PAST, PRESENT, AND FUTURE
THE EXCLUSIVE PATENT JURISDICTION OF THE FEDERAL CIRCUIT

PRESENTED BY DONALD R. DUNNER TO THE
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> 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.

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Those familiar with the origins of the Federal Circuit and the debate that preceded it will know that the words I have just quoted are not mine. They are, on the contrary, those of Judge Simon Rifkind, Co-Chairman of President Johnson's Commission on the Patent System, delivered to the House of Representatives on April 26, 1967.

Judge Rifkind's remarks were, of course, directed to the concept of a specialized patent court in general, not the Federal Circuit, which had not been conceived at the time. The concept behind the Federal Circuit, which evolved about 10 years later, was designed to respond to Judge Rifkind's fears: the creation of a court which had exclusive appellate patent jurisdiction but which was not specialized because it would be assigned cases from diverse segments of the law.

But before I talk about the Federal Circuit, I'd like to go back in time and talk about the Court of Customs and Patent Appeals. The CCPA was formed in 1929 and assigned the task of reviewing customs cases on appeal from the then Customs Court, as well as cases on appeal from the then Patent Office. Its principal contribution to the development of patent law did not, however, begin until 27 years later, in 1956, when a lawyer in the prime of his career was appointed by President Eisenhower to serve as a CCPA judge. Giles Sutherland Rich was the new judge and was the first patent attorney ever appointed to the CCPA or any other Federal appellate court.

As you all know, Judge Rich was one of the two principal drafters of the Patent Act of 1952. One of the key provisions of that Act was § 103 dealing with obviousness. Before the 1952 Act, the courts were all over the lot in dealing with patentable subject

matter, and were anything but helpful in their analyses on that subject: An invention was an invention when it involved an inventive contribution. § 103 was designed to change all that, by focusing on obviousness to a POSITA at time of the invention. And so Judge Rich, as a drafter of this critical new language and as a consummate teacher, set out to educate his colleagues on the CCPA bench and, indirectly, his fellow jurists in the circuit courts (since they were still in the front lines of resolving district court patent disputes) on what patent law was really about.

And so -- through his opinions and the many speeches and articles he wrote on the subject, Judge Rich set out -- slowly but surely -- to reeducate the patent world on the true gospel according to St. Giles. While it took a long time, and with the assistance of other judges who later joined him on the bench -- both at the CCPA and the Federal Circuit -- he ultimately succeeded beyond his wildest dreams.

But Judge Rich was not alone in his efforts to transform the approach of the Federal Appellate Courts -- including his own -- to the patent law. In 1972, he was joined by Howard Markey, who was appointed Chief Judge of the CCPA, and who carried Judge Rich's educational efforts to the next level. In addition to the countless opinions he authored for the CCPA, he was a tireless salesman for his court and the patent system, reaching out to judges from other courts, getting them involved in the highly successful judicial conferences that he had begun with his Chief Judgeship and inviting many of them to sit with and hear and decide cases with him and his CCPA colleagues.

And by way of reciprocation, he sat with every other Federal Circuit Court,

helping to decide and write opinions in patent and other cases and inducing his CCPA colleagues to follow suit.

So by the time the mid-1970's came around, Judge Rich, Judge Markey and many of their other CCPA colleagues had been doing their best to share their knowledge of patent law with their fellow judges in the rest of the Federal Appellate system -- who were deciding the critical appeals coming up from the Federal district courts in patent infringement cases.

But the patent system was far from healthy notwithstanding their efforts. That fact became clear in the mid-1970's during the proceedings of what became known as the Hruska Commission on the Revision of the Federal Court Appellate System, on which I was privileged to serve as a patent consultant -- along with one of my patent law colleagues -- Professor Jim Gambrell.

The Hruska Commission was formed not principally to examine the patent law but to focus on possible modifications of the Federal Court Appellate system to provide an additional layer of review of circuit court opinions to supplement the limited review provided by the Supreme Court. As an adjunct to its efforts, the Commission asked Professor Gambrell and me to examine whether the patent system was functioning adequately, and whether it was desirable to modify the appellate review of patent decisions by the formation of a specialized appellate patent court. While Professor Gambrell and I recommended against such a court, following a survey we took of patent trial lawyers, we also concluded that the patent system was not functioning properly since

the Federal circuit courts harbored widely varying attitudinal views in their interpretation of the patent law, ranging from one extreme in the 8th Circuit -- which were totally hostile to patents -- to the other extreme in the 5th and 7th Circuits -- which were totally hospitable to patents, the end result of which was a patent jurisprudence lacking in uniformity and predictability, and in rampant forum shopping between friendly and hostile circuits by patent owners and accused infringers.

But given the Hruska Commission's recommendation against the formation of a specialized patent appeals court, and the general hostility towards such courts as reflected in the Rifkind quote, nothing happened on the subject until the late 1970's when a confluence of events took place which had a dramatic effect on the dialogue regarding a specialized patent court.

One of those events was the formation by then President Carter of the Advisory Committee on Industrial Innovation, on which I, Federal Circuit Judge Polly Newman, and others were privileged to serve. The Carter Committee was charged with formulating options to deal with a then-perceived innovation crisis. At or about the same time, Professor Daniel Meador, on leave from the University of Virginia Law School and serving as an Assistant Attorney General in the Office for Improvements in the Administration of Justice, came up with the brilliant idea of merging two existing courts -- the CCPA and the Court of Claims -- which, at the time, occupied different parts of the same courthouse. The key to his proposal was including in the jurisdiction of the proposed court not only review of PTO decisions and almost all district court patent

appeals but review of such non-patent issues as international trade and customs cases, Merit Systems Protection cases, tax cases, government contracts, veterans' appeals, and the like. The end result would be a non-specialized appellate court with exclusive patent jurisdiction designed to avoid the Rifkind concerns while minimizing forum shopping and providing the desperately needed uniformity and predictability of patent jurisprudence. And the icing on the cake was that no new courthouse, no new judges or law clerks, or other court personnel would be required for this new court.

The genius of this idea was quickly recognized by my colleagues and me in the Carter Committee, which adopted it as one of its key recommendations, and in the face of some meaningful opposition -- the new Federal Circuit court was signed into law by President Reagan and opened its doors in October 1982.

Opponents of the proposed court had many concerns. In addition to Judge Rifkind's Egyptian Priest fears, they 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. And various bar groups joined the opposition out of fear that a national patent court located in Washington would adversely affect their practices.

Proponents of the proposed new court felt that the fears of the opponents were greatly exaggerated and 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 Courts of Appeals and to create much needed uniformity in the 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 Courts of Appeals.

Well, we all know that the proponents of the Federal Circuit won the debate. And now that the Court has been in existence for over 31 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 Federal Courts of Appeals. Indeed, as I speak, the Court's judges include four former Supreme Court law clerks, four former lower court judges, two Ph.D. chemists, and two law professors, one of whom was a law school dean. And four of the twelve active judges were patent attorneys before they joined the Court.

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 which 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 methods (still alive -- if only barely -- notwithstanding *Bilski*), and has interpreted the law in such a way as to make possible meaningful patent protection in the biotechnology industry. It has also been somewhat unreceptive to § 103 obviousness arguments (albeit somewhat more since *KSR*), has removed the straightjacket from the grant of preliminary injunctions in patent cases, and sustained huge damage awards (though it has been pulling back a bit of late).

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 § 112 ¶ 6 and its prosecution history estoppel holdings, the most celebrated of which is *Festo*), to obtain totally speculative damage verdicts, and has reined in juries (e.g., taking claim construction away from juries and requiring particularized testimony and linking argument to support doctrine of equivalents verdicts).

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

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." More significantly, in those first few years, the Court wrote uncharacteristically long and detailed opinions which – in full effect – constituted tutorials on sound patent law as the court saw it for the benefit of the lower courts and the bar. The Court also rendered a number of *en banc* decisions, the most notable of which were its *Markman, Warner-Jenkinson, Therasense, TiVo v. EchoStar* and *Akamai*.decisions, all designed to provide uniformity in the law, and is in the process of deciding a major en banc issue in the *Lighting Ballast* case.

The common view is that the Court has had significant success 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 jurisdictional and venue-related conflicts which pre-dated 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 Eastern District of Texas, perceived by many to be a pro-patentee venue. Even

here, the Federal Circuit has been putting brakes through the mandamus process on the perceived reluctance of courts such as the Eastern District of Texas to transfer patent cases out to other more convenient venues. On balance, the formation of the Federal Circuit has had a beneficial effect in this area, but perhaps not as great as its proponents envisaged.

And the concerns of various members of the bar that they'd lose business to D.C.-based firms because the new court was to be located in D.C. have not materialized. Indeed, the business of patent attorneys throughout the United States has thrived since the Federal Circuit brought patent law into the mainstream.

And what about the quality of its decisionmaking? 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. Two of those professors, John Duffy and Craig Nard, 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.

More recently, Chief Judge Diane Wood of the 7th Circuit delivered a speech which was critical of the Federal Circuit and suggested a new appellate regime in which the Federal Circuit would share appellate review of patent appeals with the twelve regional Federal Circuit Courts of Appeals. Given the extent of publicity received by this speech and the prominent position of Chief Judge Wood in the appellate hierarchy, I'd like to devote the bulk of my remaining time to her comments and suggestions, with which I strongly disagree.

And in the process, I will effectively respond to the Duffy/Nard proposal, which is much less extreme than the Wood approach, though equally objectionable.

Before I delve into the details of Judge Wood's proposal, which was reprinted as the lead article in volume 13 of the Chicago Kent Journal of Intellectual Property under the title, "Is it Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?" (13 Chicago Kent J. Intell. Prop. 1 (2013) and supplemented by several published interviews and news reports, it would be helpful to summarize the thinking that led to her proposal.

Chief Judge Wood starts out -- innocently enough, and correctly -- by summarizing the key background considerations that led Congress to establish the Federal Circuit and to provide it with the unusual mix of subjects over which it has jurisdiction:

- to reduce the lack of uniformity and uncertainty in patent law;
- to deal with the lack of nationally binding patent law decisions, which led to widespread forum shopping, making effective business planning impossible;
- to avoid the prospect of "over-specialization" by assigning to the new court responsibility for other, non-patent appeals, as a result of which the court would not be a specialized court in the same sense as other specialized tribunals.

Had she stopped at this juncture, she would have been 100% historically accurate, since these thoughts exactly track those of Congress and the proponents of the court that

became the Federal Circuit. But she went on to focus on a number of considerations which stray significantly from the dominant focal points of Congress and those proponents:

- Having just noted that Congress wanted to avoid the problem of over-specialization, she notes that advocates of the proposed court thought it would be better to have patent appeals adjudicated by specialists rather than generalists, so that the complex and difficult patent cases could be decided by judges more familiar with patent law and its policies, and that better results would be produced.
- Having set up the specialist/generalist and complexity strawmen, she notes that although patent claims may involve complicated technology, the basic legal principles are relatively straightforward, and that both trial courts and the regional appellate courts deal regularly with complex subjects.
- She further notes that the lines between patent law and other areas of I.P. law have been blurring, that judges in the regional appellate courts are accustomed to working with principles common to those subjects, and that the different forms of I.P. law are all part of one real-world transaction so that there's no reason why patent law should be singled out and treated differently.
- She expands on the specialist/generalist theme by noting -- in words reminiscent of Judge Rifkind's 1967 remarks -- that law shouldn't be an

arcane preserve for specialists who never explain what the rules are or why one side or the other prevailed.

- And to this she adds the need for percolation and the great value in having competition among the circuits to give rise to a consensus methodology on important patent law issues (such as claim construction and obviousness evaluations) and to provide the Supreme Court through circuit splits with information useful in the certiorari process.

While Chief Judge Wood avoids outright criticism of the Federal Circuit, she notes that "uniformity says nothing about quality or accuracy" (emphasis quoted) and, in an interview following her speech, noted that "in the last five years, the Supreme Court has taken 20 cases from the Federal Circuit. That tells you something," though she thereafter noted that the Federal Circuit gets "some right and some wrong. But it tells you the Supreme Court thinks these issues are important -- that they are significant issues that shouldn't be looked at with only one set of eyes."

These and other thoughts have led Chief Judge Wood to her proposal not to eliminate the Federal Circuit Court but to have it share its appellate patent jurisdiction with the other 12 circuits. In essence, her proposal involves the following:

- Parties would have a choice of appealing to the Federal Circuit or filing in the regional circuit in which their claim was first filed, which parallels the review available of National Labor Relations Board decisions.
- In a "race to the courthouse" situation, if there are cross-appeals or

> multiple pending appeals around the country pertaining to a single patent, and they are in different circuits, the procedure outlined in 28 U.S.C. § 2112(a) could be adapted to allow the Judicial Panel on Multidistrict Litigation (JPML) to select one forum at random for that patent or that case; this would address the valid concern about the possibility of inconsistent decisions addressing the same patent or litigant.

There are numerous problems not only with Judge Wood's proposal but with the underpinnings on which her proposal is based.

First, the specialist/generalist alternatives that she posits are reminiscent of the pre-Federal Circuit dialogue and the Rifkind comments to which the Meador proposal was expressly directed. While the Federal Circuit reviews almost all the patent appeals from the district courts and several other tribunals, and its judges develop meaningful expertise in patent law, it is by no means a specialist court. As I earlier noted, only four of the current active Federal Circuit judges had pre-judicial patent backgrounds and that has been true since the inception of the Court in 1982. It is also likely to continue to be true since even the patent bar is comfortable with the notion of having a limit on patent-trained judges on the Court. And the inclusion of many non-patent areas of review within the Court's jurisdiction further minimizes the prospect that its judges will develop tunnel vision and become Egyptian Priest-like, as Judge Rifkind feared, or that they will never explain what the rules are or why one side or the other prevailed, as Chief Judge Wood fears.

Second, Judge Wood's repeated focus on the complexity of patent appeals and on the fact that those appeals are no more complex than the non-patent appeals handled regularly by judges in the regional circuit courts is a strawman. The Federal Circuit was not established because it was felt that a special court was needed to deal with complex legal issues. If that was anyone's concern, it was not vocalized loudly, and indeed I personally do not recall hearing of it -- and I was heavily involved in the events leading to the Court's formation. On the contrary, the essential arguments in favor of the Court had to do with the widespread attitudinal differences between the circuit courts of appeals' approach to patent law and the attendant lack of uniformity and predictability in their decision-making, leading to rampant forum shopping and the negative impact that had on corporate R&D decisions.

Third, Judge Wood's concern about the need for percolation is understandable but not a reason to eliminate the Federal Circuit's exclusive jurisdiction over patent appeals. For the fact is that the current Federal Circuit model generates a significant amount of percolation, not only in the not infrequent dissents from panel decisions but from the meaningful number of en banc decisions which generate their own meaningful number of dissents. These dissents, coupled with regularly filed amicus briefs and the not infrequent requests by the Supreme Court to the Solicitor General to provide recommendations as to whether Federal Circuit decisions should be reviewed by the Supreme Court, provide the diversity of views which Judge Wood feels is so important, without forfeiting the uniformity and predictability which was essentially non-existent before the establishment of the Federal Circuit.

Fourth, Chief Judge Wood's observation that the lines between patent law and other areas of I.P. law are blurring and that there's no reason why patent law should be singled out for special treatment ignores the fact that these other areas of I.P. law were not faced with the problem of huge attitudinal differences between the regional circuits that led to massive forum shopping and a lack of predictability and uniformity in decision-making.

As to the quality of Federal Circuit decision-making, which has been called into question by Judge Wood, it compares favorably to the quality of decision-making by the regional appellate courts. And that includes the two subject areas on which Judge Wood focuses: claim construction and obviousness.

The Federal Circuit's decision to make claim construction the province of the bench rather than the jury was affirmed by the Supreme Court in *Markman*. The Federal Circuit's decision to adopt no deference appellate review of district court claim construction was adopted en banc in *Cybor* but has been subjected to an intra-court percolation process leading to the recently heard but yet undecided *Lighting Ballast* en banc review, providing exactly the percolation process with which Judge Wood is so concerned.

As to obviousness, one can debate whether the Federal Circuit's TSM (Teaching, Suggestion, Motivation) test was responsible for what Judge Wood characterizes as a "low" standard of obviousness resulting in "the thickets of patent rights on marginal improvements", but I would suggest that the amorphous, ill-defined Supreme Court *KSR* framework is hardly conducive to generating a uniform and predictable body of law, the raison d'etre for the formation of the Federal Circuit.

And the frequent Supreme Court review of Federal Circuit decisions has been the subject of multiple and varying explanations by Supreme Court experts, most of which have not focused on the lack of quality of Federal Circuit decision-making.

Which leads me to Judge Wood's specific proposal for dealing with her concerns. Simply stated, it is in my view unworkable.

Before the establishment of the Federal Circuit, the regional appellate courts were all over the lot in their attitudes toward patents, and because litigants had significant choices as between district courts in one or another circuit, subject only to venue and jurisdictional constraints, there not only was extensive forum shopping but little uniformity or predictability in litigation outcomes. Yet that is exactly what would happen under Chief Judge Wood's proposed regime. While she provides a choice to litigants as between the Federal Circuit or the regional circuit in which their claim was first filed, there is little doubt that that choice would be made based on the same considerations applicable to the pre-Federal Circuit regime, namely which court is most favorable to the particular interests of the litigants. And the problem is compounded by the fact that at the district court level, before the choice of the appellate court is made, the district court would not know whose appellate jurisprudence to follow, not only on substantive but on procedural issues. As demonstrated by the pre-Federal Circuit experience, differences in jurisprudential approaches were often outcome-determinative.

Nor is the problem alleviated by the JPML option which she provides for multiple pending appeals pertaining to a single patent in different circuits. For the dysfunctional

system that predated the Federal Circuit was not keyed to multiple pending appeals pertaining to a single patent in different circuits. On the contrary, it was keyed to the fact that a patentee or accused infringer of a single patent had meaningful options to forum shop to select a favorable jurisdiction, an option which would also be available under Chief Judge Wood's proposal.

In short, not only are the problems Chief Judge Wood identifies not meaningful but her proposal to take us back to what she calls the "bad old days" is unworkable. And while the Duffy/Nard proposal of having the Federal Circuit share its exclusive patent jurisdiction with just a few regional circuits is less draconian, it too would suffer from deficiencies similar to but on a lesser scale than that of Chief Judge Wood.

It is accordingly my view and that of many of my colleagues in the bar that the appellate experiment that began 31 years ago has been a hugely successful one, for the reasons I have spelled out, and that it is not in need of a major fix of the type contemplated either by Chief Judge Wood or by Professors Duffy and Nard.

To be sure, there is room for improvement and change. Merely by way of example, the Federal Circuit has now under advisement in the en banc *Lighting Ballast* case the question of 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 having district court trial judge input to its decision-making, as reflected by the large number of such judges sitting with the Court by designation and the fact that a district court judge with considerable patent jury experience -- Judge Kathleen O'Malley --

has been added to the Federal Circuit bench. The Court has continued to respond to the need for further refinement in its interpretation of the law, as the cases coming before it have suggested a need for such refinement. And I could add still other examples of the Court's ongoing effort to improve and refine the quality of its decisionmaking.

Significantly, the combined effect of the last 25 years of the CCPA and the first 31 of the Federal Circuit has been to transform patent law into a major branch of the legal profession, with major law firms clamoring to develop patent expertise and to play a role in the future development of the system. One need only look at the current crop of appellate advocates in the Federal Circuit Bar -- including many household names among the Supreme Court Bar -- to see how far the system has advanced. I am needless to say, delighted that I am still in the mix.