'S PATENT JURISDICTION

The Federal Circuit achieves its jurisdiction over patent cases pursuant to 35 U.S.C. §§ 1295 and 1338. Section 1338 sends patent claims to the federal district courts by providing that the “district courts shall have original jurisdiction of any civil action *arising under* any Act of Congress relating to patents.”¹³ Section 1295 grants to the Federal Circuit jurisdiction over appeals from a final decision of a district court if the “jurisdiction of that court was based, in whole or in part on, section 1338.”¹⁴

In 2002, the U.S. Supreme Court interpreted the “arising under” provision of § 1338 in *Holmes Group v. Vornado*.¹⁵ The Court held, in accordance with the

⁷ See, e.g., *In re Donaldson*, 16 F.3d 1189, 1194 (Fed. Cir. 1994) (en banc) (overturning CCPA precedent that permitted the PTO to apply a different standard than the courts when analyzing claims drafted pursuant to 35 U.S.C. § 112 ¶ 6).

⁸ See, e.g., *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc) (inequitable conduct); *In re Dillon*, 919 F.2d 688 (Fed. Cir. 1990) (en banc) (obviousness); *Refac Intern., Ltd. v. Hitachi, Ltd.*, 921 F.2d 1247 (Fed. Cir. 1990) (frivolous appeal).

⁹ See, e.g., ROBERT L. HARMON, *PATENTS AND THE FEDERAL CIRCUIT*, at ix (6th ed. 2003).

¹⁰ See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

¹¹ See, e.g., *Control Components, Inc. v. Valtek, Inc.*, 609 F.2d 763, 770 (5th Cir. 1980) (holding that the meaning of a term in dispute is a factual issue to be determined by the jury); *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1338–39 (7th Cir. 1984) (stating “[o]nly a factual dispute as to the meaning of a term of art used in the patent claim, the resolution of which required resort to expert testimony, properly would have been submitted to the jury”).

¹² See generally *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

¹³ 28 U.S.C. § 1338 (2000) (emphasis added).

¹⁴ *Id.* § 1295.

¹⁵ 535 U.S. 826, 830 (2002).

well-pleaded complaint rule,¹⁶ that the Federal Circuit did not have jurisdiction when the complaint did not allege a cause of action arising under federal patent law, but the answer contained a patent-law counterclaim.¹⁷ Therefore, under *Holmes*, a patent counterclaim filed in a responsive pleading could be appealed to the regional circuit.¹⁸ In addition, a patent counterclaim filed in a responsive pleading in state court might not be removed to federal district court but instead may be tried and appealed through the state court system.¹⁹ Many commentators have argued that *Holmes* runs afoul of the Congressional mandate in forming the Federal Circuit, to give the Federal Circuit exclusive jurisdiction over patent appeals. Commentators also have argued that *Holmes* frustrates Congress's main purpose in forming the Federal Circuit, to unify and stabilize patent law.²⁰ Others have argued to the contrary—that *Holmes* is a good decision because it returns some authority to hear patent cases to the regional circuits, and without that “percolation” of doctrines through the circuits, the Federal Circuit runs the risk of making poor law and becoming too powerful.²¹

In response to these commentaries, the House Subcommittee on the Courts, the Internet and Intellectual Property conducted hearings on March 17, 2005 to determine whether Congress should enact a legislative override of the Supreme Court's *Holmes* decision and hence grant to the Federal Circuit plenary authority to hear patent appeals. It was in the context of this hearing that the Subcommittee asked whether the Federal Circuit was achieving its mandate. This paper addresses the Subcommittee's request by analyzing some of the recent criticism of the court.²²

III. CRITICISMS OF THE FEDERAL CIRCUIT DO NOT JUSTIFY LEAVING THE *HOLMES* DECISION IN PLACE

As the Federal Circuit has matured, it appears to have found more critics. However, for every complaint that the Federal Circuit is too pro-patentee, there is one that asserts that burdens now being placed on the patentee are too harsh.²³

¹⁶ FED. R. CIV. P. 8.

¹⁷ *Holmes*, 535 U.S. at 834.

¹⁸ See, e.g., *Telecom Tech. Servs., Inc. v. Rolm Co.*, 388 F.3d 820 (11th Cir. 2004) (Eleventh Circuit hearing a patent case with a gap of more than twenty years in its patent law precedent).

¹⁹ See, e.g., *Green v Hendrickson Pubs., Inc.*, 770 N.E.2d 784, 787 (Ind. 2002) (“[W]e think *Holmes* requires us to reject the federal authorities stating or implying that a state court may not entertain a counterclaim under patent or copyright law.”).

²⁰ See, e.g., Christian A. Fox, Note, *On Your Mark, Get Set, Go! A New Race to the Courthouse Sponsored by Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 2003 B.Y.U.L. REV. 331, 332 (2003).

²¹ See, e.g., Ravi V. Sitwala, Note, *In Defense of Holmes v. Vornado: Addressing the Unwarranted Criticism*, 79 N.Y.U.L. REV. 452, 455 (2004).

²² This paper does not address the detailed analyses on the state of the various patent doctrines, but focuses on more general criticisms.

²³ See, e.g., Patricia A. Martrone, *Supreme Court Limits Federal Circuit Jurisdiction over Patent Appeals*, <http://www.ropesgray.com/newspubs/pubs.aspx?type=news&NewsID=115311605&SectionID=7> (last visited Mar. 16, 2005) (“The Federal Circuit has met a barrage of criticism in recent years, including claims that it is pro-patent, anti-patent and prone to inconsistent results depending upon the panel of judges who hear the case.”).

Constructive criticism as a whole benefits the court, and reflects the important role of the Federal Circuit.²⁴

A. *The Federal Circuit's Effect on the Quality of Patents*

Until recently, most commentators believed that the Federal Circuit is pro-patent.²⁵ Many of these commentators argued that the Federal Circuit's pro-patent stance hurts the quality of patents.²⁶ In particular, one commentator has stated that the Federal Circuit's high affirmance rate on the validity of patents may hamper or decrease patent quality.²⁷ This concern is a red herring. Realistic attempts to increase patent quality should, in the very first instance, lie with the PTO.

Consider how few issued patents are ever litigated; much less make it through trial and appeal. For example, 2,894 patent litigations were filed in 2003,²⁸ and that year the PTO issued 187,017 patents.²⁹ Thus, the ratio of the number of patent litigations filed compared to the number of patents issued in 2003 is about 1.5%.³⁰ About the same ratio holds for 2002.³¹ Because most patent lawsuits are settled, only a very small percentage ever reaches trial; an even smaller number make it to the appellate level. Therefore, the criticism that the Federal Circuit harms the quality of patents through a pro-patent stance ignores the vast majority of patents that are never reviewed by a court. If questionable patents exist, a more appropriate venue to address quality is within the PTO itself, where any change should affect all the patents that subsequently issue.

In recent years, Federal Circuit precedent has become less pro-patent. For example, recent Federal Circuit case law on prosecution history estoppel sets rigid limits on a patentee's ability to prevail on infringement under the doctrine of equivalents. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, the Federal Circuit held that when a claim limitation is amended during prosecution for a reason related to patentability, the patentee surrenders any equivalents for that

²⁴ See Seamon, *supra* note 2, at 589.

²⁵ See, e.g., Seamon, *supra* note 2, at 590 (citing ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT 1136 (5th ed. 2001); see also HARMON, *supra* note 9, at 1254 ("At the present time, I feel comfortable in concluding that the patent enforcement pendulum is swinging toward a more neutral position, where it really ought to be.")).

²⁶ See, e.g., Scott H. Segal, *Fuel for Thought: Clean Gasoline and Dirty Patents*, 51 AM. U.L. REV. 49, 65 (2001) (citing KEITH AOKI, THE STAKES OF INTELLECTUAL PROPERTY LAW, IN THE POLITICS OF LAW: A PROGRESSIVE CRITIQUE 274 (David Kairys ed., 1998)).

²⁷ See A. JAFFE & J. LERNER, INNOVATION AND ITS DISCONTENT: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS AND WHAT TO DO ABOUT IT 126 (Princeton University Press 2004) ("[T]he interaction between the stronger protection and a poorer patent office has had a profound effect.").

²⁸ See attached App. A.

²⁹ United States Patent and Trademark Office, *U.S. Patent Statistics, Calendar Years 1963-2003*, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last visited July 30, 2005).

³⁰ This number does not account for multiple litigations in 2003 over the same patent. Taking multiple litigations on the same patent into consideration would further lower the percentage of litigated versus issued patents in 2003.

³¹ In 2002, there were 2,675 patent litigations filed and 184,378 patents issued yielding the ratio of 1.45%.

limitation.³² This “absolute bar” was a sharp departure from previous jurisprudence in which Federal Circuit precedent applied a flexible bar when considering what claims of equivalence were estopped by the prosecution history.³³ The U.S. Supreme Court reversed the Federal Circuit’s decision, and held that rather than an absolute bar, the “patentee should bear the burden of showing that the amendment does not surrender the particular equivalent in question.”³⁴ The Supreme Court apparently felt that the Federal Circuit’s decision in *Festo* was unduly harsh on *the patentee*.

In fact, commentators have noted this trend:

[F]ears that the court would develop tunnel vision and become unduly pro-patent have not materialized. While some judges on the court are viewed as more hospitable to patents than others, one need only look at the court’s [doctrine of equivalents] decisions to conclude that the court is not pro-patent but is preoccupied with predictability and the notice function of patents. And the court has had nothing resembling tunnel vision.³⁵

Research conducted by Professors John R. Allison and Mark A. Lemley also supports this proposition: “[T]he votes of Federal Circuit judges during this period defied easy description. Judges do not fit easily into ‘pro-patent’ or ‘anti-patent’ categories, or into ‘affirmers’ and ‘reversers.’ We think this is a good thing for the court system.”³⁶

1. *The Standard for Analyzing Patent Validity*

The Federal Trade Commission (“FTC”) also has criticized the arguably pro-patent stance of the Federal Circuit.³⁷ In the second recommendation of its October 2003 report, entitled: *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, the FTC suggested legislation “to Specify that Challenges to the Validity of a Patent Are To Be Determined Based on a ‘Preponderance of the Evidence’” standard rather than the current, well-established and higher “clear and convincing” standard.³⁸

However, the FTC bases its recommendation entirely on the presumed shortcomings of the PTO rather than on any fault of the Federal Circuit.³⁹ According to the FTC, the PTO (1) favors issuing patents, (2) has insufficient resources and (3) grants patents based on a “preponderance of the evidence” standard.⁴⁰ Based on its

³² 234 F.3d 558, 591 (Fed. Cir. 2000) (en banc), *rev’d*, 535 U.S. 722 (2002).

³³ See *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 114 F.3d 1161 (Fed. Cir. 1997); see also *Hughes Aircraft Co. v. United States*, 717 F.2d 1351 (Fed. Cir. 1983).

³⁴ *Festo*, 535 U.S. at 740.

³⁵ Donald R. Dunner, Jefferson Medalist – 2004 Address (June 4, 2004), http://ipmall.info/hosted_resources/jefferson_medalists_2004_address.asp (last visited July 31, 2005).

³⁶ John R. Allison & Mark A. Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 27 FLA. ST. L. REV. 745, 746 (2000).

³⁷ Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Executive Summary, at 8 (2003) [hereinafter FTC Report], <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (last visited Aug. 15, 2005).

³⁸ *Id.*

³⁹ See *id.* Executive Summary, at 1–7.

⁴⁰ *Id.* Executive Summary, at 8–11.

perception of PTO shortcomings, the FTC would lower the Federal Circuit's legal standard for assessing the validity of an issued patent.

Indeed, the FTC's analysis puts the proverbial "cart before the horse." If the problem lies with the PTO, then it should be fixed at the PTO level, rather than downstream at the Federal Circuit. If the problem affects 100% of issued patents, then so should the solution. Remember, only a very small percentage of issued patents are ever litigated and appealed to the Federal Circuit. As such, changing the litigation standard for analyzing validity would affect only those patents which happen to be litigated. The vast majority of patents still would issue from a PTO that has the above-perceived shortcomings.

Additionally, lowering the court's standard for assessing validity would inject further uncertainty into patent jurisprudence. A preponderance-of-the-evidence standard, which requires sufficient proof that it is more likely than not that a patent is not valid, provides less stability and certainty in patent law.⁴¹ Neither the patentee nor the public would be able to rely on the grant of a patent as public notice of what it covered.

As explained in the American Intellectual Property Law Association's ("AIPPLA") response to the FTC's analysis, "[i]t appears that the FTC has misunderstood the scope and motive of the 'clear and convincing evidence standard.'"⁴² According to the AIPPLA, "this misunderstanding is fostered by a lack of precision in many decisions."⁴³ Therefore, any remedy to Federal Circuit precedent should be accomplished through "clarifications by judicial interpretation, not legislation."⁴⁴

For example, under current precedent, a patent will be held invalid if clear and convincing evidence shows that the invention would have been obvious to one skilled in the art at the time the invention was made.⁴⁵ As obviousness is a question of law with underlying factual determinations,⁴⁶ proper obviousness analysis requires

that it is the underlying *facts* that must be proven by clear and convincing evidence, i.e., what is the content of the prior art and the level of skill in the art. That does not apply, and should not apply to the *legal conclusion* of invalidity, e.g., obviousness. It is only those predicate facts, not their persuasive force, that must be clearly and convincingly established.

Clarification of those basic principles, and the correct ambit of the "clear and convincing evidence" standard should, we believe, be addressed by the courts, not Congress. When correctly applied as described above, the

⁴¹ See generally Mark D. Janis, *Ideas into Action: Implementing Reform of the Patent System: Reforming Patent Validity Litigation: The "Dubious Preponderance"*, 19 BERKELEY TECH. L.J. 923 (2004).

⁴² American Intellectual Property Law Association, *AIPPLA Response to the October 2003 Federal Trade Commission Report: "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy"*, at 6 (2004), http://www.aippla.org/Content/ContentGroups/Issues_and_Advocacy/Comments2/Patent_and_Trademark_Office/2004/ResponseToFTC.pdf (last visited Aug. 15, 2005) [hereinafter AIPPLA Response].

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ See *Monarch Knitting Mach. Corp. v. Sulzer Morat GmbH*, 139 F.3d 877, 881 (1998).

⁴⁶ AIPPLA Response, *supra* note 42, at 6.

standard is appropriate and will not make patent challenges unduly difficult or unfairly tilt the playing field.⁴⁷

Therefore, consistent application by the Federal Circuit of the clear and convincing standard, only on the proof of facts and not on their persuasive force, would help address the FTC's concerns.⁴⁸ In addition, reform at the PTO also would help address concerns about the issuance of questionable patents.

2. Federal Circuit Tests for Determining If a Patent Is Obvious

The FTC criticizes the Federal Circuit's application of the obviousness test because the subsidiary "'commercial success test' and 'the suggestion test' . . . require more thoughtful application to weed out obvious patents."⁴⁹ As briefly stated above, a patent should not be issued, and if issued may be held invalid, if the "subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."⁵⁰ The nonobvious test asks "whether an invention is a big enough technical advance to merit the award of a patent."⁵¹

Obviousness is a question of law and like all legal conclusions it is reached after answers to a series of potential fact questions have been found—and it is reached in the light of those answers. In the ordinary patent case, the trier of fact must answer the *Graham* inquiries relating to (1) the scope and content of the prior art, (2) the differences between the art and the claims at issue, (3) the level of ordinary skill in the art, and (4) whatever objective evidence may be present.⁵²

The commercial success test is part of the fourth inquiry from the U.S. Supreme Court's decision in *Graham v. John Deere Co.*,⁵³ which concerns available objective evidence. Federal Circuit precedent requires "that there is commercial success, and that the thing that is commercially successful is the invention disclosed and claimed in the patent."⁵⁴ The "suggestion test" (or "motivation to combine") is part of the second *Graham* inquiry, the differences between the prior art and the claims. Federal Circuit precedent requires that "some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead the

⁴⁷ *Id.* at 7.

⁴⁸ *Id.* at 16.

⁴⁹ FTC Report, *supra* note 37, Executive Summary, at 11. The suggestion test is also referred to as "motivation to combine."

⁵⁰ 35 U.S.C. § 103 (2000).

⁵¹ ROBERT PATRICK MERGES, *PATENT LAW AND POLICY: CASES AND MATERIALS* 479 (2d ed. 1997).

⁵² HARMON, *supra* note 9, at 155–56 (internal citations omitted); *see also* *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1965).

⁵³ 383 U.S. 1.

⁵⁴ *Id.* at 18.

individual to combine the teachings of the prior art”⁵⁵ and arrive at the claimed invention.⁵⁶

a. Commercial Success

The FTC posits that the Federal Circuit places an undue reliance on the “commercial success test” of an invention and fails to appreciate that “factors other than the invention may have caused the success.”⁵⁷ The FTC also asserts that the commercial success test should be applied on a case-by-case basis, and a higher burden should be placed on the patentee to show commercial success.⁵⁸

The FTC’s analysis is flawed in three respects. First, not every obviousness analysis involves a determination of commercial success. While commercial success must be considered *before* finding an invention obvious, if the defendant does not prove a *prima facie* case of obviousness, the court is not required to rule on the commercial success of an invention.⁵⁹

Second, the test requires showing a nexus between the claimed invention and the success.⁶⁰ However, a patentee does not have to prove that the commercial success of the patented invention is *not* due to factors other than the patented invention. A requirement to prove this negative would be unfairly burdensome and contrary to the ordinary rules of evidence.⁶¹

Third, the Federal Circuit already analyzes commercial success on a case-by-case basis as set forth in *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*⁶²

b. The Suggestion Test—or Motivation to Combine

The “suggestion test” asks if the prior art would have suggested the claimed invention to one of ordinary skill in the art.⁶³ The FTC criticizes Federal Circuit precedent but comments that recent articulations of the suggestion test seem to signal greater appreciation of the requirement for “concrete suggestions” in the prior art to combine or modify references beyond those needed by a person with ordinary skill in the art.⁶⁴ The AIPLA notes that “[s]uggestion or motivation for combination or modification must be clearly present and based on concrete evidence in the prior art,” as the Federal Circuit’s articulation of the test consistently recognizes.⁶⁵ The

⁵⁵ *In re Fine*, 837 F.2d 1071, 1074 (Fed. Cir. 1988).

⁵⁶ *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988).

⁵⁷ FTC Report, *supra* note 37, Executive Summary, at 11.

⁵⁸ *Id.*

⁵⁹ *See, e.g.*, *Rockwell Int’l Corp. v. United States*, 147 F.3d 1358, 1366–67 (Fed. Cir. 1998); *Alza Corp. v. Mylan Labs.*, 391 F.3d 1365, 1373 n.9 (Fed. Cir. 2004).

⁶⁰ *See, e.g.*, *Demaco*, 851 F.2d at 1392.

⁶¹ *Id.*

⁶² *Id.* (The patentee must demonstrate a “legally and factually sufficient connection between the proven success and the patented invention.”).

⁶³ *See In re Fine*, 837 F.2d 1071, 1075 (Fed. Cir. 1988).

⁶⁴ *See* FTC Report, *supra* note 37, Executive Summary, at 12; AIPLA Response, *supra* note 42, at 22.

⁶⁵ AIPLA Response, *supra* note 42, at 22.

AIPLA also notes that “[t]o the extent this may be a problem, it appears to be self-correcting through the traditional evolution of case law as applied in specific fact situations.”⁶⁶ Hence, the FTC’s criticisms of the Federal Circuit’s obviousness test do not reflect an understanding of the purpose of the various *Graham* inquiries or how they are applied in practice. Improvements to the obviousness test are best made through the evolution of case law.

B. The Federal Circuit’s Alleged Expansion of the Scope of Patentable Subject Matter

Section 101 of the Patent Act states that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent.”⁶⁷ The U.S. Supreme Court has interpreted this statute broadly to hold that even man-made, living organisms and computer software constitute patentable subject matter.⁶⁸ Indeed, in *Diamond v. Diehr*, the Supreme Court stated that patentable subject matter includes “anything under the sun made by man.”⁶⁹ The FTC takes issue with Federal Circuit precedent holding business methods and software patentable, asserting that such patents may not be necessary to spur invention.⁷⁰ However, the language of § 101 and the Supreme Court’s decision in *Diamond v. Diehr*⁷¹ both support the continued acceptance of business methods and software as patentable subject matter despite the economic reservations of the FTC.

C. Economic Theory

The FTC complains that the “Federal Circuit . . . may also benefit from much greater consideration and incorporation of economic insights in their [sic] decisionmaking.”⁷² The FTC bases its criticism on its experience with antitrust law.⁷³ However, the AIPLA responds that antitrust law relies heavily on “rules of reason,” and per se rules generally are disfavored.⁷⁴ Patent law, on the other hand, largely is based on per se rules.⁷⁵

The criteria for utility, novelty, and disclosure are each per se standards and no factors are evaluated for their reasonableness. . . .

⁶⁶ *Id.*

⁶⁷ 35 U.S.C. § 101 (2000).

⁶⁸ See FTC Report, *supra* note 37, Executive Summary, at 14; see also *Diamond v. Chakrabarty*, 477 U.S. 303 (1980) (holding that man-made living organisms are patentable); *Diamond v. Diehr*, 450 U.S. 175 (1981) (holding that computer software is patentable).

⁶⁹ *Diehr*, 450 U.S. at 182.

⁷⁰ See FTC Report, *supra* note 37, Executive Summary, at 14–15.

⁷¹ 450 U.S. at 182.

⁷² FTC Report, *supra* note 37, Executive Summary, at 17.

⁷³ *Id.* ch. 6.I.A., at 1 (“Antitrust Law and Policy Can and Should Take Patent Policy Into Account to Promote Consumer Welfare”).

⁷⁴ AIPLA Response, *supra* note 42, at 40–41.

⁷⁵ *Id.* at 41.

[A]pplying a comparable level of flexibility in the patent context would simply introduce uncertainty and unpredictability into a system that is striving for greater certainty and predictability. . . . [I]njecting economic theory into the interpretation and application of clearly defined statutory criteria, will simply result in greater uncertainty. . . . [The] AIPPLA believes that Congress, not the PTO or the courts, is the proper authority to consider economic theory and competition policy-oriented principles [relating to patent law].⁷⁶

Even considering these limitations on the application of economic theory to patent law, the Federal Circuit likely would benefit from digesting relevant economic theory and analyzing it if presented in the record. However, the Federal Circuit cannot be expected to research and locate such theory. If applicable economic theory exists, litigants should bring it to the attention of the court.

D. Panel Dependencies and Supreme Court Review

Federal Circuit Judges, without exception, are highly interested in patent jurisprudence whether or not they arrived on the bench from a patent background. For any particular case, they know the materials on appeal, are very well prepared for oral argument, and have an in-depth knowledge and respect for the precedent that they both create and apply. Federal Circuit judges recognize and respect their unique position as virtually the sole arbiters of patent jurisprudence, along with their other specialized jurisdictions; they recognize the need for uniform application of patent law and work hard towards that end.

As a result of the Federal Circuit's work, patent jurisprudence progresses at "light-speed" when compared to areas of law left to percolate through the regional circuits. In addition, because most patent appellate decisions are handed down by the Federal Circuit, court watchers are able to detect "panel inconsistencies" quickly. These panel inconsistencies subject the Federal Circuit to considerable criticism.⁷⁷ However, the subjects upon which panel inconsistencies exist are relatively minor in comparison to the situation before creation of the Federal Circuit. In addition, contrary to most criticism, "some would see disagreement among panels of the Federal Circuit as reflecting an internal 'percolation' of views that may be a good substitute for percolation among the circuits."⁷⁸

The Federal Circuit is not unaware of these apparent panel inconsistencies, and the Judges' differing perspectives form the basis for lively debate on the court through internal memoranda, additional opinions, and oral argument. Many inconsistencies in decisions do result in en banc hearings and decisions by the

⁷⁶ *Id.*

⁷⁷ See Seamon, *supra* note 2, at 589 n.299 (citing Paul R. Michel, *The Court of Appeals for the Federal Circuit Must Evolve to Meet the Challenges Ahead*, 48 AM. U. L. REV. 1177, 1191 (1999); Paul R. Michel, *The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM U. L. REV. 1231, 1232-33 (1994)).

⁷⁸ Seamon, *supra* note 2, at 589.

court.⁷⁹ But a split in authority on an issue cannot be resolved overnight. The court uses precedent to (1) find a suitable case that presents the issue appropriately, (2) successfully accomplish the internal procedure to elevate the case to en banc status,⁸⁰ (3) accept briefing from the parties and interested amici,⁸¹ (4) conduct oral argument, and 5) render an en banc decision.⁸² Recently, the Federal Circuit has increased the number of patent cases that it hears en banc.

One measure of the court's success may be the extent "to which its decisions have been reviewed and reversed or vacated by the Supreme Court."⁸³ Since its inception through July 8, 2002, the Federal Circuit had a certiorari "grant rate" of about 2.8% over the breadth of its jurisdiction.⁸⁴ This grant rate is below the average for all other courts from 1982 through 2000.⁸⁵ Also, since its inception through July 8, 2002, the Supreme Court has affirmed Federal Circuit decisions in twelve of forty-two cases in which an opinion was issued, yielding an affirmance rate of 28.6%, which also is better than other courts' average in the Supreme Court.⁸⁶ Of course, these statistics also may represent a Supreme Court that is relatively disinterested in patent jurisprudence; alternately, the numbers may be low for the Federal Circuit because of the large number of criminal appeals from regional circuits and state courts.⁸⁷

E. Providing Plenary Authority to the Federal Circuit to Hear All Patent Appeals

The Supreme Court's *Holmes* decision⁸⁸ changed the jurisdictional basis for pendant patent issues in non-patent cases by holding that the Federal Circuit cannot assert jurisdiction over a case in which the complaint does not state a patent law

⁷⁹ See, e.g., *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995) (en banc), *rev'd*, 520 U.S. 17 (1997); *Festo Corp. v. Shoketsu Kimsoko Kogyo Kabushiki*, 234 F.3d 558 (Fed. Cir. 2000) (en banc); *Festo Corp. v. Shoketsu Kimsoko Kogyo Kabushiki*, 344 F.3d 1359 (Fed. Cir. 2003) (en banc); *Johnson & Johnston Assocs., Inc. v. R.E. Servs. Co.*, 285 F.3d 1046 (Fed. Cir. 2002) (en banc); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (en banc).

⁸⁰ A majority of participating, active judges must vote in favor of taking the case en banc. See FED. R. APP. P. 35, <http://www.fedcir.gov/pdf/cafc2004.pdf> (as amended for the Federal Circuit).

⁸¹ A majority of participating, active judges must vote in favor of taking the case en banc. See FED. R. APP. P. 35(g), <http://www.fedcir.gov/pdf/cafc2004.pdf> (as amended for the Federal Circuit).

⁸² See FED. R. APP. P. 35, <http://www.fedcir.gov/pdf/cafc2004.pdf> (as amended for the Federal Circuit).

⁸³ Seamon, *supra* note 2, at 592 n.325.

⁸⁴ *Id.*

⁸⁵ See *id.* at 593 n.327; *The Supreme Court, 2000 Term: The Statistics*, 115 HARV. L. REV. 539, 546, tbl.II(B) (2001); *The Supreme Court in the Nineties: A Statistical Retrospective*, 114 HARV. L. REV. 390, 402, tbl.I (2000); *The Supreme Court in the Eighties: A Statistical Retrospective*, 104 HARV. L. REV. 367, tbl.I (1990).

⁸⁶ See Seamon, *supra* note 2, at 593–94 and nn.296, 328 ("reporting a 21.3% [average] affirmance rate from the 1982 Term through the 2000 Term").

⁸⁷ The Federal Circuit does not have jurisdiction over criminal cases. See 28 U.S.C. § 1295 (2000); FED. R. APP. P. 4(b), <http://www.fedcir.gov/pdf/cafc2004.pdf> (as amended for the Federal Circuit, all mention of appeal from criminal cases are stricken).

⁸⁸ *Holmes Group v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002).

issue, even though a responsive pleading does.⁸⁹ After *Holmes*, responsive patent pleadings do not, on their own, trigger Federal Circuit jurisdiction. Many commentators believed that this change would greatly affect the fabric of patent practice and that it would undermine Congressional intent to promote uniformity in the interpretation of patent law.⁹⁰ A possibility exists that district courts will choose to follow their regional circuit patent precedent, despite it being twenty-three years old, rather than Federal Circuit precedent, and state courts could now hear patent cases filed as counterclaims to non-patent suits arguably for the first time.⁹¹ This could lead to a lack of uniformity in patent law and return patent lawyers to the days of rampant forum shopping prior to the creation of the Federal Circuit.⁹² While it appears that these strange occurrences are possible, in the three years since the *Holmes* decision, they have not been as frequent as many expected.⁹³ Nevertheless, a legislative solution, to grant plenary rights to the Federal Circuit for patent appeals,⁹⁴ would remove the specter of non-Federal Circuit patent jurisprudence, diminish forum shopping, and simplify matters for litigants.

Critics argue that expanding the Federal Circuit's jurisdiction to include all patent jurisdiction would improperly confer too much power on the court. For example, granting such broad jurisdiction to the Federal Circuit allegedly will increase its already important role in patent-antitrust law. While some have said that antitrust jurisprudence is best left percolating through the regional circuits, when it is interwoven with patent law,⁹⁵ it should be decided by the Federal Circuit to ensure uniformity and consistency.⁹⁶ The FTC even noted that the Federal Circuit was expected to have a role in fashioning antitrust law.⁹⁷ Also, the antitrust-patent overlap is already distinct from other areas of antitrust law, and a legislative amendment to ensure all patent claims go to the Federal Circuit would have little or no effect on these other areas of antitrust law. When deciding antitrust claims that are not unique to patent law, the Federal Circuit already applies the appropriate regional circuit law.⁹⁸

⁸⁹ *Id.* at 834 n.4.

⁹⁰ *See, e.g.*, Status Report on Developments Relating to the Jurisdiction of the United States Court of Appeals for the Federal Circuit, Holmes Group Task Force Intellectual Property Committee Section of Antitrust Law American Bar Association, at 13 n.56 (2004) [hereinafter ABA Report].

⁹¹ *Id.* at 8; *see also* Telecom Tech. Servs. v. Rolm, Co., 388 F.3d 820 (11th Cir. 2004) (Eleventh Circuit hearing a patent case with a gap of more than twenty years in its patent law precedent); Green v. Hendrickson Publishers, 770 N.E.2d 784, 793 (Ind. 2002) (“[W]e think *Holmes* requires us to reject the federal authorities stating or implying that a state court may not entertain a counterclaim under patent or copyright law.”).

⁹² ABA Report, *supra* note 90, at 13.

⁹³ *See, e.g.*, ABA Report, *supra* note 90, at 21–22; *c.f.*, *Unanimous Report of the Ad Hoc Committee to Study Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 12 FED. CIR. B.J. 687, 715 (2004) [hereinafter FCBA Report].

⁹⁴ *See* FCBA Report, *supra* note 93, at 719.

⁹⁵ *See* ABA Report, *supra* note 90, at 78.

⁹⁶ *See, e.g.*, *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 n.5 (Fed. Cir. 1998) (en banc on choice of law).

⁹⁷ FTC Report, *supra* note 37, at 17 (Chapter 6).

⁹⁸ *See, e.g.*, *Nobelpharma*, 141 F.3d at 1068.

IV. CONCLUSION

In the past twenty-three years, the Federal Circuit generally has met its mandate of providing more uniformity and stability to patent law than previously existed. While the first part of its existence has been spent stabilizing various doctrines, today the Federal Circuit has begun to address sub-issues within larger doctrines. In addition, the Federal Circuit has developed a robust body of patent-antitrust law and stands in the best position to further address that precedent and confirm that it is applied uniformly. Therefore, the Federal Circuit is prepared to accept this additional jurisdiction, if provided by a legislative answer to *Holmes*, and apply it pursuant to the appropriate precedential requirements.

APPENDIX A.

LexisNexis® CourtLink®
 Nature of Suit Strategic Profile
 Property Rights - Patent (830)
 1/1/1995 - 3/14/2005
 23849 Case(s)
 All Courts

Total Cases Filed - Between 1/1/1995 and 3/14/2005, Property Rights - Patent (830). Cases were filed with the following distribution based on date filed. These cases are restricted to those filed in All Courts.

<u>Period</u>	<u>Count</u>	<u>Percent</u>
1995	1622	6.80%
1996	1783	7.48%
1997	2032	8.52%
1998	2188	9.17%
1999	2269	9.51%
2000	2437	10.22%
2001	2584	10.83%
2002	2675	11.22%
2003	2894	12.13%
2004	2900	12.16%
2005	451	1.89%

