

THE SUPREME COURT AND THE FEDERAL CIRCUIT: VISITATION AND CUSTODY OF PATENT LAW

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INTRODUCTION

The U.S. Supreme Court's relationship to patent law sometimes seems like that of a non-custodial parent who spends an occasional weekend with the kids. The custodial parent is, of course, the U.S. Court of Appeals for the Federal Circuit. The Federal Courts Improvement Act of 1982 consolidated intermediate appellate jurisdiction over patent law cases in this single court, which hears appeals from the U.S. Patent and Trademark Office ("PTO"), the U.S. District Courts, the U.S. Court of Federal Claims, and the U.S. International Trade Commission. Day to day it is the Federal Circuit that reviews contested decisions of the institutions that administer the patent system. Congress created the Federal Circuit in order to achieve national uniformity, doctrinal stability, and predictability in patent law—leaving some question as to the appropriate role for the Supreme Court. The Supreme Court controls the frequency of its patent law visits, and it is free to grant certiorari more often if it is unhappy with the Federal Circuit's stewardship. But the Supreme Court has other work to do; it is an extraordinary year when it manages to review as many as three patent cases, as it did this past term. When each of these Supreme Court visits eventually comes to an end and everyday life resumes, it becomes plain once again that the Federal Circuit is, for all practical purposes, the parent in charge.

The increasing propensity of the Supreme Court to grant review in patent cases suggests that it is concerned about how good a job the Federal Circuit is doing. But the consolidation of intermediate appellate jurisdiction in a single court presents special challenges for Supreme Court review. First, how does the Court decide which cases to review without circuit splits to signal important and contested issues? Second, what benchmarks can it use to evaluate the jurisprudence of a court that stands alone in its field? Third, how can it control future decisions of an expert court that disagrees with it?

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I. CASE SELECTION

The small set of patent cases in which the Supreme Court has granted certiorari reveal several different signals that have drawn the Court's attention to cases meriting review.

First, the Supreme Court has granted certiorari to review cases in which the Federal Circuit's patent jurisprudence is at odds with the treatment of similar issues in other fields of law. For example, in *Dickinson v. Zurko*, the Court considered whether it was appropriate for the Federal Circuit to accord less deference to factual findings of the PTO than courts accord to the findings of other agencies under the Administrative Procedure Act. And, in *eBay Inc. v. MercExchange LLC*, the Court considered whether the standard for injunctive relief should be less stringent in patent cases than in other fields.

Second, the Supreme Court has granted certiorari when it believes the Federal Circuit has departed from the Supreme Court's own patent law decisions. For example, the Court has granted certiorari twice in the last eight years in cases involving patent-eligible subject matter—an issue that the Court had repeatedly addressed in a series of decisions prior to the creation of the Federal Circuit. These grants occurred in *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.* and in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.* (although the Court later dismissed certiorari in *Laboratory Corp.* as improvidently granted). Unfortunately, the Supreme Court's own patent jurisprudence is mostly quite old, limiting its value as a guide to the most pressing unresolved issues today.

Third, the Supreme Court has intervened to resolve internal divisions within the Federal Circuit. Thus, in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.* and *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki, Co.*, the Supreme Court granted certiorari to review en banc decisions revealing sharp disagreements among the judges of the Federal Circuit as to the rules for determining patent infringement liability under the doctrine of equivalents and the doctrine of prosecution history estoppel, respectively.

Fourth, in recent years the Supreme Court has increasingly sought and sometimes heeded the views of the Solicitor General before granting certiorari in patent cases. The Solicitor General's views, in turn, are informed by the views and experience of the PTO. As an expert agency that administers the patent laws under the appellate oversight of the Federal Circuit, the PTO has a unique perspective on the patent jurisprudence of that court. The Supreme Court has sometimes ignored the recommendation of the Solicitor General to deny certiorari, as it did in *J.E.M.* and *Laboratory Corp.* But whenever in recent years the Solicitor General has urged the Supreme Court to grant certiorari in a patent case, it has done so, and the Court has ultimately resolved the case in accordance with the Solicitor General's advice. Recent examples include *Merck KGaA v. Integra Life Sciences I, Ltd.*, *KSR International Co. v. Teleflex, Inc.*, and *Microsoft Corp. v. AT&T Corp.*

Fifth, the views of other amici in patent cases may also be playing a larger role in guiding the Supreme Court's patent jurisprudence than they have in the past. The liberalization of rules for patent eligibility in the 1990s expanded the universe of industries affected by patents, bringing divergent views before the Court in the form of amicus briefs from major corporations. For example, in *eBay*, amici filing briefs on behalf of the respondent included General Electric, 3M, Proctor & Gamble, DuPont, Johnson & Johnson, the Pharmaceutical Research and Manufacturers of America, the Biotechnology Industry Organization, and numerous universities. The amici supporting the petitioner included Yahoo!, Time Warner, Amazon.com, Chevron, Cisco Systems, Google, Shell Oil, Visa, Xerox, and trade groups from the software and financial services industries. The presence of such sharp disagreements among powerful institutions signals to the Court the existence of an important and contested issue of law. Although amicus briefs are more common at the merits stage, they could be used more extensively at the certiorari stage to guide the Supreme Court in case selection.

II. BENCHMARKS FOR EVALUATION

Beyond picking cases to review, the Supreme Court faces the additional challenge of how to second guess the Federal Circuit in a field where that court has been the dominant appellate authority for the past twenty-five years. On some issues, the Court can turn to non-patent cases as benchmarks, as it did in *Dickinson* and *eBay*, but this approach could lead the Court to overlook good reasons for treating patent cases differently. The Court can also look more closely at the Federal Circuit itself. When the Court reviewed decisions of a divided Federal Circuit in *Warner-Jenkinson* and *Festo*, the Court turned to the Federal Circuit's dissenting opinions for guidance in critiquing the majority opinions. Rarely, however, has the Supreme Court used Federal Circuit opinions in other cases as benchmarks for evaluating the cases currently before the Court. This is a regrettable omission that deprives the Supreme Court of the benefit of a quarter century of patent jurisprudence. It also deprives the Federal Circuit of the discipline of Supreme Court oversight of its performance in achieving uniformity, stability and predictability in patent law.

For many substantive issues of patent law, such as the nonobviousness standard reviewed in *KSR*, the Court has dusted off its own venerable case law for guiding principles, largely ignoring twenty-five years of more recent Federal Circuit decisions. In *KSR*, the Court relied primarily on six of its own prior opinions, beginning with the 1851 decision in *Hotchkiss v. Greenwood* and concluding with its 1976 decision in *Sakraida v. AG Pro, Inc.* The Court briefly mentioned two more recent Federal Circuit decisions that elaborated upon that court's approach to nonobviousness but quickly set them aside, noting that "[t]hose decisions, of course, are not now before us and do not correct the errors of law made by the Court of Appeals in this case." The Court did not use any Federal Circuit decisions as authority for identifying or explaining the errors made by the Federal Circuit in *KSR*.

By ignoring close to a quarter century of Federal Circuit decisions, the Court's *KSR* decision undermined the stability and predictability in patent law that Congress sought to achieve through the Federal Courts Improvement Act of 1982. Moreover, by failing to situate its own decisions against a broader backdrop of Federal Circuit authorities, the Court missed an opportunity to clarify the implications of its decisions in a field of law that it visits infrequently—setting the stage for the Federal Circuit to read Supreme Court decisions narrowly in the future.

III. GUIDING FUTURE DECISIONS

The greatest challenge for the Supreme Court is to focus its limited attention to patent law in ways that will do the most good for the patent system. If Supreme Court review achieves nothing more than correcting particular erroneous decisions of the Federal Circuit, it will almost surely waste time that could be better spent on other matters. Supreme Court decisions are most likely to have an enduring impact on the Federal Circuit when they resolve discrete issues in ways that provide clear guidance for future cases. Decisions that call for flexible case-by-case analysis in the future, while empowering the Federal Circuit to exercise its own judgment, are unlikely to change how that court decides cases.

Consider the recent Supreme Court decision in *KSR*. The *KSR* District Court on summary judgment held a patent invalid for obviousness based on a combination of prior art references that disclosed different elements of the invention. The Federal Circuit, not satisfied that the prior art provided sufficient teaching, suggestion, or motivation to combine the elements (under the so-called “TSM” test), reversed and remanded the case for trial. The Supreme Court reversed, admonishing the Federal Circuit to avoid the use of “rigid and mandatory formulas” in applying the nonobviousness standard. The Federal Circuit had applied the TSM test in a way that the Court found inconsistent with the “expansive and flexible approach” that has characterized the Supreme Court's own decisions on the issue over the past 150 years.

While *KSR* was pending before the Supreme Court, the Federal Circuit seemed to moderate its rhetoric in nonobviousness cases, going out of its way to show its flexibility. For example, the Federal Circuit reiterated in *Alza Corp. v. Mylan Labs, Inc.* that the TSM standard can be satisfied implicitly as well as explicitly, that it is not a rigid formula, and that it “has permitted us to continue to address an issue of law not readily amenable to bright-line rules, as we recall and are guided by the wisdom of the Supreme Court in striving for a ‘practical test of patentability.’” Although the Supreme Court took note of this and other recent cases in *KSR*, it left for the Federal Circuit to consider “[t]he extent to which they may describe an analysis more consistent with our earlier precedents and our decision here.”

The Supreme Court's *KSR* opinion revealed fundamental disagreements with the Federal Circuit's approach to nonobviousness analysis. The Court turned just about every move that the Federal Circuit has made to standard-

ize and formalize nonobviousness analysis on its head. The Justices reiterated the continuing vitality of the Supreme Court's ancient skepticism toward patents that combine elements found in the prior art—a skepticism that stands in contrast to the Federal Circuit's insistence on finding a teaching, suggestion, or motivation to combine the elements before declaring such a combination obvious. The Justices repeatedly approved of resort to “common sense”—a phrase that the Federal Circuit has sometimes taken to be camouflage for “hindsight bias”—reminding the Federal Circuit that fear of the hindsight bias is no excuse for “[r]igid preventative rules that deny factfinders recourse to common sense.” The Court repeatedly invoked “market forces” as likely to motivate improvements to the prior art and thereby to make them obvious, in contrast to the Federal Circuit's own treatment of market demand for an invention as indicating that it must have been nonobvious if the problem nonetheless remained unsolved. They disapproved of the Federal Circuit's focus on the problem the patentee was trying to solve as the point of departure for deciding whether the invention was obvious, preferring instead an “objective” approach that asks whether the claimed invention was an obvious solution to any known problem in light of the prior art. They even disapproved of the Federal Circuit's standard bromide that an invention might be “obvious to try” and yet still nonobvious, noting that if a combination of elements is obvious to try with an expectation of success, “it is likely the product not of innovation but of ordinary skill and common sense.”

In the end, however, the Supreme Court did little to constrain the Federal Circuit beyond admonishing the Federal Circuit not to apply rigid rules. Indeed, by affirming that the ultimate determination of obviousness is a question of law rather than a question of fact, the Supreme Court left intact the plenary review power that has allowed the Federal Circuit to reshape obviousness doctrine over the years.

As of this writing, the Federal Circuit has decided twelve nonobviousness cases since the *KSR* decision came down. These cases suggest that *KSR* has had only a modest impact on the Federal Circuit so far. Three cases made no mention of *KSR* at all. On the other hand, *KSR* appears to have been decisive in one case, *Aventis Pharma Deutschland GmbH v. Lupin, Ltd.*, leading the Federal Circuit to reverse a close decision in the District Court that the challenger had failed to prove obviousness by clear and convincing evidence. One other decision considers *KSR* at some length, while the others give it a more perfunctory citation. The Federal Circuit continued to cite its own prior nonobviousness decisions liberally, including pre-*KSR* decisions applying the TSM test.

In theory, all of these decisions are subject to review by the Supreme Court, but it is hard to imagine that the Supreme Court plans to review nonobviousness decisions more than sporadically. Nonobviousness analysis is difficult and tedious. Moreover, it cannot be done properly without sustained attention to technological details, a task that generalist courts have never relished.

CONCLUSION

So long as the Federal Circuit avoids overt disregard for the Supreme Court's teachings, it may be difficult to figure out whether the Federal Circuit has in fact taken those teachings to heart. The Court's general admonitions to avoid the use of rigid and mandatory formulas will more likely change what the Federal Circuit says than what it does, making the Federal Circuit's decisions more opaque and harder to follow.

But the Federal Circuit and the Supreme Court are not the only institutions that make up the patent law family. Perhaps the most important impact of the *KSR* decision will be on the PTO. The PTO, after all, supported certiorari in *KSR* and guided the Supreme Court toward the decision it reached. If *KSR* emboldens the PTO to reject more patent applications for obviousness without fear of reversal, that would be a significant change. Moreover, if the PTO perceives that the Federal Circuit is ignoring *KSR*, the Supreme Court may well heed the PTO's call to revisit the issue with greater frequency in the future. That prospect may, in turn, give the Federal Circuit pause in reviewing decisions of the PTO. Although the Federal Circuit retains primary custody of patent law, its authority is inevitably diminished when the Supreme Court reverses its decisions. To avoid that outcome, the Federal Circuit, like any prudent parent, should pick its battles with care.