FLAWED OR FLAWLESS: TWENTY YEARS OF THE FEDERAL CIRCUIT COURT OF APPEALS

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ABSTRACT

A common complaint among patent practitioners is that the Court of Appeals for the Federal Circuit does not provide the predictability needed in patent law. The author suggests that a better question is whether the Federal Circuit provides more predictability than the alternative, the regional circuits. The choice is clear, the Federal Circuit provides greatly enhanced predictability compared to the regional circuits and patent practitioners should be thankful for what they have, and do not have.

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Judge Richard A. Posner, writing for the Court of Appeals for the Seventh Circuit (hereinafter "Seventh Circuit") in *Roberts v. Sears, Roebuck & Co.*,[2] stated:

> A patent confers a monopoly . . . and so reduces consumer welfare. The framers of the Constitution . . . would not have wanted patents . . . where the invention would have been made anyway . . . . [The inventor] Robert's contribution . . . was genuine, but . . . it would have been made anyway . . . . The judgment [of infringement, validity and $5 million in damages] is reversed . . . .

The Seventh Circuit, sitting *en banc* in *Roberts v. Sears, Roebuck & Co.*,[3] overruled:

> [W]e hope to leave the [patent] field in good standing. . . . We note that whether a patent is equated with a monopoly . . . is important only insofar as the equation [of the words "patent" and "monopoly"] produces an economic analysis in direct conflict with the [patent] statute . . . . We . . . remand . . . to the district court . . . .[4]

Judge Posner, concurring and dissenting in and to the *en banc* decision, said in response:

> [I]f a court thinks an invention . . . would have been made as soon . . . as it was made even if there were no patent laws, then it must pronounce the invention obvious . . . . The language of economics is . . . the natural language in which to articulate the test for obviousness.[5]

Some years later, a National Law Journal article suggested that the Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit") was not providing the predictability patent law needed. The article stated "many members of the intellectual property bar . . . accuse the . . . court of unpredictability, claiming that . . . results are often panel-dependent . . . ."[6]

The Federal Circuit was founded in 1982,[7] and has now existed for twenty-plus years. In that time, it has garnered mostly vocal critics and silent advocates. As in the referenced National Law Journal article, the Court's curent critics accuse it of the

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[1] The views expressed are those of the author and not necessarily anyone else.

[2] 697 F.2d 796, 796 (7th Cir. 1983).

[3] 723 F.2d 1324 (7th Cir. 1983) (en banc) (recognizing that the Court of Appeals for the Federal Circuit would apply its own law in the future but unwilling to let the test for obviousness depart from the statute to the degree suggested by the original panel decision).

[4] *Id.* at 1331.

[5] *Id.* at 1344-48 (Posner, J. concurring and dissenting).

[6] Victoria Slind-Flor, *Federal Circuit Judged Flawed*, NAT'L L. J., Aug. 3, 1998.

[7] Pub. L. No. 97-164, 96 Stat. 25 (1982).

very thing it was intended to cure: inconsistency in the field of patent law, by way of results that vary with the varying composition of the Court's three-judge panels.[8]

In taking the measure of the Federal Circuit's first twenty years, however, it matters little whether the Court's *opinions* have shown some inconsistencies. The vital question is a different one, and one of focus, and of comparison. The vital question is this: have the Court's *decisions,* not its opinions, had inconsistency, not of *any degree,* but of a degree *better or worse* than the only known alternative, *the regional circuits*? The answer is that the Federal Circuit has generated an admirable, essentially consistent and beneficial body of patent law well suited to the Court's mission, to the astonishing technological progress of the Court's first twenty years, and to the 21st century.

The Court's advancements in the patent law have been exactly the stabilizing and progressive advances the patent law needed. The Court has stabilized and advanced the patent law as to many topics, including claim interpretation[9], the tests of infringement[10], the factors for enhancing damages[11], the validity issues of anticipation[12] and obviousness[13], and the plague of inequitable conduct charges[14], among others. Compared to the potential divergence in the regional circuits and divergence from precedents that some regional circuits would have brought to the patent law[15], the Federal Circuit has been a snug harbor for patent law against the gales of judicial activism loose in the present federal judiciary. Instead of a patent law driven far from Congressional intent by the hard blows of analytical constructs such as those of Judge Posner, assertedly "one of the great legal minds of the 20th century,"[16] the patent law has been sheltered and tended. The patent law thankfully

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[8] Slind-Flor, *supra* note 3. Interestingly, Justice Stevens has weighed in with the opposite thought – that the Federal Circuit may have become too consistent. Holmes Group Inc. v. Vornado Air Circulation Systems Inc., 535 U.S. 826, 838-39 (2002). In *Vornado,* the United States Supreme Court held that "[n]ot all cases involving a patent-law claim fall within the Federal Circuit's jurisdiction." *Id.* at 834. In concurrence, Justice Stevens stated that "occasional [patent] decisions by [regional circuit] courts [are needed to] provide an antidote to the risk that the [Federal Circuit] may develop an institutional bias." *Id.* at 839.

[9] *See* Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*) (holding that claim construction was a matter of law to be review *de novo*).

[10] *See* Roche Prods. v. Bolar Pharm. Co., 733 F.2d 858, 862-63 (Fed. Cir. 1984) (holding that the experimental use exception was "truly narrow").

[11] Read Corp. v. Portec, Inc., 970 F.2d 816, 826-28 (Fed. Cir. 1992) (citing *Rite-Hite Corp. v. Kelly Co.*, 819 F.2d 1120 (Fed. Cir. 1987)).

[12] Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555 (Fed. Cir. 1991).

[13] MGinley v. Franklin Sports, Inc., 262 F.3d 1339 (Fed. Cir. 2001).

[14] Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 872 (Fed. Cir. 1988).

[15] *Compare* Fred Whitaker Co. v. E.T. Barwick Industries, Inc., 551 F.2d 622 (5th Cir. 1977) (determining validity of patent based on hindsight reconstruction) *with* Armco, Inc. v. Republic Steel Corp., 707 F.2d 866 (Fed. Cir. 1983) (allowing presumption of validity to aid patentee).

[16] Judge Richard A. Posner is and was a judge of the Seventh Circuit. Adam Cohen, *Meet the mediator*, CNN.COM, *at* http://www.cnn.com/ALLPOLITICS/time/1999/12/06/microsoft.html (last visited April 8, 2003). He has a "jaw-dropping" resume. *Id.* He "teaches law at the University of Chicago," and is assertedly "one of the great legal minds of the 20th century." *Id.* Moreover, "Posner famously suggested that the adoption system might be improved by allowing babies to be sold." *Id.* "And he has written that whether abortion should be banned can be evaluated by some mathematical formula in which V is the value of a fetus' life and N is the average number of abortions that would be performed without a ban." *Id.* He is a "leader of the law-and-economics

does not have "the invention would have been made anyway," or "would have been made as soon . . . as it was made even if there were no patent laws" as a standard of patent law for measuring patent validity. These are the standards at least one panel the Seventh Circuit would have had the patent law have for these past twenty years, as seen above in *Roberts v. Sears*. Those critics who condemn the Court's first twenty years should step back in order to determine whether the law would have been better served by analyses like the ones above -- analyses that damned patents as monopolies and claimed to elite powers the right to condemn genuine inventions from patent protection by speculations that the inventions would have been made even without patent laws. The author submits we are all better for what we have, and for what we have not.

While it is a fact that panel decisions of the Federal Circuit have at times been in conflict with each other, the Court has acted *en banc* to cure its panel conflicts. The most notable recent panel conflict was the one between *Maxwell v. J. Baker, Inc.*,[17] and *YBM Magnex, Inc. v. Int'l Trade Comm'n*,[18]. *Maxwell* held that disclosed, unclaimed subject matter in patent applications is dedicated to the public.[19] *YBM Magnex* held that such subject matter is not dedicated.[20] The conflict was cured, however, in *Johnson & Johnston Associates Inc. v. R.E. Service Co.*[21] Moreover, the matter was cured before *Johnson & Johnston* for all later cases by the longstanding Federal Circuit rule that earlier Federal Circuit panel decisions control as against later Federal Circuit panel decisions.[22] Thus, any conflict was cured for later cases as soon as the later *YBM Magnex* opinion issued. By virtue of Federal Circuit rule, *Maxwell* controlled as against *YBM Magnex*.[23]

Again, the question is not whether the Federal Circuit has panel conflicts. The question is whether, in its panel conflicts, the Federal Circuit has created more uncertainty than the patent law would have had in the regional circuits, which also would have had panel conflicts, some of which, perhaps , might have been the result of analysis "in direct conflict with the [patent] statute."[24] Given decisions like the panel decision in *Roberts,* the answer is clear. The Federal Circuit's panel conflicts pale in comparison to the conflicts that the patent law had before creation of the Court, and the conflicts the law would likely now have if left to the regional circuits.

If the Federal Circuit is to be judged flawed or flawless, with no other choice available, the choice should be that the Federal Circuit is flawless. If the choice is to admire the body of patent law precedent now established for the nation, or yearn for the decisions of regional circuits including Judge Posner's law-and-economics school

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school." *Id.* "'Labels are meaningless,' insists University of Chicago Law School Dean Daniel Fischel. 'He's completely unpredictable in his views.'" *Id.*

[17] 86 F.3d 1098 (Fed. Cir. 1996).

[18] 145 F.3d 1317 (Fed. Cir. 1998).

[19] *Maxwell,* 86 F.3d at 1107.

[20] *YBM Magnex*, 145 F.3d at 1321-22.

[21] 285 F.3d 1046 (Fed. Cir. 2002) (*en banc*) (holding that subject matter disclosed but not claimed is dedicated to the public).

[22] *See* Vas Cath Inc. v. Mahurkar, 935 F.2d 1555, 1563 (Fed.Cir. 1991) ("[W]e note that decisions of a three judge panel of this court cannot overturn prior precedential decisions.").

[23] The question is still unanswered as to whether the Federal Circuit holding in *Maxwell* and *Johnson & Johnston* holding was inconsistent with Supreme Court precedent. *See Johnson & Johnston*, 285 F.3d at 1065-66 (Newman, J., dissenting).

[24] Roberts v. Sears, Roebuck & Co., 723 F.2d at 1324, 1331 (7th Cir. 1983).

and its ilk, the choice is plain. The Federal Circuit is far better suited to handle the needs of patent law, now and for the discernable future. As said of democracy, the Federal Circuit may not be the best form of government – but it is certainly better than all the other available alternatives.[25]

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[25] "Many forms of Government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of Government except all those others that have been." Winston Churchill, DEMOCRACY.RU, *available at* http://democracy.ru/english/quotes.php (last visited April 8, 2003)