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SUPREME COURT REVIEW OF FEDERAL CIRCUIT PATENT CASES – PLACING THE RECENT SCRUTINY IN CONTEXT AND DETERMINING IF IT WILL CONTINUE

Gary M. Hoffman
Robert L. Kinder

I. INTRODUCTION

During the past several years, there has been a growing sentiment among legal professionals that the United States Supreme Court has shifted the tide of patent jurisprudence to a less than hospitable environment for patent holders within the United States. Much of this sentiment arises from the surge of recent opinions reversing decisions of the United States Court of Appeals for the Federal Circuit. In fact, nearly every Federal Circuit patent case to reach the Supreme Court in the past decade has been reversed or vacated in some form. Moreover, many believe that these Supreme Court decisions have had the effect of narrowing patent rights and weakening patent protections in one form or another.2 Maybe even more troubling to some are the comments made by certain Justices during oral arguments and within opinions demonstrating an open hostility towards certain types of patents.

1. This paper was prepared in conjunction with a panel presentation at the 2009 AIPLA Annual Meeting entitled: “The Supreme Court and the Federal Circuit: What Lies Ahead and What Is the Effect on Practitioners” moderated by Gary M. Hoffman of Dickstein Shapiro, LLP. Panelists included: Chief Judge Paul R. Michel, United States Court of Appeals for the Federal Circuit, Washington, DC; Honorable Kathleen McDonald O’Malley, United States District Court, Northern District of Ohio, 2010 Appointee, United States Court of Appeals for the Federal Circuit, Cleveland, OH; Seth P. Waxman of Wilmer Hale, Washington, DC; Paul D. Clement, King & Spalding, Washington, DC. The views expressed in this paper are those of the authors and should not be attributed to Dickstein Shapiro, LLP, or its clients.

2. See Rachel Krevans & Daniel P. Muino, Restoring the Balance: The Supreme Court Joins the Patent Reform Movement, 9 SEDONA CONF. J. 15, 24 (2008) (noting that as of 2008, “[i]n all but one of the last eight patent cases, the high court reversed the ruling of the Federal Circuit”). Further, the authors point out that “[i]n five out of the last six cases, the Court’s decisions cut against the patentee and effected a narrowing of patent rights in some manner.” Id.
patents or certain types of patent holders.

Other members of the Federal Circuit bar see the Supreme Court’s recent surge of reversals of Federal Circuit cases as long overdue. In developing specialized standards, especially in areas of patent law, the Federal Circuit has drawn criticism for straying too far from generally accepted legal principles and mainstream American jurisprudence. These specialized standards, in the minds of some, were unnecessary departures from well-established Supreme Court precedent as well as authority from other circuits in similar cases. Additionally, some proponents of the Supreme Court’s recent scrutiny believe that the Federal Circuit’s ultra-friendly treatment of patent rights may have led to an unnatural valuation of patents, which stifles, instead of promotes, innovation. In this regard, Justice Breyer recently warned, “[s]ometime too much patent protection can impede rather than ‘promote the Progress of Science and useful Arts,’ the constitutional objective of patent and copyright protection.”

There are differing theories about why the Supreme Court has recently increased its scrutiny of patent matters, a few of which are discussed below. Further, to better understand the perspective of the Supreme Court, an understanding of the sentiment of the Court during different eras provides a necessary framework. While it is easy to say the recent string of reversals demonstrates a growing hostility by the Court, the true objective may be a slight adjustment by the high Court, consistent with and reminiscent of philosophies past.

The Federal Circuit certainly is not oblivious to the increased scrutiny by the Supreme Court. Recently, the court reconsidered


5. See, e.g., Arthur J. Gajarsa & Lawrence P. Cogswell III, A Review of Recent Decisions of the United States Court of Appeals for the Federal Circuit --
the outer bounds of patentable subject matter and revisited the scope of §271(g) for process claims, which indicate the court’s willingness to revisit its own case law progression particularly in light of Supreme Court guidance. The Federal Circuit may even be tightening its own standards of obviousness and patentability, especially in high profile areas related to pharmaceutical and business method patents. Thus, there is some belief that increased Supreme Court scrutiny has served a meaningful purpose.

As discussed more in depth below, the recent Supreme Court scrutiny of patent matters is nothing new. Perhaps in a cyclical trend, the Court’s recent foray into the realm of patent policy, and the critiques some view as harsh, may be considered relatively minor when compared to other eras of Supreme Court review. The current trends will be examined, and an effort will be made to understand whether the Supreme Court’s shift in philosophy may be tied to socio-economic conditions, public sentiment, or even political ideologies. The fact that the Federal Circuit now seems to be under the Supreme Court’s microscope may have more to do with these external factors than how the Federal Circuit’s cases have squared with Supreme Court precedent.

The future of Supreme Court review of Federal Circuit matters will also be considered. Unique to this discussion is the appointment of a new Justice to the Court with direct experience as a trial judge overseeing patent and other intellectual property litigation. A few of Justice Sonia Sotomayor’s intellectual property-related decisions will be examined to gauge her views and possibly determine her impact on the Supreme Court during the next several years. Finally, the long-term impact on innovation resulting from the Supreme Court’s increased scrutiny will be examined.

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II. HISTORY OF SUPREME COURT REVIEW IN PATENT CASES

A. Pre-1982: Activity Level and Review Philosophies

The Supreme Court’s recent scrutiny of the Federal Circuit and apparent abrasiveness toward patents should be placed in the context of the Court’s 220-year history of reviewing patent cases. Up through the industrial revolution, the Supreme Court was forced to review the merits of any patent case that a party chose to pursue. After the enactments of the Judiciary Acts of 1891 and 1925, Congress granted the Court discretionary review of patent infringement actions. In the patent arena, along with other areas of law, these Acts enabled the Court to set its own course in deciding which cases to hear and which questions to answer. Thereafter, a party wishing to appeal a patent dispute would file a petition for certiorari, which the Court could grant or deny without deciding on the merits.

The post-industrial revolution era leading up to the passage of the 1952 Patent Act was a time when the Supreme Court, as well as the circuit courts, closely scrutinized patent rights. A law review article by Edward Gregg explained the patent landscape facing the country in 1951, and his analysis may sound eerily similar to many today:

One criticism leveled at the patent system is that it has outlived its usefulness. The critics say it was designed for a simple economy which had a need for the patent incentive to individual initiative in science and the useful arts. In our present complex, highly organized industrial society, inventions will

7. See John Gladstone Mills III, Donald C. Reiley III, & Robert C. Highley, 4 Pat. L. Fundamentals § 20:119 (2d ed.), (updated Aug. 2009) (noting that “p]rior to the enactment of the Judiciary Act of February 13, 1925, a party to any patent infringement suit, as a matter of right, could have the Supreme Court of the United States make a dispositive review of it on its merits,” and that “[t]he Judiciary Act of 1925 gave the Supreme Court discretionary power of plenary review over large classes of cases, including those involving patent infringement” (footnote omitted)).
be made regardless of the patent incentive.\textsuperscript{8}

While in terms of 2010 technology it is amusing to consider the technology of 1951 as "complex," the sentiment of the time criticizing the patent system remains remarkably similar to some commentators’ views, even today. Further, Gregg notes that courts, particularly the Supreme Court, had brought about two significant changes as of 1951: "(1) raising the standard of invention required for a valid patent; and (2) restricting the manner in which a patentee may exploit his patent."\textsuperscript{9} The Supreme Court of this era enforced elusive concepts, such as "invention" and "flash of creative genius," upon weary patent holders to strike down litigated patents.\textsuperscript{10}

\begin{itemize}
\item[9.] Id.
\item[10.] See, e.g., Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 152 (1950) (holding patent claims invalid and reasoning that "[t]he conjunction or concert of known elements must contribute something; only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable"). Justice Douglas, agreeing that the patent claims were invalid, even after they were upheld by both the circuit and district courts, qualifies that "[t]he invention, to justify a patent, had to serve the ends of science-to push back the frontiers of chemistry, physics, and the like; to make a distinctive contribution to scientific knowledge. That is why through the years the opinions of the Court commonly have taken 'inventive genius' as the test." Id. at 154-55 (Douglas, J., concurring). Justice Douglas continues by declaring that "[i]t is not enough that an article is new and useful. The Constitution never sanctioned the patenting of gadgets. Patents serve a higher end-the advancement of science." Id. at 154-55. The concurrence cites to six other decisions by the Supreme Court implementing some form of the "genius" requirement. Id. at 155, note 5. Notably, however, the Supreme Court has as recently as 1976 applied the traditional "invention" analysis in finding a patent invalid. See Sakraida v. Ag Pro, Inc., 425 U.S. 273, 279 (1976) (holding patent invalid as obvious and declaring that "[i]t has long been clear that the Constitution requires that there be some 'invention' to be entitled to patent protection"); Dann v. Johnston, 425 U.S. 219, 225 (1976) (holding patent invalid under § 103 noting that “[a]s a judicial test, ‘invention’ - i.e., ‘an exercise of the inventive faculty’ - has long been regarded as an absolute prerequisite to patentability” (citations omitted)). Recent Federal Circuit jurisprudence, as well as that of the Supreme Court, have both declined to carry on the traditional “invention” terminology. See, e.g., KSR Int'l, 550 U.S. 398.
\end{itemize}
While noting that an invention need not be as complex as an atomic bomb to be patentable, the pre-1952 Supreme Court nonetheless enforced a stringent bar to patent enforcement. The Court essentially required each patent holder to prove how his alleged invention made a distinctive contribution to society and also to prove that his invention would not have manifested itself in the ordinary course of human development. The adoption of the 1952 Patent Act, in turn, lowered the perceived hurdle that left many reluctant to pursue patent protections and to pursue enforcement of those patent rights. Many perceived the passage of the 1952 Patent Act as Congress’s intention to rein in the Supreme Court’s anti-patent jurisprudence. Perhaps the most important change was the elimination of a “flash of creative genius” test for patentability and the codification of obviousness standards within 35 U.S.C. §103. While the passage of the 1952 Patent Act also codified and adopted other Supreme Court decisions, most commentators agree that the 1952 Patent Act was an effort to strengthen patent rights and add more flexibility in the validity analysis.

11. Great Atl. & Pac. Tea Co., 340 U.S. at 155 (J. Douglas, concurring) ("An invention need not be as startling as an atomic bomb to be patentable. But it has to be of such quality and distinction that masters of the scientific field in which it falls will recognize it as an advance."). Ironically, 58 years after this pronouncement, the Supreme Court similarly declared in KSR that "[g]ranting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value or utility." KSR Int’l, 550 U.S. at 419.

12. See, e.g., Great Atl. & Pac. Tea Co., 340 U.S. at 152-54 (the majority reasoned that “scores of progressive ideas in business are not patentable” and “[t]his case is wanting in any unusual or surprising consequences from the unification of the elements…”).


14. See id.

15. Patent rights were strengthened through at least the creation of statutorily recognized contributory infringement and through functional claim language,
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Even after a slight resurgence of patent importance immediately after the 1952 Patent Act,^{16} patent valuation soon began a systematic decline through increased invalidity rulings by the regional appellate courts. Throughout the 1960s and 1970s, commentators calculated that appellate courts found at least 60% of patents invalid or unenforceable.^{17} Essentially, the sentiment within some industries was that because of the systematic trend to find nearly every litigated patent invalid, the courts were crushing American innovation and competitiveness.^{18} While a few industry sectors prospered, the overarching sentiment of the time was that dramatic changes were needed for America to become competitive with the rapidly developing and innovative economies of Asia and Europe.^{19}

Supreme Court decisions leading up to the creation of the 

while flexibility is created though the codification of workable standards of obviousness. See 35 U.S.C. § 112, 103 (2006); But see Graham v. John Deere Co., 383 U.S. 1, 19 (1966) (interpreting the § 103 provision of the 1952 Patent Act and finding “no change in the general strictness with which the overall test is to be applied”).


18. See Hunt, supra note 16, at 15-16 (“Policymakers became increasingly concerned about the technological competitiveness of American companies. . . . During the 1970s, private R&D spending and the number of patents issued to U.S. residents stagnated at a time when both were growing rapidly abroad. Productivity growth declined in most developed economies in the early 1970s, but it looked particularly anemic in the United States.”).

19. See Hunt, supra note 16, at 19 (“During the late 1970s and early 1980s, businessmen and policymakers became increasingly concerned about the apparent deterioration of America’s comparative advantage in high technology industries. . . .”). Hunt also suggests that some industries prospered because of limited patent protection, such as the American semiconductor industry during the early 1970s. Id.

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Federal Circuit highlight this negative culture surrounding patent rights. During the period from about 1972 until the end of 1981, the Supreme Court reached a merits decision in eight cases related to patent infringement or the proper scope of patent rights.\(^\text{20}\) Considering that many felt the splits between the various circuits on important substantive issues of patent law were widespread during this era, the number of patent matters taken by the Court seems relatively low.\(^\text{21}\) In total, the Supreme Court found against the patent holder or chose not to extend patent protection in five out of the eight cases (62.5%). In particular, the Court found the patents invalid in four of these cases.\(^\text{22}\) In two, the court determined that the patents lacked patentable subject matter pursuant to §101, while in the other two, the court ruled patent

\(^{20}\) Examining these cases decided by the Supreme Court from 1972 through 1981, one discovers that the Court narrowly sided against patent rights. Specifically, out of eight cases decided during this period, five were against expanding patent rights and three were in favor of extended patent rights (patentable subject matter and limiting patent misuse). See Diamond v. Diehr, 450 U.S. 175 (1981) (finding claims with limitations related to a machine controlled by a computer program patentable subject matter pursuant to § 101); Diamond v. Chakrabarty, 447 U.S. 303 (1980) (finding living, genetically engineered micro-organism patentable pursuant to § 101); Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176 (1980) (holding patentee had not engaged in patent misuse, and was not barred from seeking relief against contributory infringement of its patent rights); Parker v. Flook, 437 U.S. 584 (1978) (holding alarm system for a catalytic converter and its use of a novel and useful mathematical formula could not be patented pursuant to § 101); Sakraida v. Ag Pro, Inc., 425 U.S. 273, 278 (1976) (holding patent invalid under § 103 as obvious after noting that the Constitution requires that there be some "invention" to be entitled to patent protection); Dann v. Johnston, 425 U.S. 219 (1976) (holding patent invalid under § 103 noting that "[a]s a judicial test, 'invention' - i.e., an exercise of the inventive faculty, has long been regarded as an absolute prerequisite to patentability"); Gottschalk v. Benson, 409 U.S. 63 (1972) (finding claims unpatentable subject matter pursuant to § 101); Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972) (finding lack of direct patent infringement for substantial manufacture of parts of a machine exported because a combination patent protected only against the operable assembly of the whole and not the manufacture of the parts) (superseded by 35 U.S.C. § 271(f)).

\(^{21}\) See id.; see also infra, notes 25-28 and accompanying text.

\(^{22}\) See supra note 20.
claims invalid as obvious pursuant to §103.23 Notably, each of the three cases decided by the Supreme Court considered to be favorable to patent rights (one related to patent misuse and two related to patentable subject matter pursuant to §101) were decided in the last two years of this era – 1980-81.24 Perhaps the Supreme Court was cognizant of the dissatisfaction with appellate review of patent matters that was brewing at the end of the 1970s and into the early 1980s, such that it began to show more deference to previously upheld and/or granted patents. Presumptively, the Court was aware by 1980 of the debated legislation that would eventually create the United States Court of Appeals for the Federal Circuit.

In addition to the ever-increasing number of patents found invalid during litigation, inefficiencies in patent litigation also plagued the country during the 1970s. During this era, the various circuits held different views on important substantive issues of patent law.25 This created widespread splits among the circuit courts, and because of the vast disparities, forum shopping became a widespread problem.26 This in turn created a sense of unfairness and also led to increased costs and delay for many litigants seeking resolution of patent disputes. To conquer this host of problems and prevent overreaching, in terms of increased patent invalidity by various appellate courts, Congress passed the Federal Courts Improvement Act of 1982 ("FCIA"), which created the United States Court of Appeals for the Federal Circuit and designated it as

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23. Id.
24. Id.

The impetus behind the establishment of the Federal Circuit was the desire to bring about greater uniformity and coherency in federal decisional law in the areas assigned to the court. A complementary objective was to relieve some of the pressure on the Supreme Court caused by the need to monitor intercircuit differences in these areas.

Id. at 460-62 & n.3. Interestingly, the approximately one case taken per year by the Supreme Court during the period of 1972 through the end of 1981 does not necessarily support the theory that the Supreme Court was active in actually monitoring and resolving intercircuit differences in patent law. Perhaps this was another reason Congress created the Federal Circuit.

26. See id.
the exclusive appellate jurisdiction for cases arising under patent claims.

B. First Years of the Federal Circuit – Pro-Patent Policy Shift Mandated by the FCIA?

As described above, the reasons for creating the Federal Circuit were numerous and well examined. The Federal Circuit was empowered to bring a uniform national voice to select jurisdictional areas, including, but not limited to, patent law. Such a singular pronouncement of law in key areas, by design, was meant to curb divergent national standards and discourage forum shopping. Circuit splits related to substantive areas of law, especially patent law, were seen as troubling, and Congress may have felt that the Supreme Court was not capable of solving the problems. Although not as explicit a mandate, others believe that

27. See, e.g., Adelman, supra note 17, at 986 ("The creation of the Federal Circuit [was] due in part to Congress's dissatisfaction with the effectiveness of Supreme Court review of patent issues . . ."); John F. Duffy, The Festo Decision and the Return of the Supreme Court to the Bar of Patents, 2002 SUP. CT. REV. 273, 283 (2002) ("The Federal Circuit was created in the hope that the court would develop a unified and coherent body of patent precedents . . .").

28. Examining the legislative history of the Federal Courts Improvement Act of 1982, the purpose of overcoming divergent standards are addressed as follows:

Contemporary observers recognize that there are certain areas of Federal law in which the appellate system is malfunctioning. A decision in any one of the twelve regional circuits is not binding on any of the others. As a result, our Federal judicial system lacks the capacity, short of the Supreme Court, to provide reasonably quick and definitive answers to legal questions of nationwide significance . . . Consequently, there are areas of the law in which the appellate courts reach inconsistent decisions on the same issue, or in which—although the rule of law may be fairly clear—courts apply the law unevenly when faced with the facts of individual cases.


29. See Craig Allen Nard & John F. Duffy, Rethinking Patent Law's Uniformity Principle, 101 NW. U. L. REV. 1619, 1643 (2007) ("The FCIA was in part a reaction to a report by the congressionally established Commission on the Revision of the Appellate System . . . which had suggested generally that the
Congress created the Federal Circuit to strengthen patent rights and remedy the former regime, which saw well over 60% of litigated patents held invalid. Whether or not this was Congress’s true intent, the Federal Circuit apparently adopted these mandates and set along on its course.

Some commentators believe that the Federal Circuit began to strengthen patent rights and loosen standards for patentability during its first decade. One study suggests that the Federal Circuit upheld the validity of approximately 89% of patents during its first four years in existence. This number certainly contrasts with the stark invalidity rate prior to 1982. Others have declared that characterizing the Federal Circuit as pro-patent is either unwarranted or is an oversimplification of the decisions by pointing to “numerous doctrinal choices that defy this prediction.” Recognizing these stark changes, some have questioned whether uniformity has come at too great a cost. Theories exist about the dangers of a specialized court becoming too comfortable with its own subject matter and creating new problems because of centralization. Other studies have suggested that the Federal Circuit has failed to bring certainty and predictability to patent litigation because of its unusually high reversal rates of district court decisions.

Perhaps not too surprisingly, the Supreme Court took a hands-off approach during the early years of the Federal Circuit. As

Supreme Court was becoming increasingly unable to police splits of authority among the regional circuits.”); Adelman, supra note 17, at 984 (“Ironically, the Supreme Court may be partially responsible for the Federal Circuit. Congress had good reason to be dissatisfied with the Supreme Court’s history of mishandling patent issues.”).


31. D. Dunner, Special Comm’n on CAFC, 1988 A.B.A. SEC. PAT. TRADEMARK AND COPYRIGHT L. 314, 323-27. At a minimum, most commentators would at least agree that the rate of patents found valid was “significantly higher” than before the Federal Circuit. See John R. Allison & Mark A. Lemley, Empirical Evidence on the Validity of Litigated Patents, 26 AIPLA Q.J. 185, 206 (1998).

32. Golden, supra note 30, at 660.

33. See Nard & Duffy, supra note 29.

34. See id. at 1621 & n.10.
explained by Gajarsa and Cogswell, the Supreme Court granted certiorari on only four patent cases during the first twelve years of the Federal Circuit's creation.\textsuperscript{35} At an average rate of one patent case every three years, the Supreme Court's influence in the development of core areas of patent law during the first decade of the Federal Circuit's existence was negligible. Accordingly, and with little guidance from the Supreme Court, the Federal Circuit tackled some of the problems and inconsistencies in the application of patent law that had plagued patent jurisprudence during the prior eras but were never adequately addressed.\textsuperscript{36} As part of this process, the Federal Circuit began to develop methods of analyzing patent criteria in an effort to both simplify and create uniform standards. For example, the court adopted the "teaching-suggestion-motivation" test for examining whether a claim was obvious. As was later argued in KSR, some thought this test "was inconsistent with Supreme Court precedent."\textsuperscript{37} Going perhaps a step further, certain other commentators noted that the Federal Circuit began to "ignore," "dismantle," or even "repudiate" holdings of the Supreme Court related to obviousness.\textsuperscript{38} The

\textsuperscript{35} See Gajarsa & Cogswell, supra note 5, at 821-22 ("In its last two terms, the Supreme Court . . . has granted certiorari to the . . . Federal Circuit in six cases. While this level of review is not atypical, what is striking, however, is the fact that four of these cases have involved patent law. This is the same number of patent cases taken on certiorari during the first twelve years of the Federal Circuit's existence.").

\textsuperscript{36} See Nard & Duffy, supra note 29, at 1620 ("In the first decade of its existence, the Federal Circuit earned praise for achieving a desirable degree of uniformity in place of regional circuit precedents perceived to be disjointed and conflicting.").

\textsuperscript{37} See id. at 1659.

Supreme Court presumably was aware of the Federal Circuit’s treatment of its standing precedent, but for whatever reason left the appellate court to develop doctrines on its own.

C. Recent Years – Supreme Court Review Intensifies

The past decade has seen the Federal Circuit’s “honeymoon” period come to an abrupt end. In all but one patent case in the past nine years, the Supreme Court has reversed the Federal Circuit. Although not dramatic for the overall caseload of the Supreme Court, the fact that the Court has taken at least one patent case per year on average during the last ten is exceptional compared to the one case taken every three years during the first twelve years of the Federal Circuit’s existence. As Simic points out, the “Court granted certiorari for six patent cases in the last two years but decided only sixteen patent cases in the last quarter century.” The reasons for the spurred interest of the Supreme Court will be examined in more detail below.

III. COMPARING SUPREME COURT REVIEW OF FEDERAL CIRCUIT PATENT CASES TO OTHER CASES


A starting point for this analysis may be to first consider statistically whether or not the Federal Circuit is reversed or vacated more than average, and if so, to what degree. Looking back at the first eighteen years of the Federal Circuit’s existence, one commentator noted that as of 2001, the Supreme Court

39. See Gajarsa & Cogswell, supra note 5, at 843 (“Perhaps the Federal Circuit is, after almost a quarter of a century, reaching the end of its ‘honeymoon period.’” (citing Howard T. Markey, The Federal Circuit and Congressional Intent, 2 FED. CIR. B.J. 303, 304 (1992) (Markey was the former Chief Judge of the Federal Circuit)).

40. See Krevans & Muino, supra note 2.

reversed the Federal Circuit at a rate of about 50%, which was similar to the average reversal rate of all circuit courts during the time.\footnote{42} As explained by Krevans and Muino, as of 2008, "[i]n all but one of the last eight patent cases, the high court reversed the ruling of the Federal Circuit," and, "[i]n five out of the last six cases, the Court’s decisions cut against the patentee and effected a narrowing of patent rights in some manner."\footnote{43} This trend is dramatic, but the question remains whether the trend reflects the dissatisfaction with the Federal Circuit’s approaches to core substantive areas in patent law or is instead a simple statistical anomaly.

One should first consider the amount of cases that the Supreme Court decides each year. Importantly, during the past ten years, the Supreme Court’s overall docket has decreased considerably from prior decades.\footnote{44} In fact, the Court has decided only 78.6 cases on average per year during the past decade.\footnote{45} This decision rate per year is about half of the average case load from 1969 to 1986, when the Supreme Court heard on average 175 cases a year.\footnote{46} As Starr critiques, "[i]t is no secret that since the mid-1980s the number of cases the Supreme Court decides on the

\footnote{42} Gretchen S. Sween, Who’s Your Daddy? A Psychoanalytic Exegesis of the Supreme Court’s Recent Patent Jurisprudence, 7 NW. J. TECH. & INTELL. PROP. 204, 204 n.2 (2009) (“Before 2001, the Supreme Court reversed the Federal Circuit at a rate similar to its general reversal rate (approximately 50%). . . .”) (citing Duffy, supra note 27, at 282)).

\footnote{43} Krevans & Muino, supra note 2, at 24.


\footnote{45} Akin Gump Strauss Hauer & Feld LLP and SCOTUSblog.com, End of Term Statistical Analysis – October Term 2008 (“2008 Summary”), http://www.scotusblog.com/wp/wp-content/uploads/2009/07/summary-memo-final.pdf (“The Justices decided 79 cases in total this Term, including four summary reversals. The numbers for previous terms are 71 (OT07), 72 (OT06), 82 (OT05), 80 (OT04), 79 (OT03), 80 (OT02), 81 (OT01), 85 (OT00), and 77 (OT99).”). Thus, from OT99 – OT07, the Court decided on average of about 78.5 cases per term. Considering the court decided 79 cases in the 2008 term, the average over the past ten years is 78.6 cases decided per term.

\footnote{46} Starr, supra note 44, at 1016.
merits each year has decreased sharply. Perhaps what we are seeing by the Court is a selectivity trend to grant certiorari in only those circuit cases where the Court believes its involvement is necessary, or where it is likely to reach a different outcome. For example, the Supreme Court has maintained an average reversal rate of 72% over the past five years. Combine with the fact that the Court’s case load has decreased 50%, it appears that the Court is focusing more on matters of importance where it may have substantial disagreement with appellate courts or where clear-cut circuit splits mandate resolution. Considering the Court’s growing trend to reverse more cases than not, some commentators have opined that the recent high reversal rate “suggests that the Supreme Court primarily takes cases it wants to reverse, with only a few exceptions.”

Looking back at the past five terms of the Supreme Court, the reversal rate of the Federal Circuit is just slightly higher than that of the other circuit courts. The Federal Circuit has been reversed overall at an average rate of 80% per year during the past five years. As previously discussed, the Court has overturned patent-

47. Id.
50. Daniel Solove, Some Thoughts on the Supreme Court’s Reversal Rate, CONCURREN CONCURRING OPINIONS, http://www.concurringopinions.com/archives/2007/07/some_thoughts_o.html (last visited Aug. 4, 2009) (“It is interesting how remarkably constant the reversal percentage is — 75%. . . . Assuming the Court takes about 70 cases a term, it will only affirm in about 17 of them. So perhaps the new game for commentators should be listing those 17 lucky cases that will get affirmed.”).
51. Id. The 80% was derived by taking the average reversal rate per year, and not based upon the overall number of cases reversed for the five year period weighed against the overall Federal Circuit cases decided, which would be 14/17 reversed or 82%. Ironically, in one Federal Circuit case appealed to the Supreme Court, not involving patent law, the Supreme Court addressed a rare circuit split and also sided with the Federal Circuit’s analysis over that of the
related decisions at a slightly higher rate, seven out of eight cases (87.5%).\textsuperscript{52} Because the average reversal rate per year for all Supreme Court decisions during this same five year time frame was about 72%,\textsuperscript{53} the Federal Circuit has faced a reversal rate about 8% higher than average during the past five years. While perhaps statistically insignificant because of the relatively low number of data points, the impact is nonetheless real because some of the Federal Circuit cases reversed were patent cases concerning significant areas of substantive patent law. Based upon the Supreme Court’s growing trend to take primarily cases it will reverse, the patent bar may be overemphasizing the Supreme Court’s recent scrutiny of the Federal Circuit. For example, the 2008 term of the Supreme Court provides an interesting snapshot of the court’s recent reversal trends.

During the 2008 term, the Supreme Court decided 79 cases on the merits; of those, the Court reversed or vacated 75%.\textsuperscript{54} The Federal Circuit had four of its decisions reviewed by the Supreme Court and had each of them overturned.\textsuperscript{55} Statistically speaking,

\textsuperscript{52} See Krevans & Muino, supra note 2, and accompanying text.

\textsuperscript{53} Statistics derived from annual summaries posted to SCOTUSWIKI, \textit{Supreme Court Statistics}, at \url{http://www.scotuswiki.com/index.php?title=Supreme_Court_Statistics\#OT06} (last visited Apr. 9, 2010).

\textsuperscript{54} Posting of Kristina Moore to SCOTUSBlog, \url{http://www.scotusblog.com/2009/06/end-of-term-super-stat-pack} (June 29, 2009, 16:34 EDT), available at \url{http://www.scotusblog.com/wp/wp-content/uploads/2009/06/summary-tally.pdf} (listing statistics for 2008-09 Supreme Court term – out of 79 cases decided, 59 were reversed or vacated (75%), 16 were affirmed (20%), and 3 cases were affirmed in part and reversed or vacated in part).

the Federal Circuit's reversal rate for the few cases it had before
the Supreme Court seems consistent with the high overall reversal
rate. Along with the Federal Circuit, six other circuit courts also
had a 100% reversal rate before the Supreme Court: the Fourth
Circuit (five cases reversed), the Sixth Circuit (five cases
reversed), the Seventh Circuit (one case reversed), the Eight
Circuit (four cases reversed), the Tenth Circuit (two cases
reversed), and the District of Columbia Circuit (one case
reversed).56 Accordingly, of the thirteen circuit courts reviewed,
the majority of seven had a 100% reversal rate at the Supreme
Court this past term. This contrasts sharply with the 2007 term,
where only the Tenth Circuit saw a 100% reversal rate.57

It would be interesting to note how many commentators are
opining about the increased scrutiny given to the Fourth, Sixth,
and Eight Circuits during the past term or how many were worried
about the Tenth Circuit during the prior term. Perhaps the overall
economic impact of Federal Circuit decisions is a sound basis to
spur a closer look. Understanding why the high Court has become
active may help predict the Court's future responses to important
patent matters.

B. What Drives the Supreme Court to Grant Review of a Federal
Circuit Decision?

What makes the Supreme Court grant a writ of certiorari in a
Federal Circuit case? In other areas of national importance, the
Supreme Court may hear cases based upon circuit splits or

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a very nuanced jurisdictional issue not necessarily unique to patent law, the
Court noted that "[t]his Court has not yet decided whether a district court's
order remanding a case to state court after declining to exercise supplemental
jurisdiction is a remand for lack of subject-matter jurisdiction for which
appellate review is barred by §§ 1447(c) and (d)."

56. Posting of Kristina Moore to SCOTUSBlog,
http://www.scotusblog.com/2009/06/end-of-term-super-stat-pack (June 29,
Summary, supra note 45 (also noting that "[t]his is a radical change from last
Term, when the Tenth Circuit was the only circuit with a 100% reversal rate
(two cases)").

57. Id.
disagreements. Even then, the rules of the Supreme Court warn that obtaining review is not easy:

Review on a writ of certiorari is not a matter of right, but of judicial discretion. A petition for a writ of certiorari will be granted only for compelling reasons. The following, although neither controlling nor fully measuring the Court's discretion, indicate the character of the reasons the Court considers:

(a) a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter . . . ;

(c) a state court or a United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court. 58

Because the Federal Circuit will rarely be in conflict with other circuits on substantive areas of patent law, Rule 10(a) is usually not a basis for seeking review to the Supreme Court. 59 It is

In most areas of law, parties seeking the Supreme Court's attention rely on circuit splits to signal the issues that are ripe for review. That strategy is largely unavailing in patent law because the decision to concentrate disputes in the Federal Circuit means that the likelihood of circuit splits approaches zero.
important to note that many of the Federal Circuit cases that the Supreme Court has reviewed have been spurred by internal conflict within60 or even prodding by61 the Federal Circuit; such conflict, through dissents or otherwise, usually invokes review pursuant to Rule 10(c). Thus, litigants seeking certiorari pursuant to Rule 10(c) must generally prove that the Federal Circuit decided an important issue of law that should be “settled” by the Supreme Court or, more likely, that the Federal Circuit has decided an important federal question in a way that conflicts with other Supreme Court decisions.62

In addition, what baffles many is the timing aspect of Supreme Court review of patent matters from the Federal Circuit. Several of the recent Supreme Court reversals dealt with long-settled Federal Circuit precedent. For example, the “presumption of irreparable harm” and the “teaching-suggestion-motivation” test

Id. at 807; Gajarsa & Cogswell, supra note 5, at 842 (“For example, circuit splits involving the Federal Circuit have traditionally been rare in patent cases, given that the Federal Circuit is by far the principal expounder of the patent law.”) (footnote omitted)).

60. See Dreyfuss, supra note 59, at 810 (“Starting with its en banc decision in Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., the judges on the Federal Circuit have become quite adept at writing dissents signaling the need for Supreme Court attention.”).

61. See Gajarsa & Cogswell, supra note 5, at 842-43, n.158 (“Of course, even in the absence of a circuit split, the Supreme Court’s attention might be drawn to a case in which Federal Circuit judges express sharply diverging views on a particular issue.”); see also Christianson v. Colt Indus. Operating Corp., 822 F.2d 1544, 1560 (Fed. Cir. 1987) (spurring Supreme Court review by stating “[i]f this court were to grant Christianson’s motion to dismiss, the district court’s judgment, though it is erroneous, infra, would stand, unless the Supreme Court were to grant a petition for certiorari, review the jurisdiction question, and remand to the appropriate appellate court”).

62. See Dreyfuss, supra note 59, at 807 (“Instead, the parties must argue that certiorari is justified because a Federal Circuit decision conflicts with Supreme Court precedent or with regional circuit decisions handed down before the Federal Circuit was created.”). Apparently, the timing of when the Federal Circuit decides the important federal question in a way that conflicts with Supreme Court precedent may not be that important. In KSR, the Supreme Court granted review to determine whether the teaching-suggestion-motivation test was too rigid, even though the Federal Circuit had been applying the test in one form or another since 1983. Perhaps the high Court’s recent interest in questionable patents sparked the review after 25 years of implicit agreement.
for obviousness were established by the Federal Circuit long ago and consistently applied for years. Neither test was the result of a new approach adopted by the Federal Circuit.\textsuperscript{63} Since the Supreme Court eventually determined that these legal doctrines were in conflict with Supreme Court precedent, it means that this conflict existed for decades in the Federal Circuit.\textsuperscript{64}

Why the Supreme Court waited so long to address those legal doctrines is perhaps just as important an issue. Some may believe that \textit{stare decisis} has little sway for the Supreme Court when the legal theories long thought settled were in conflict with its precedent from the beginning. The Supreme Court's review of patent doctrines long standing will likely give the Federal Circuit cause to begin revisiting its own standing jurisprudence in other areas. As Eisenberg states, "[b]y ignoring close to a quarter century of Federal Circuit decisions, the Court's \textit{KSR} decision undermined the stability and predictability in patent law that Congress sought to achieve through the Federal Courts Improvement Act of 1982."\textsuperscript{65} Some may argue that perhaps the Supreme Court has as much to learn about the timing of review as the Federal Circuit has to learn about maintaining consistency with binding precedent, no matter how dated.

The lack of circuit splits is at least partially to blame for the delay of the Supreme Court in agreeing to hear important issues. Because of the centralization of patent jurisprudence in one appellate court, and because of the lack of intercircuit dissention, the Supreme Court may believe that it should only get involved to change substantive doctrines after sufficient time has passed for those areas to fully evolve. As Dreyfuss points out, "[b]ecause uniformity was created by establishing the Federal Circuit, the Supreme Court is under little pressure to solve intercircuit conflicts for multistate actors. As a result, in the quarter-century of the

\textsuperscript{63} See, e.g., Rebecca S. Eisenberg, \textit{The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law}, 106 MICH. L. REV. \textit{FIRST IMPRESSIONS} 28, 30 (2007), available at http://www.michiganlawreview.org/firstimpressions/vol106/eisenberg.pdf ("For many substantive issues of patent law, such as the nonobviousness standard reviewed in \textit{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.").

\textsuperscript{64} See Nard & Duffy, \textit{supra} note 29.

\textsuperscript{65} Eisenberg, \textit{supra} note 63, at 31.
Federal Circuit’s existence, the Supreme Court has granted certiorari in only twenty-some patent disputes."\textsuperscript{66} This is in spite of the fact that litigants file on average about 100 petitions for writ of certiorari to the Supreme Court from Federal Circuit cases each year.\textsuperscript{67}

Some have emphasized the role of the Solicitor General’s Office in motivating the Supreme Court to hear patent disputes. When invited by the Supreme Court, the Solicitor General will submit a brief to express the views of the United States. The Solicitor General’s opinion of whether or not a case should be taken is almost always followed by the Supreme Court. Thus, an important factor motivating the Supreme Court to review any one particular patent case, in light of many that seek review, will be the Solicitor General’s office. As Eisenberg points out, "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."\textsuperscript{68} Thus, as a practical matter, an advocate seeking Supreme Court review of a patent matter is well served to convince the Solicitor General’s office to lend support. As Starr notes, "[t]he success rate of that office is well known. While the Court in recent years has granted certiorari in about one percent of all petitions filed annually, it has granted roughly seventy percent of petitions filed or backed by the Solicitor General."\textsuperscript{69}

\textsuperscript{66} Dreyfuss, supra note 59, at 806.

\textsuperscript{67} Approximated from bar graph published by the Federal Circuit showing petitions filed during the past ten years. UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, Petitions for Writ of Certiorari to the U.S. Supreme Court from Federal Circuit Cases, http://www.cafc.uscourts.gov/pdf/6%20Petitions%20for%20Writ%20of%20Certiorari%20to%20SupCt.pdf (last visited Aug. 3, 2009). This number includes all cases from the Federal Circuit, not just patent suits.

\textsuperscript{68} Eisenberg, supra note 63, at 29. The Supreme Court’s recent decision to grant review in Bilski does not fit the typical mold. The Solicitor’s office filed a brief in opposition to the petition for a writ of certiorari because the machine-or-transformation test for patentable subject matter was purportedly derived from prior Supreme Court decisions. See Brief for the Respondent in Opposition at 8, Bilski v. Doll, No. 08-964 (Fed. Cir. Jan. 28, 2009), available at http://www.usdoj.gov/osg/briefs/2008/0responses/2008-0964.resp.pdf (May 4, 2009).

\textsuperscript{69} Starr, supra note 44, at 1017.
IV. SUPREME COURT SCRUTINY IN THE PAST TEN YEARS – WHY HAS IT INCREASED AND WHAT WILL BE THE IMPACT?

A. Has the Federal Circuit Misconstrued Supreme Court Precedent as Some Contend or Has the Supreme Court Shifted Its Patent Philosophy?

Some propound that the recent flurry of Supreme Court reversals is long overdue because the Federal Circuit has diverged from long-standing Supreme Court precedent in several core areas of patent law. Others point out that the problem may stem from over-specialization that has narrowed the Federal Circuit’s outlook. Golden explains that “[o]ne argument for intervention by the supposedly generalist Supreme Court is that legal decision making by an allegedly specialized Federal Circuit has, predictably, gone horribly awry.”\footnote{Golden, supra note 30, at 659 (noting also that “the Circuit has come to embody a number of long-theorized problems with specialized courts, such as tendencies toward interest-group capture, bias in favor of an overly muscular view of the laws under its special care, and an esotericism or tunnel vision that disconnects the circuit from broader social or legal concerns”).} A problem area identified by others is that if and when the Federal Circuit deviates from Supreme Court doctrine, the problem is usually compounded because both the bar and the judges of the court then repeatedly rely upon the same erroneous deviations. As summarized by Nard and Duffy, “Chief Judge Michel . . . has suggested that the insularity of the court is related to a closed cycle between the court and the attorneys who practice before it, with the attorneys simply parroting back to the court what the court itself has said in prior cases.”\footnote{Nard & Duffy, supra note 29, at 1622.} Essentially, any evolutions in the law at that point are based upon faulty doctrines that are not likely to change without en banc review.\footnote{See Golden, supra note 30, at 663 (“Federal Circuit Judges can resist the temptation to extend their precedents unthinkingly. Likewise, they can use en banc review to reconsider questions that might otherwise trigger Supreme Court intervention. Goals of certainty and predictability do not require unreflective persistence in potential error.”).}

Others tend to believe that it is the Supreme Court that has
shifted its views toward patent enforcement. It is hard to gauge whether the Supreme Court has an overall philosophy or ideology about patent protection based upon just a handful of opinions of varying subject matter. Some of the recent comments from Justices on the Court, ironically mirroring comments from long ago, cause many to believe that the Court is particularly concerned about overly burdensome patent rights. In particular, the Justices are concerned with patents of questionable subject matter and trivial advancements over the prior art. The Supreme Court has also voiced its concern about the potential negative impact that stronger patent rights may have on innovation and economic development.

The two camps also disagree on the degree to which specialized standards, unique to patent law, should be adopted. Perhaps in an effort to encourage predictability in decision making and to aid the trial court in the application of the patent laws, the Federal Circuit has, in many cases, crafted bright line rules or tests in several core areas of patent law. In response, the Supreme Court has struck down many of these rigid tests in favor of more flexible and equitable approaches that frequently consider the totality of the circumstances. In these cases, the Supreme Court has emphasized the importance of maintaining consistent national standards in certain areas of law as opposed to applying narrow rules meant to maintain patent law uniformity. Likewise, some

73. *See Lab. Corp.*, 548 U.S. at 126 (2006) (Breyer, J., joined by Stevens & Souter, JJ., dissenting from dismissal of writ of certiorari) ("[S]ometimes too much patent protection can impede rather than 'promote the Progress of Science and useful Arts,' the constitutional objective of patent and copyright protection." (citation omitted)); *eBay Inc.*, 547 U.S. at 397 (Kennedy, J., joined by Stevens, Souter, and Breyer, JJ., concurring) (noting the "potential vagueness and suspect validity" of some of "the burgeoning number of patents over business methods")

74. *See KSR Int'l*, 550 U.S. at 398 (rejecting TSM test); *MedImmune*, 549 U.S. at 118 (rejecting rigid application of the "reasonable apprehension of suit" test); *eBay Inc.*, 547 U.S. at 388 (rejecting presumption of irreparable harm for injunctions); *Festo*, 535 U.S. at 722 (rejecting absolute bar for prosecution history estoppel).

75. *See Yixin H. Tang, Recent Development: The Future of Patent Enforcement After eBay v. Mercexchange, 20 Harv. J. Law & Tec 235, 252* ("The Supreme Court’s decision in eBay v. MercExchanger added several uncertainties to patent law jurisprudence. District courts now have more
believe the Court is conveying to the Federal Circuit the message that it must take a holistic view and consider broader legal principles in reaching decisions instead of focusing on niche tests created to simplify patent analysis.\footnote{See Eisenberg, \textit{supra} note 63, at 33 (“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.”). \textit{See also} Sween, \textit{supra} note 42, at 205 (“The Supreme Court’s recent patent jurisprudence does indeed reveal a preference for broad, general principles, while rejecting nuances developed by the Federal Circuit over the last fifteen years.”). Sween even suggests that this rejection of nuanced rules by the Supreme Court may run afoul of Congress’ mandate in creating the Federal Circuit, “by insisting that patent cases be treated like any other, by issuing holdings that routinely rest on older, simpler precedents, and by rejecting subject-specific nuance, the Supreme Court has implicitly challenged a key justification for the Federal Circuit’s very existence.” \textit{Id.} at 220.}

Some also suggest that the Supreme Court may be adopting a patent philosophy that is more concerned with “accuracy” than “uniformity.” As Dreyfuss explains, “[o]ne thing that the Federal Circuit experience does show is that, although uniformity can be achieved procedurally, the lawmaking required for precision and the lawmaking required for accuracy can work at cross purposes.”\footnote{Dreyfuss, \textit{supra} note 59, at 796.} For example, after explaining the reasoning behind the Supreme Court’s rejection of the TSM test, Dreyfuss explains, “while these requirements [i.e., TSM test] make the law more precise (by reducing subjective decisions), they also make it less accurate (by upholding patents on information already in the possession of the field in cases where the cost to the system is particularly high).”\footnote{\textit{Id.} at 797.} Thus, the Supreme Court’s philosophy may be more concerned with promoting accuracy and less concerned with maintaining precision and uniformity where those two differing goals are not necessarily compatible.
B. Has the Shift in Economic Circumstances or Public Perception Had an Impact on the Supreme Court’s Patent Enforcement and Policy?

Weighing the current state of the economy and the recent decisions of the Supreme Court may convince some within the patent bar that the tides are shifting back thirty years to 1979 when patent enforcement was unpredictable at best. Some see the basis of the Supreme Court and even Congressional scrutiny, however, as tied to greater societal issues, including rising medical-related costs\textsuperscript{79} and misapprehensions of the economic value of certain categories of patents. The Supreme Court may no longer be willing to take a backseat to important developments that have an immediate and national impact on innovation and the American economy. As recession worries begin to slow and understanding of the role of new technology broadens, the culture is likely to shift once again. Yet, as Plager and Pettigrew warn, the courts should understand that it is not within their province to likewise mold to the times, and “the court’s function is not to assess the extent to which the congressional policy is responsive to current problems or to determine how well-tuned the statute is to subtle changes in

\textsuperscript{79} For instance, Justice Breyer seems very concerned with the impact on the medical profession and health care costs in his dissent in \textit{Laboratory Corp. of America Holdings}, which declined to address the validity of claims directed to a medical testing procedure:

If I am correct . . . that the patent is invalid, then special public interest considerations reinforce my view that we should decide this case. To fail to do so threatens to leave the medical profession subject to the restrictions imposed by this individual patent and others of its kind. Those restrictions may inhibit doctors from using their best medical judgment; they may force doctors to spend unnecessary time and energy to enter into license agreements; they may divert resources from the medical task of health care to the legal task of searching patent files for similar simple correlations; they may raise the cost of health care while inhibiting its effective delivery.

\textit{Lab. Corp.}, 548 U.S. at 138 (2006) (Breyer, J., joined by Stevens & Souter, JJ., dissenting from dismissal of writ of certiorari). One would wonder if such emphasis would have been given to reaching the merits of the case if the patent related to a method of cleaning sewers.
people's behavior or market conditions.\textsuperscript{80}

The public perception surrounding non-practicing entities and their contribution to innovation may also be an important factor driving the Supreme Court's recent involvement in patent law. While the Supreme Court's decision in eBay dealt facially with the application of the traditional four-part test for preliminary injunctions, many believe the Supreme Court took the case because of the rise in patent litigation by non-practicing entities.\textsuperscript{81} Ignoring the constitutionally-implied negative property right to exclude, the public perception generally is that companies that do not actually contribute goods or services that are protected by a patent should not keep others from providing those goods or services. After all, if parties are not competitors, simply allowing an injunction and taking goods off the market deprivates the public of a substantial benefit. The Supreme Court is certainly aware of the propaganda surrounding non-practicing entities, or "trolls," as some may call them. For example, during oral arguments in eBay, Justice Kennedy made the following seemingly funny comment: "Well, is—is the troll the scary thing under the bridge, or is it a fishing technique? . . . I mean, is that what the troll is?\textsuperscript{82} Some may wonder what impact, if any, the perceived stereotypes surrounding non-practicing entities may have in influencing


\textsuperscript{81} See, e.g., By John H. Barr, Jr. & Jeffrey I. Wasserman, Controlling Patent Trolls - 'eBay' Decision Limits Strategic Advantages for Businesses that Own and License Merely for Fees, NEW YORK LAW JOURNAL (Apr. 23, 2007): In recent years, there has been a dramatic rise in the amount of patent litigation filed in the United States. One of the causes for the increase in litigation is a new business model known as the "patent troll." . . . Four justices of the U.S. Supreme Court recently referred to the business as "firms [that] use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees."

\textit{Id.} (quoting eBay Inc., 126 S. Ct. at 1842 (Kennedy, J., concurring)).

\textsuperscript{82} eBay Inc. v. MercExchange, L.L.C., No. 05-130, 2006 WL 846236 (U.S.), at *26 (Mar. 29, 2006) (Kennedy, J., oral argument questioning).
Supreme Court decision making.

In eBay, the Supreme Court, likely cognizant of public sentiment and Congressional grumbling, found a way to curtail the rising power of non-practicing entities by eliminating the presumption of irreparable harm when determining if injunctions should enter in patent cases. Most troubling to some is that this presumption was applied by the Federal Circuit for at least twenty-five years before the Court decided to take issue. Such a delay must have been spurred not necessarily by the natural case law progression of the Federal Circuit, which consistently applied the presumption since at least 1984, but instead by external motivations. Arguably, the Supreme Court's eBay decision reduces the bargaining power of patents, at least those in the hands of non-practicing entities and research institutions.

C. How Has the Supreme Court's Increased Scrutiny Affected Federal Circuit Review and Decision Making, If at All?

The Federal Circuit is clearly aware of the increased scrutiny of the Supreme Court. Several Judges have gone so far as to address the Supreme Court's renewed interest. As Gajarsa and Cogswell opine: "[p]erhaps the Supreme Court is simply responding to the ever-increasing importance of intellectual property rights by more carefully scrutinizing the substantive patent law, as expounded by

83. One commentator suggests that the recent combined decisions of the Supreme Court and the Federal Circuit have in tandem alleviated some of the reasons for Congressional concern. See David W. Opderbeck, Patent Damages Reform and the Shape of Patent Law, 89 B.U. L. REV. 127, 131 (2009) ("In a string of recent decisions involving injunctions, declaratory relief, willful infringement, and other issues, the Supreme Court and the Federal Circuit constrained the power of patents. Given these developments, the congressional damage reform proposals seem particularly unwise.").

84. See W.L. Gore & Assoc., Inc. v. Garlock, Inc., 842 F.2d 1275, 1281 (Fed. Cir. 1988) (holding that "injunctive relief against an adjudged infringer is usually granted," and "an injunction should issue once infringement has been established unless there is a sufficient reason for denying it"). The Gore decision similarly cites to other Federal Circuit decisions from 1984 and 1985 applying the same presumption. Cf. Roche Prods. v. Bolar Pharm. Co., 733 F.2d 858, 865 (Fed. Cir. 1984) (recognizing the "considerable discretion" district courts have "in determining whether the facts of a situation require it to issue an injunction" (footnotes omitted)).
the Federal Circuit." The Federal Circuit’s awareness of the scrutiny is also apparent in some of its latest opinions, and some commentators believe that the court has taken proactive measures to begin addressing concerns. In Bilski, the Federal Circuit’s en banc decision bent over backwards to show how the adopted “machine-or-transformation” test was not only consistent with, but closely followed, old Supreme Court precedent. Not surprisingly, the Federal Circuit cited and analyzed virtually every Supreme Court decision relating to patentable subject matter from O’Reilly v. Morse to Diamond v. Diehr.

In deciding Bilski, the Federal Circuit shed its quiver of tests used to determine whether subject matter is patentable pursuant to §101. First, it determined that “[i]n light of the present opinion, we conclude that the Freeman-Walter-Abele test is inadequate.” Next, the court revisited “the ‘useful, concrete, and tangible result’ language associated with State Street [Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998)].” In the end, the Federal Circuit “conclude[d] that the ‘useful, concrete and tangible result’ inquiry is inadequate and reaffirm[ed] that the machine-or-transformation test outlined by the Supreme Court is the proper test to apply.” This policing of decades-old precedent was certainly precipitated by the Supreme Court’s increased scrutiny and through Justice Breyer’s dissent in Laboratory Corp. Judge Rader, in his Bilski dissent, even noted

85. Gajarsa & Cogswell, supra note 54, at 843.
86. In re Bilski, 545 F.3d 943 (Fed. Cir. 2008) (en banc).
87. O’Reilly v. Morse, 56 U.S. (15 How.) 62, 113 (1853) (holding ineligible a claim pre-empting all uses of electromagnetism to print characters at a distance); Diehr, 450 U.S. at 187 (finding that while a claim drawn to a fundamental principle is unpatentable, “an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection”).
88. Bilski, 545 F.3d at 958-61.
89. Id. at 959 (“those portions relying solely on the Freeman-Walter-Abele test should no longer be relied on”). For an explanation of these tests, see Arrhythmia, Inc. v. Corazonix Corp., 958 F.2d 1053 (Fed. Cir. 1992).
90. Bilski, 545 F.3d at 959.
91. Id. at 959-60.
92. The irony of a Federal Circuit dissent in an en banc case attacking a Supreme Court dissent in the high Court’s dismissal of certiorari improvidently granted is not lost. Justice Breyer may have preemptively undercut the life of
his belief that the Federal Circuit was overreacting to the Supreme Court’s dicta:

This court’s willingness to venture away from the statute follows on the heels of an oft-discussed dissent from the Supreme Court’s dismissal of its grant of certiorari in Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc., 548 U.S. 124 (2006). That dissent is premised on a fundamental misapprehension of the distinction between a natural phenomenon and a patentable process.93

Judge Rader proceeded to respond directly to Justice Breyer’s dissent by explaining how the method of testing blood claimed in Laboratory Corp. could indeed be patentable subject matter.94 Similarly, Judge Mayer relied upon analysis from Justice Breyer’s dissent to support his own Bilski dissent that argues business

the “useful, concrete and tangible result” test by stating in his dissent:

Neither does the Federal Circuit’s decision in State Street Bank help respondents. That case does say that a process is patentable if it produces a “useful, concrete and tangible result,” but this Court has never made such a statement and, if taken literally, the statement would cover instances where this Court has held the contrary.

Lab. Corp., 548 U.S. at 136 (Breyer, J., joined by Stevens & Souter, JJ., dissenting from dismissal of writ of certiorari) (citation omitted).

93. Bilski, 545 F.3d at 1013-14 (Rader, J., dissenting);

The distinction between “phenomena of nature,” “mental processes,” and “abstract intellectual concepts” is not difficult to draw. The fundamental error in that Lab. Corp. dissent is its failure to recognize the difference between a patent ineligible relationship--i.e., that between high homocysteine levels and folate and cobalamin deficiencies--and a patent eligible process for applying that relationship to achieve a useful, tangible, and concrete result--i.e., diagnosis of potentially fatal conditions in patients.

Id. at 1014.

94. Id. By rearguing a long gone case in detail on the merits of whether the underlying patent was patentable subject matter pursuant to § 101, a decision that was never even reached by the courts, Judge Rader emphasizes that the judges of the Federal Circuit are taking the Supreme Court’s scrutiny of patent law very seriously.
methods should not be afforded any patentable protection.95

One can wonder if so much attention was ever before paid to a Justice’s dissent from the dismissal of a writ of certiorari.96 Clearly, the Supreme Court’s piqued interest is shaping aspects of Federal Circuit decision making. At a minimum, the realization that the Supreme Court is primed and ready to tackle important patent law issues has given dissenting Federal Circuit judges a potential audience that may produce the change they seek but the majority otherwise rejects. This phenomenon of drafting vigorous dissents in hopes of garnering Supreme Court review could impact other contentious areas of patent law as well. Litigants appearing before the Federal Circuit with cases that may present issues related to traditional areas of controversy, such as deference afforded to district courts for claim construction or the proper scope and role of §112,97 may consider reaching back to support their theories with older Supreme Court precedent or even asking the court to reconsider positions long rejected. As suggested by Gajarsa and Cogswell, “perhaps we are witnessing the beginning of what will become a comprehensive Supreme Court ‘reform’ of

95. Bilski, 545 F.3d at 1006 (Mayer, J., dissenting) (“[S]ometimes too much patent protection can impede rather than promote the Progress of Science and useful Arts, the constitutional objective of patent and copyright protection. This is particularly true in the context of patents on methods of conducting business.”) (internal quotations and citations omitted)).

96. Four Federal Circuit opinions or orders cite to this dissent. See In re Comiskey, 2009 U.S. App. LEXIS 400 (Fed. Cir. Jan. 13, 2009) (en banc); Bilski, 545 F.3d at 943; In re Nuijten, 500 F.3d 1346 (Fed. Cir. 2007); Cromer v. Nicholson, 455 F.3d 1346 (Fed. Cir. 2006). A Lexis™ search conducted on August 7, 2009, also displayed over 110 unique cases and articles citing to Justice Breyer’s dissent.

97. As the authors were finalizing this article, the Federal Circuit issued an order to take up the § 112 issue en banc. See Ariad Pharm. Inc. v. Eli Lilly and Co., No. 2008-1248, Order Granting Petition for Rehearing En Banc, (Fed. Cir. Aug. 21, 2009). The court will hear, and likely decide, the following two critical issues:

a. Whether 35 U.S.C. § 112, paragraph 1, contains a written description requirement separate from an enablement requirement?

b. If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?

Id. at 2. Oral arguments were heard Dec. 7, 2009.
this country's patent law jurisprudence. If so, we can expect the reversal rate of the Federal Circuit to soar."

The most recent change of course brought about by the Supreme Court resulted in the Federal Circuit reversing its own precedent related to whether 35 U.S.C. §271(f) applies to process claims. Section271(f) provides liability for the act of supplying components of a patented invention in such a way as to actively induce the combination of those components outside the United States in an infringing manner. In 2006, the Federal Circuit had "explicitly held that Section 271(f) applied to method claims" in Union Carbide Chemicals & Plastics Technology Corp. v. Shell Oil Co., 425 F.3d 1366, 1369 (Fed. Cir. 2006). Sitting en banc, the Federal Circuit reversed course on August 19, 2009 in Cardiac Pacemakers Inc. and overruled Union Carbide, holding that "the language of Section 271(f), its legislative history, and the provision's place in the overall statutory scheme all support the conclusion that Section 271(f) does not apply to method

98. Gajarsa & Cogswell, supra note 5, at 844.
100. 35 U.S.C. § 271(f)(1)
    Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

Id.
The Federal Circuit noted:
Our analysis here focuses on 271(f)(1), but is equally applicable to 271(f)(2). While the two paragraphs differ in some respects, neither party argues that the differences are relevant in this case. Indeed, both paragraphs require the "supply" of "components" that are capable of being "combined outside of the United States." Compare 35 U.S.C. § 271(f)(1) & (2).
Cardiac Pacemakers Inc., slip op. at 19, n. 3.
101. Cardiac Pacemakers Inc., slip op. at 21.
This quick change of heart was brought about directly as a result of the Supreme Court’s 2007 implicit guidance in *Microsoft Corp. v. AT&T Corp.* As the Federal Circuit recognized:

The [Supreme Court] reserved judgment on whether “an intangible method or process . . . qualifies as a ‘patented invention’ under §271(f),” but noted that if so, the “combinable components of that invention might be intangible.” The Court sent a clear message that the territorial limits of patents should not be lightly breached.

In essence, the Federal Circuit took the Supreme Court’s general policy directive and reversed its own course before the Court had the opportunity to step in. This recent *en banc* decision highlights the Federal Circuit’s willingness to reconsider its own jurisprudence in light of the Supreme Court’s increased scrutiny. If this is the case, the Supreme Court’s intervention will likely have a lasting impact.

Other commentators believe that the recent Supreme Court review may have minimal impact on Federal Circuit decision making, especially in certain areas. They see the Court’s pronouncements in certain areas as having negligible impact on day-to-day litigation and perhaps as being statistically insignificant. Relying upon an empirical assessment published by Petherbridge and Wagner, Simic believes that:

The combined results of empirical studies before and after *KSR* suggests that the Supreme Court was misguided in its attack on the TSM test. These studies suggest that the Federal Circuit’s

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102. *Id.* slip op. at 29.
104. *Cardiac Pacemakers Inc.*, slip op. at 22 (quoting *Microsoft Corp.*, 550 U.S. at 452, n.13).
application of the TSM test has not resulted in decreased obviousness outcomes, and that the rate of obviousness determinations has not increased since KSR. Such results cast doubt on whether the Court should have granted certiorari in KSR. If the TSM test cannot be linked to a decrease in obviousness determinations, it also cannot be linked to the rise in junk patents – which was likely a reason why the Court granted certiorari in the first place.106

Because the Supreme Court’s decision in KSR has not led to a rise in patents found invalid at the Federal Circuit, the case appears to have had minimal impact on the court’s review process and decision making. Similarly, some believe that depending upon which concurring opinion in eBay a court takes guidance from, the outcome for determining whether an injunction should enter in patent cases is likely to vary broadly.107 Most will agree, however, that non-practicing entities will have a tougher time gaining injunctive relief than will direct competitors.108 Therefore, eBay’s impact on the Federal Circuit’s decision making will likely be confined to situations where injunctions are not granted in favor of non-practicing entities.

Whether or not it is related to the Supreme Court’s increased review, the Federal Circuit, with the approval of Chief Justice Roberts, has also made serious efforts in the past few years to have both district court and other circuit court judges sit by designation at the Federal Circuit. “Since September 2006, forty-one judges

106. Simic, supra note 41, at 251-52.
107. See Opderbeck, supra note 83, at 163. However, the eBay opinion sends mixed signals to trial courts. Justice Roberts’s concurrence suggests courts should continue to issue injunctive relief in most cases to protect the patentee’s exclusionary interest. Justice Kennedy’s concurrence, in contrast, suggests trial courts should carefully scrutinize cases involving patent trolls and method patents. In fact, trial courts thus far have reached very different conclusions about eBay’s implications.

Id. (footnotes omitted).
108. See id.
from circuit and district courts around the country have sat with the Federal Circuit.\textsuperscript{109} Judges from the Federal Circuit have also sat in various other circuits from time to time.\textsuperscript{110} Some see this exchange as a means to show that the court is seeking diversification and trying to shed its image as a specialist court. While these new faces to the court bring a fresh perspective, it is questionable whether these judges will impact the jurisprudence of the court in any significant manner. Future study in this area may be warranted.

V. THE FUTURE OF SUPREME COURT REVIEW OF FEDERAL CIRCUIT DECISIONS

A. Bilski – Will Business Methods Be the Next Supreme Court Patent Victim, or Will the Court Affirm the Adopted "Machine-or-Transformation Test?"

The pressing question before the patent bar today is the future impact of the Supreme Court’s upcoming decision in\textsuperscript{111} Bilski. Will the Court bless the adopted “machine-or-transformation” test as the primary means for determining whether a process is patentable subject matter pursuant to §101, or will the Court conclude that the Federal Circuit has once again adopted an overly rigid bright line analysis that does not have the flexibility to adapt over time? Just as importantly, could the Supreme Court possibly go as far as to adopt Judge Mayer’s dissent from\textsuperscript{112} Bilski and do away with business methods altogether as patentable subject matter? The


\textsuperscript{110} \textit{Id.} (“Thus far in 2009, seven judges of the Federal Circuit have sat by designation with other circuits.”). In addition, four sat by designation in 2008, with one presiding over a district court trial. In 2007, five judges sat by designation.

\textsuperscript{111} \textit{See Bilski}, 545 F.3d at 998 (Mayer, J., dissenting). Judge Mayer would
questions currently before the Supreme Court in the *Bilski* case are:

Whether the Federal Circuit erred by holding that a “process” must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing (“machine-or-transformation” test), to be eligible for patenting under 35 U.S.C. §101, despite this Court’s precedent declining to limit the broad statutory grant of patent eligibility for “any” new and useful process beyond excluding patents for “laws of nature, physical phenomena, and abstract ideas.”

Whether the Federal Circuit’s “machine-or-transformation” test for patent eligibility, which effectively forecloses meaningful patent protection to many business methods, contradicts the clear Congressional intent that patents protect “method[s] of doing or conducting business.” 35 U.S.C. §273.112

In a true turn of irony, the Supreme Court decision to hear this case came in spite of the opposition of the Solicitor General. The Solicitor General’s response even stated that the Federal Circuit decision “is correct and does not conflict with any decision of this Court.”113 Regardless, to better understand why the Supreme Court

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113. See Brief for the Respondent in Opposition, *Bilski v. Doll*, No. 08-964,
agreed to hear Bilski, Justice Breyer’s dissent in Laboratory Corp.
should be considered along with the last few cases from the
Supreme Court addressing §101, each of which were decided
before the creation of the Federal Circuit.

The majority in Laboratory Corp., by a vote of 5-3, decided to
dismiss the petition for certiorari as improvidently granted,
sometimes called a “DIG,” which comes after complete briefing
by the parties. Justice Breyer’s dissent was joined by Justices
Stevens and Souter. They argued that the Court should have kept
the case to consider the scope of patentable subject matter pursuant
to §101 and to lend necessary clarity to this important and
evolving issue in patent law. In the dissenters’ view, a natural
correlation between two substances in the body\textsuperscript{114} is a “natural
phenomenon” that cannot be patented.\textsuperscript{115} Justice Breyer attacked

\begin{quote}
0responses/2008-0964.resp.pdf. It is worthy to point out the Solicitor General’s
strong opposition against hearing Bilski:

The court of appeals held that petitioners’ method of hedging
risk in the purchase and sale of commodities is not a “process”
eligible for patent protection under 35 U.S.C. 101. That
decision is correct and does not conflict with any decision of
this Court or any other court of appeals. The court’s decision
conforms circuit precedent with this Court’s decisions
interpreting Section 101; repudiates earlier Federal Circuit
formulations of the standard for patentable processes (such as
the “useful, concrete, and tangible result” test) that had
engendered confusion in the law; and properly leaves
questions not presented by petitioners’ application, such as the
circumstances under which computer software may be
patented, for resolution in future cases. Further review is not
warranted.

\textit{Id.}

\textit{114. See Lab. Corp., 548 U.S. at 134 (Breyer, J., joined by Stevens & Souter,
JJ., dissenting from dismissal of writ of certiorari).}

As construed by the Federal Circuit, claim 13 provides those
researchers with control over doctors efforts to use that
correlation to diagnose vitamin deficiencies in a patient. Does
the law permit such protection or does claim 13, in the
circumstances, amount to an invalid effort to patent a
“phenomenon of nature?”

\textit{Id. at 134 (internal citation omitted).}

\textit{115. As previously discussed, Judge Rader strongly disagrees with this

the Federal Circuit’s State Street Bank holding that a process could be patentable if it produces a useful, tangible, concrete result. He reflected that such a pronouncement has never been made by the Supreme Court.

To gauge possible outcomes of Bilski, the last few Supreme Court cases to address the scope of §101 are important to consider. In Diamond v. Chakrabarty, a decision from 1980, the Supreme Court held that a live, human-made, genetically engineered bacterium capable of breaking down crude oil was a patentable subject matter. The Court examined Congressional intent in adopting §101 to reach the conclusion that inclusion of new technologies (a living organism in this case) within the scope of patentable subject matter was not incompatible with the purpose and intent of §101. The Court warned, however, that its holding “is not to suggest that §101 has no limits or that it embraces every discovery. The laws of nature, physical phenomena, and abstract ideas have been held not patentable.”

Taking the Chakrabarty decision one step further, the Supreme Court in Diamond v. Diehr next addressed whether a physical and chemical process of curing synthetic rubber was patentable subject matter even though a mathematical equation and computer program were used in several steps of the process. In Diehr, a case that perhaps served as the foundation for the Federal Circuit’s reaffirmation of the “machine-or-transformation” test, the Supreme Court reasoned:

Analysis of the eligibility of a claim of patent protection for a “process” did not change with the addition of that term to §101. Recently, in Gottschalk v. Benson, 409 U.S. 63 (1972), we repeated the above definition recited in Cochrane v. Deener, adding: “Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not

assessment. See supra notes 92-94, and accompanying text.
116. Chakrabarty, 447 U.S. at 305,309 (finding that no naturally occurring bacteria had this property).
117. Id. at 309 (citing Parker v. Flook, 437 U.S. 584 (1978)).
118. Diehr, 450 U.S. at 175.
include particular machines.” 409 U.S., at 70.\(^{119}\)

As argued by some of the parties in Bilski, the language – “is the clue to the patentability” – does not seem to mandate that this be the only test capable of delineating the acceptable bounds of patentable subject matter.\(^{120}\) To support their argument, they point to a paragraph from the cited Supreme Court decision in Gottschalk v. Benson:

“It is argued that a process patent must either be tied to a particular machine or apparatus or must operate to change articles or materials to a ‘different state or thing.’ We do not hold that no process patent could ever qualify if it did not meet the requirements of our prior precedents.”\(^{121}\)

This language from Gottschalk v. Benson would seem to suggest

\(^{119}\) Id. at 184 (citation omitted).

\(^{120}\) See Bilski, 545 F.3d at 955 (“Applicants and several amici [including the AIPLA] have argued that the Supreme Court did not intend the machine-or-transformation test to be the sole test governing § 101 analyses.” (footnote omitted). The Federal Circuit answered these concerns by declaring:

[T]he Court explicitly stated in Benson that “[t]ransformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.” And the Court itself later noted in Flook that at least so far it had “only recognized a process as within the statutory definition when it either was tied to a particular apparatus or operated to change materials to a ‘different state or thing.’” Finally, the Court in Diehr once again applied the machine-or-transformation test in its most recent decision regarding the patentability of processes under § 101.

\(^{121}\) Id. at 955-56 (citations and footnote omitted) (underlining added for emphasis). Some contend that the Supreme Court’s underlined language above – “the clue” – is anything but an “explicit” statement.

\(^{122}\) See id. at 956 (quoting Gottschalk v. Benson, 409 U.S. 63, 71 (1972)). Similarly, the Federal Circuit also admits, “[i]n Flook, the Court took note that this statement had been made in Benson but merely stated: ‘As in Benson, we assume that a valid process patent may issue even if it does not meet [the machine-or-transformation test].’ 437 U.S. at 589 n.9 . . . (emphasis added).” Id.
that the Court was not mandating a single central "machine-or-
transformation" test as the only gate keeper for deciding if subject
matter is patentable under §101. Relying upon Diehr, however,
the Federal Circuit reasoned that because "this caveat [the
language quoted above] was not repeated in Diehr when the Court
reaffirmed the machine-or-transformation test . . . , we believe our
reliance on the Supreme Court’s machine-or-transformation test as
the applicable test for §101 analyses of process claims is sound."\textsuperscript{122}
The Supreme Court’s review of Bilski may focus on the analysis of
Diehr, and what impact, if any, Diehr’s failure to "repeat" the
caveat language should have on determining the acceptable
analysis for patentable subject matter.

B. The New Court Dynamic – How Will Justice Sotomayor Affect
the Supreme Court’s Patent Philosophy

An emerging topic with little commentary to date is how newly
confirmed Justice Sonia Sotomayor will impact the Supreme
Court’s view on intellectual property rights and patent
enforcement. Importantly, Justice Sotomayor obtained some
intellectual property litigation experience from 1988 to 1992 in the
law firm of Pavia and Harcourt, where she eventually became a
partner.\textsuperscript{123} Justice Sotomayor also spent several years as a district
court judge in one of the busiest intellectual property courts in the
country\textsuperscript{124} and spent several more years on the Second Circuit,
which is also a hub for copyright and trademark action. Thus,
Justice Sotomayor should bring significant experience to the
Supreme Court; nonetheless, it remains to be seen how her
presence may influence the perceptions of other Justices on the

\textsuperscript{122} Id.
\textsuperscript{123} ADMIN. OFFICE OF THE U.S. COURTS, JUSTICES AND JUDGES OF THE
UNITED STATES COURTS 549 (2002).
\textsuperscript{124} As of November 2008, “the Southern District of New York currently
has forty-four United States District Judges and fifteen United States Magistrate
Judges presiding over the highest civil caseload in the country.” Judges of the
Southern District of New York, http://www1.nysd.uscourts.gov/judges.php (last
visited Nov. 2008). In 2007, the Southern District had 768 new case filings for
“Copyright, Patent, and Trademark” cases. U.S. District Court – Judicial
Caseload Profile, http://www.uscourts.gov/cgi-bin/cmsd2007.pl (last visited
Mar. 9, 2010).
Court.

As a district court judge sitting in the United States District Court for the Southern District of New York, then Judge Sotomayor had several opportunities to tackle complex patent litigation. In one of her last cases as a district court judge, Justice Sotomayor had the opportunity to make a *Markman* ruling in a patent case involving fiber optic transmission lines in a broadcasting system, as claimed in United States Patent No. 4,135,202 ("the '202 patent"). Justice Sotomayor conducted an exhaustive four-day *Markman* hearing and later issued detailed findings of fact and conclusions of law regarding the proper claim constructions. One of the controlling claim terms was "high frequency" as used in the '202 patent. Despite what the defendants argued were disavowals in the prosecution history, Justice Sotomayor nevertheless relied upon the plain meaning of the term and held that the term should not be as narrow as the defendants contended: "[i]nstead, the Court finds that the use of the phrase 'conventional televisions receivers' in connection with 'high frequency transmissions' would have stated to a person skilled in the art that [the inventor] referred to a VHF system operating in at least a range of 54 to 216 MHz." The defendants had sought a dictionary-based construction relying upon statements and amendments made in both the American and Canadian file histories that would have limited "high frequency" to a range of 3-30 MHz. Justice Sotomayor also appears to have readily relied upon expert testimony gleaned during the four-day *Markman* hearing in reaching her final decision.

Because Justice Sotomayor was appointed to the Second Circuit,
she was unable to see this case through and Judge William Pauley III eventually took over. Judge Pauley disagreed with Justice Sotomayor’s claim construction of “high frequency” and he modified her decision in favor of the defendant’s proposed construction – 3-30 MHz. Thereafter, he granted summary judgment of noninfringement based upon the revised construction. The case was then appealed to the Federal Circuit.

As district court judges know, the final say in claim construction lies with the de novo review of the Federal Circuit. In 2003, the Federal Circuit decided the case and addressed the “high frequency” limitation. Summarizing the plaintiff’s arguments, the Federal Circuit wrote:

IPD argues that the district court erred in reconsidering Judge Sotomayor’s construction of the term “high frequency carrier.” Specifically, it asserts that the intrinsic evidence, including the claim language, the specification, and the prosecution history, establishes that “high frequency” encompasses any frequency at which a conventional TV receiver can receive and display a signal. It also contends that the district court erroneously resorted to selected extrinsic evidence, including dictionaries, to construe the term “high frequency.”

Adopting Judge Pauley’s position, the court “agree[d] with

130. Id. at *3 (“This Court exercises its discretion to review the prior Markman construction of the term ‘high frequency,’ and concludes . . . ‘high frequency’ to encompass 3-30 MHz . . . . [S]ummary judgment of noninfringement of the ‘high frequency’ limitation is granted to defendants. . . .”). Apparently, this decision to modify was also based in part on new evidence presented. See id. at *13 (“Based on evidence that surfaced after that decision and on the Federal Circuit’s clarification of the role of extrinsic evidence’s in claim construction, this Court concludes that ‘high frequency’ encompasses the high frequency range of 3-30 Mhz.”).
131. Id. at *66.
133. Id. at 1313-14.
Cablevision that the district court did not err in construing ‘high frequency’ to mean a frequency in the range of 3-30 MHz. The Federal Circuit decision relied upon the now faulty logic of Texas Digital that the proper place to begin the claim construction analysis was to first turn to the dictionary definition instead of the specification. Because Texas Digital’s overemphasis of dictionary definitions was rebuked by the court’s en banc decision in Phillips, perhaps, in hindsight, it was Justice Sotomayor who got this construction right in the first instance while the other four judges were wrong.

The only other decision of note by Justice Sotomayor that the Federal Circuit had opportunity to review was in Refac International Ltd. v. Lotus Development Corp. In Refac, the technology of issue was based upon United States Patent No. 4,398,249 (“the ‘249 patent”), which related to a method of converting a software source code program to object code. In this patent infringement action, Refac alleged that several spreadsheet computer software programs infringed the ‘249 patent. Justice Sotomayor “conducted a bench trial limited to Lotus’s

134. Id. at 1314.
135. Id. at 1315.
136. The Phillips Court rejected the approach endorsed by the Federal Circuit in Texas Digital, where the court limited the role of the specification in claim construction to serving as a check on the dictionary meaning of a claim term. See Phillips v. AWH Corp., 415 F.3d 1303, 1320-21 (Fed. Cir. 2005) (en banc) (“That approach, in our view, improperly restricts the role of the specification in claim construction.”).
138. Refac Int’l Ltd., 81 F.3d at 1578.
affirmative defense of inequitable conduct, and held that the patent was unenforceable on the ground of inequitable conduct, which occurred when the inventors submitted [an] affidavit containing a material omission intended to mislead the PTO into granting the patent. Justice Sotomayor also weighed two other affidavits and found that even though they had omissions, they did not amount to inequitable conduct. Reviewing Justice Sotomayor’s finding of inequitable conduct for abuse of discretion, the unanimous panel of the Federal Circuit affirmed her decision. After laying out a district court’s obligations in deciding inequitable conduct actions and the factors that must be weighed in the analysis, the Federal Circuit commented that Justice Sotomayor, “complied with all these requirements,” and, “[g]iven the court’s thorough evaluation, we cannot conclude that it abused its discretion in deciding that inequitable conduct occurred.” Thus, Justice Sotomayor’s well-reasoned opinion following a bench trial demonstrates that she understands the delicate nuances involved in examining inequitable conduct.

As a district court judge, Justice Sotomayor’s experiences in intellectual property went well beyond patent law. For instance, she tackled cutting edge issues involving copyright, trademark, and trade dress, including one interesting case brought pursuant to §43(a) of the Lanham Act. In Krueger International, Inc. v. Nightingale, Inc., Justice Sotomayor examined whether a manufacturer of metal-frame stacking chairs had “slavishly

139. Id. at 1579.
140. Id. at 1578-79. The Federal Circuit also noted that “[t]he district court carefully evaluated each of the three affidavits.”). Id. at 1579.
141. Id. at 1581-82.
142. See Refac Int’l, Ltd., 887 F. Supp. at 553:
   I recognize the financial hardship the applicants here faced in prosecuting their Patent Application and in maintaining their invention confidential during the patent process. I also recognize that rendering the Patent invalid is a harsh penalty. The rich reward of a seventeen-year monopoly, however, comes at a price. I simply do not accept that [inventors] did not know or did not realize that [affiant]’s prior employment exposure to their Program was a necessary disclosure in his Affidavit.
copied” its competitor’s chair design. In denying a motion for preliminary injunction, she was faced with “one of the most difficult analytical issues in all of trade dress law: how to determine whether a product design is ‘inherently distinctive.’”

As Justice Sotomayor notes, the Second Circuit in Knitwaves, Inc. v. Lollytogs Ltd. adopted a test for product design that abandoned the test used in Abercrombie & Fitch Co. v. Hunting World, Inc. Believing that the Second Circuit’s approach was inconsistent with Supreme Court precedent, Justice Sotomayor declined to follow Knitwaves, declaring:

I believe, however, that this new test is not particularly helpful because it does not clearly address the standards in this area as set by the Supreme Court.

... Moreover, the entire thrust of Two Pesos was to unify the standards for trademark and trade dress, not to balkanize this complex field into yet more subcategories. I agree with the Eighth Circuit’s conclusion that the Supreme Court envisions trade dress as a “single concept” with trademark law requiring a single test for inherent distinctiveness.

Applying the facts of the case in the traditional Abercrombie framework, Justice Sotomayor determined that the plaintiff had a protectable trade dress in its chair because the overall look of the chair was inherently distinctive. Although the plaintiff had established a likelihood of confusion, Justice Sotomayor declined to enter a preliminary injunction based upon the plaintiff’s delay in

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144. Id. at 600.
145. Id. at 601-02; Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996 (2d Cir. 1995); Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976) (outlining the classic test for determining the distinctiveness of a trademark).
147. Id. at 607-08.
seeking the injunction.

In another unrelated case, the Second Circuit took issue with aspects of her Krueger decision, while at the same time implicitly adopting portions of her analysis. In Landscape Forms, Inc. v. Columbia Cascade Co., the court noted:

In [Krueger], however, Judge Sotomayor criticized Knitwaves for requiring courts to decide whether the primary purpose of trade dress is either aesthetic or source-identifying. She rightly observed that trade dress is usually meant to please. If Knitwaves forced courts to decide whether a manufacturer’s purpose was to create either something of beauty or something indicative of source, we agree the task would often prove impossible.

Judge Sotomayor employed the series of questions posed in [Seabrook Foods], to assess whether the design of the Matrix model of high-density, stacking chairs is inherently distinctive. In her discussion, she indicates that the Seabrook “test” is inconsistent with Knitwaves. We disagree.148

Yet, where Justice Sotomayor declined to follow Knitwaves in Krueger for the “inherently distinctive” analysis, the Second Circuit implicitly acknowledged that she made the correct choice. As the court in Landscape Forms reasoned, “[v]ery recently, we distinguished Knitwaves and held that the Abercrombie test will still be applied to measure the distinctiveness of a product’s packaging in trade dress cases under the Lanham Act.”149

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149. Id. at 378 (citing Fun-Damental Too, Ltd. v. Gemmy Indus. Corp., 111 F.3d 993, 1997 (2d Cir. 1997)).
Essentially, the Second Circuit considered and adopted portions of Justice Sotomayor’s approach toward examining “inherent distinctiveness.”

Justice Sotomayor also decided high profile copyright cases at the district court, including the well-publicized *Tasini v. New York Times Co.* case. The plaintiffs, freelance journalists, complained that the defendants, publishers and electronic service providers, infringed the plaintiffs’ copyrights for periodical and newspaper articles when the defendant publishers placed the contents of the periodicals and newspapers into electronic databases and onto CD-ROMs without first securing their permission. The publishers and electronic service providers responded by invoking the “revision” privilege of the “collective works” provision of the Copyright Act of 1976, 17 U.S.C. §201(c). Justice Sotomayor rejected the authors’ contentions that the defendant publishers and electronic service providers had committed copyright infringement by making plaintiffs’ freelance articles available in various electronic formats. She held that the defendants were protected by the privilege afforded the publishers of “collective works.” The Second Circuit disagreed and held “that Section 201(c) does not permit the Publishers to license individually copyrighted works for inclusion in the electronic databases.” The case made its way to the Supreme Court, where the Court also sided with the authors.

The Supreme Court held that the New York Times, in licensing back issues of the newspaper for inclusion in electronic databases, could not license the works of free-lance journalists contained in the newspapers. The Court “conclude[d] that the §201(c)

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151. *Id.* at 805-09.
152. *Tasini*, 206 F.3d at 165 (reversing district court decision).
154. *Id.* at 493-94

When, as in this case, a freelance author has contributed an article to a “collective work” such as a newspaper or magazine . . . the statute recognizes two distinct copyrighted works:
privilege does not override the Authors’ copyrights, for the Databases do not reproduce and distribute the Articles as part of a collective work privileged by §201(c).”\textsuperscript{155} Perhaps this is an issue that could be revisited, however, considering only four members of the Court’s seven member majority still remain and Justice Stevens offered a reasoned dissent.\textsuperscript{156}

Justice Sotomayor also has had the opportunity on the Second Circuit to decide many cutting-edge issues of intellectual property that will likely make her opinion highly valued in future intellectual property cases. One interesting trademark case involved determining, among other things, whether the famous mark “Wet Ones,” for pre-moistened wipes, was confusingly similar to the use of “Quilted Northern Moist-Ones” for the same goods.\textsuperscript{157} Writing for the unanimous court, Justice Sotomayor reviewed each of the eight Polaroid factors\textsuperscript{158} as examined by the district court and determined that no likelihood of confusion existed, despite five of the eight factors weighing in plaintiff’s favor.\textsuperscript{159} The overriding factor that swayed the court was the dissimilarity of the two marks. While just one of several intellectual property cases reviewed by Justice Sotomayor, her opinion was well-reasoned and carefully weighed competing theories.

It may take some time before any shift of the Supreme Court’s view of intellectual property and patent law are noticeable after Justice Sotomayor joins the Court. Her direct trial-level experience in intellectual property matters brings a wealth of experience to the Court. These experiences could make her more influential on the Court in intellectual property cases, such as

\textsuperscript{155} "Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, . . . ." Copyright in the separate contribution "vests initially in the author of the contribution" (here, the freelancer).

\textsuperscript{156} \textit{Id.} at 493.

\textsuperscript{157} \textit{Id.} at 506-24 (Stevens, J., dissenting).

\textsuperscript{158} \textit{Polaroid Corp. v. Polarad Elecs. Corp.}, 287 F.2d 492, 495 (2d Cir. 1961).

\textsuperscript{159} \textit{Playtex Prods.}, 390 F.3d at 166-67.
Bilski. Perhaps Justice Sotomayor will not be as quick to overrule bright-line tests designed by the Federal Circuit that are meant to aid the district court in the difficult task of deciphering the most complex technologies. Justice Sotomayor may, however, adopt the current philosophy of the Supreme Court in rejecting “overly formalistic” types of analysis by the Federal Circuit.160 Perhaps, after seeing the impact of the Federal Circuit’s de novo review in claim construction and after sitting through four-day Markman hearings where all evidence is faithfully weighed, she will advocate a more deferential standard of review for a district court’s claim interpretation161 — a standard that perhaps recognizes that “a claim should be interpreted both from the perspective of one of ordinary skill in the art and in view of the state of the art at the time of invention,” which are both “inherently factual determinations.”162 Regardless of her views, Justice Sotomayor’s extensive trial and appellate experience with diverse intellectual property matters should aid the Supreme Court in its adjudication of patent and other intellectual property matters.163


161. See, e.g., Phillips v. AWH Corp., 415 F.3d 1303, 1330 (Fed. Cir. 2005) (en banc) (Mayer, J., dissenting) (“Now more than ever I am convinced of the futility, indeed the absurdity, of this court’s persistence in adhering to the falsehood that claim construction is a matter of law devoid of any factual component.”).

162. Id. at 1332. See also, Fed. R. Civ. P. 52(a)(6) (“Findings of fact, whether based on oral or other evidence, must not be set aside unless clearly erroneous, and the reviewing court must give due regard to the trial court’s opportunity to judge the witnesses’ credibility.”).

163. See, e.g., Storey v. Cello Holdings, L.L.C., 347 F.3d 370, 393 (2d Cir. 2003) (vacating the judgment of the district court and remanding for proceedings under § 1114(2)(D)(v) to determine whether registration and use of the domain name “cello.com” is lawful under the Anticybersquatting Consumer Protection Act); Mattel, Inc. v. Barbie-Club.com, 310 F.3d 293 (2d Cir. 2002) (affirming district court dismissal of toy manufacturer’s action filed under Anticybersquatting Consumer Protection Act because domain names’ registrars were not located within the judicial district, so district court did not have in rem jurisdiction over them); Specht v. Netscape Commc’ns. Corp., 306 F.3d 17 (2d Cir. 2002) (affirming judgment denying defendants’ motion to compel arbitration of internet users’ class action lawsuit alleging that their privacy was
C. Long Term Impact of the Supreme Court’s Views on American Innovation

For better or worse, after giving the patent bar a reprieve during the 2008 term, the Supreme Court has decided once again to take an active approach in determining patent policy. By granting certiorari in Bilski, the Supreme Court will make its first pronouncement on the proper scope of patentable subject matter since its Diamond v. Diehr decision in 1981. The Supreme Court may generally view this decision as better left to Congress. Unfortunately for the Court, its plea to Congress to set the bounds of §101 after carefully weighing national policy concerns has fallen on deaf ears for over thirty-five years.164 Certainly, this decision will have immediate and lasting impact on certain American industries, such as e-commerce. The decision could even reach software patents. Regardless of this particular outcome, the patent law community remains divided: some believe that the Supreme Court’s scrutiny in patent matters will help spur innovation by curbing trivial patents, while others assert that a stable patent regime, brought about by the Federal Circuit, is the best way to motivate innovation.165

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164. Gottschalk, 409 U.S. at 73.

If these programs are to be patentable, considerable problems are raised which only committees of Congress can manage, for broad powers of investigation are needed, including hearings which canvass the wide variety of views which those operating in this field entertain. The technological problems tendered in the many briefs before us indicate to us that considered action by the Congress is needed.

Id. (footnotes omitted).

165. Dreyfuss, supra note 59, at 793 (As noted by Dreyfuss, it may be that “if the court makes patent law more stable, patents increase in value; if patents become more valuable, innovation becomes a more attractive investment and
Criticisms of the American patent regime are nothing new. Reminiscent of Justice Douglas's admonishment in 1950 that "[t]he patent involved in the present case belongs to this list of incredible patents which the Patent Office has spawned," recent comments of the current Justices have likewise warned of the "potential vagueness and suspect validity" of some of "the burgeoning number of patents over business methods" by stating that "sometimes too much patent protection can impede rather than 'promote the Progress of Science and useful Arts.'"166 Perhaps the cyclic nature will again repeat in fifty years, when weighing the validity of a patent, yet another Justice acts with dismay as a flimsy and spurious patent is brought before the Court. Most likely, however, the technology of that patent will be something unfathomable for today's top innovators, just as e-commerce was unimaginable to Justice Douglas in 1950.

The interface between the Supreme Court and the Federal Circuit will continue to be an important relationship – a relationship that will define the bounds of the patent landscape and impact our economy to no small degree. Our current economy – as in all highly developed countries – depends on advanced technology and thrives through innovative research and development. As President Obama recently envisioned:

[W]e need to recapture the spirit of innovation that has always moved America forward.

... [T]hat means investing in the research and development that will produce the technologies of the future – which in turn will help create the industries and jobs of the future.

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166. See Gregg, supra note 8, at 610 (quoting Great Atl. & Pac. Tea Co., 340 U.S. at 158).

167. See Lab. Corp., 548 U.S. at 126-27 (Breyer, J., joined by Stevens & Souter, JJ., dissenting from dismissal of writ of certiorari) ("[S]ometimes too much patent protection can impede rather than 'promote the Progress of Science and useful Arts,' the constitutional objective of patent and copyright protection." (citation omitted)).
Innovation has been essential to our prosperity in the past, and it will be essential to our prosperity in the future. . . . All it takes are the policies to tap that potential – to ignite that spark of creativity and ingenuity – which has always been at the heart of who we are and how we succeed.\textsuperscript{168}

While the United States can hopefully strengthen its manufacturing base, its future still heavily relies on developing and manufacturing the most sophisticated advanced technologies, as President Obama recognizes. Some of these technologies were not even comprehensible when the Patent Act was adopted, yet the courts must find a way to tailor today’s law to address tomorrow’s emerging innovations. The President’s vision is clear and ambitious, yet whether the patent laws of the United States are a catalyst for achieving prosperity is far from decided. The Supreme Court’s recognition of a strong (although rational) patent system is critical to supporting future economic growth and realizing the potential of American innovation.
