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Panel Discussion: Specialized Courts: Lessons from the Federal Circuit

The Federalist Society for Law and Public Policy 2008 National Lawyers Convention

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**PANEL DISCUSSION: SPECIALIZED COURTS:
LESSONS FROM THE FEDERAL CIRCUIT**

The Federalist Society for Law & Public Policy 2008 National Lawyers Convention *

Proceedings**

JUDGE RADER: I am Randy Rader. In my highest calling, I teach patent law at George Washington University.

We have three magnificent scholars and friends of mine who are going to address a topic of great interest. Let me introduce them just to start out. We have Don Martens, who is the signature lead partner of his firm and an outstanding member of the patent bar. He is from Knobbe Martens Olson & Bear LLP on the West Coast. Scott Kieff is a professor at Washington University in St. Louis and has been the chairman of this section at least once, maybe several times. I have lost track. But he is one of our leaders. Maybe the brightest of all is Arti Rai, who is a professor at Duke University and is just an outstanding contributor in all areas of intellectual property law.

Let me start our topic today with a quick story that I used to think had very profound views on this question of specialized courts and their value. I got this lesson at a Federal Judges Association dinner. I was on the executive committee, and we were sitting having dinner with -- I was probably with twenty district judges sitting at a large, round table. In my enthusiasm, I said, let me ask you all a question: Would it not be wonderful - I think I said it with that sort of enthusiasm - would it not be wonderful if we could assign one district court perhaps in each region to handle all the patent cases? They would gain expertise in the law and in the science and everything should work far easier, and it would take a load off of many of you. I expected a warm response. I just about lost my left hand, if not my right too.

They started one at a time, taking after me, saying absolutely not. You cannot take my patent cases away. I am a generalist judge. I can do any kind of law. After you take the patent law cases, you will take the antitrust cases, and then maybe the copyright cases? And you will

* The panel consisted of Professor F. Scott Kieff, Washington University School of Law and School of Medicine Department of Neurosurgery, who is also a Senior Fellow at Stanford University's Hoover Institution on War, Revolution, and Peace; Mr. Don Martens, Knobbe Martens Olson & Bear LLP; Professor Arti K. Rai, Duke University School of Law; moderated by the Honorable Randall R. Rader, United States Court of Appeals, Federal Circuit.

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leave me doing nothing but sentencing and immigration, right?

(Laughter.)

JUDGE RADER: Absolutely not. I was left hanging on my own words. And that becomes maybe the challenging question I would put to my colleagues as they rise - or they are not going to rise; they are going to speak from here - as they speak, I would ask them is the ***318** specialized court system at all consistent with our American jurisprudential tradition? How would you respond to my district court colleagues, who were unanimous by the way, in their opprobrium for this kind of an idea?

I think each one of our panelists will speak for ten minutes or so, and then we will open it up to questions. Let's start with Don Martens, then Scott Kieff, and finally Arti Rai.

Don.

MR. MARTENS: Thank you very much, Judge. The title today is "Specialized Courts - Lessons from the Federal Circuit." But I kind of want to set that up and put it in context by giving a little history, what were the problems that caused the Federal Circuit to be formed, and then look at, have those problems been alleviated by the Federal Circuit.

In the '70s, the regional circuits were widely variant in the way they looked at patent cases. Some of them were notoriously pro-patent, and some of them were notoriously anti-patent. As a result, the patent case decisions depended upon geography as much as on the merits. I was trying cases at that time principally on the west coast and in the Ninth Circuit where there almost was no law at the time. The Ninth Circuit was one of the notoriously anti-patent courts.

So, first, forum shopping became rampant. Patent owners did not have any confidence in their patent right until they knew where it was going to be litigated, and competitors had the same problem in deciding whether or not they had a freedom to operate. Until they knew where it was going to be litigated, they did not know. Patent decisions were inconsistent and unreliable.

At the same time, the early stages of the transition to a global economy were occurring in the '70s, and there was a great fear among economists and in Congress that the United States

was losing its innovative edge. The concern was that we were going into a global economy and the U.S. was going to lose out. There was a perception that research and development was not being done by U.S. companies; they were forgoing it because of the unreliability of the patent system.

I know I spent a lot of time then talking to clients, not about how to enforce their patents, but whether it was worth getting patents at all, whether it was worth the investment in getting patents because of the way they were being treated in courts and because of the uncertainty of how they'd be treated in the courts.

There was a lot of debate at that time about how to solve this problem, and pretty soon the focus came to a national court for patent appeals. But there were a lot of concerns about specialty courts, as Judge Rader expressed. And those concerns principally revolved around isolation of the judges from the general jurisprudence, tunnel vision, possible pro-patent bias of the court, and possible difficulty in attracting judges from various backgrounds rather than just from the patent bar.

So the solution Congress adopted was to give the Federal Circuit jurisdiction over other areas of law in addition to patents. In fact, if I can quote from the Senate report, the Senate report says, "The Federal Circuit will not be a specialized court as that term is normally used [I]t will have a varied docket spanning a broad range of legal issues The judges will have no *319 lack of exposure to a broad variety of legal problems."¹ Now, of course, we know patents were the reason that the court was formed and patents do, in fact, form the largest part of their docket. But, nonetheless, the intent was that it not be specialized; that it have some exposure to other areas of the law and the broader jurisprudence.

Now, how has the Federal Circuit done in overcoming these problems? Forum shopping, first of all, immediately after the Federal Circuit was formed, really dropped off. There was no reason to worry about which appellate court was going to be handling a case, so it dropped off. It has come back now to a degree as patent owners rushed first to the Eastern District of Virginia's rocket docket, then to Delaware, and now to the Eastern District of Texas. But forum shopping is, I can say, nowhere near the problem today that it was in the '70s - not even close.

In terms of the strength of patents, the court has greatly strengthened patents - especially in the validity and remedies areas. I lived through that transition, and in my view, the

¹ S. Rep. No. 97-275, at 6 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 16.
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Federal Circuit saved the patent system from becoming essentially irrelevant because, in my view, it was going into the tubes. Yet, the Federal Circuit has balanced its pro-patent decisions on validity and remedies with its decisions on infringement and inequitable conduct, Section 112,² and areas of law where it would be hard to categorize the Federal Circuit as pro-patentee.

In terms of attracting judges, the court has attracted a highly diverse and highly competent group of judges from diverse backgrounds, and I do not see tunnel vision as a real problem. Now on the other hand, the court has tended to be very formalistic, and it has been criticized a lot for that. They often develop bright line rules, which sometimes substitute certainty for equity. But certainty was one of the things that the Federal Circuit was formed to improve. So, a certain degree of certainty is desirable and necessary. And the Supreme Court has been more than willing to step in when they saw bright line rules that they thought were getting too specific and too far away from the policy behind the patent laws.

Reliability and predictability have been greatly improved by the Federal Circuit. There are still a lot of issues that are panel-dependent. Even though the court will not openly admit that, I think all practitioners think there are a lot of issues that are still panel-dependent - most notably claim construction. But generally, on most issues, the court is receptive to sitting en banc and resolving differences to the best they can. They still cannot resolve the differences in the way a particular judge might approach application of the law to the facts, but certainly they can resolve differences in the rule of law and have been willing to do that. The Supreme Court has stepped in where the Supreme Court thought it was necessary to do it.

It is interesting, the concern when the court was formed was that there wouldn't be enough diversity of views among the judges in a specialty court. It turned out, I think, to be more diversity of views than anybody expected and the court received a lot of criticism for the diversity of views. So, sometimes you should be careful what you ask for.

In sum, no institution is perfect, but I think the Federal Circuit has done a very good job and has been a successful model. I do think it is time to make some other institutional changes. One of those is the type that the Judge Rader talked about. The average district court judge, even *320 though they like their total fraud docket, tries a patent case every six or seven years. They do not have much opportunity to get experience or education. They have no particular training that trains them for handling patent cases. They are faced with conflicting opinions of technical experts, probably neither of which they are able to understand. There has to be a

² 35 U.S.C. § 112 (2006).

better solution. I think Judge Rader is correct. Judges do not want to have things carved out for them, but I think there has to be a better solution.

In the last Congress, Congressman Issa submitted a bill proposing a pilot program for having district court judges who take the load of patent cases in that district - it is a complicated proposal, and I will not go into the details right now.³ But essentially, in the bigger districts and the busier patent districts, it would be a pilot program, and judges would have the opportunity to opt in or opt out of patent cases.⁴ If they opted in for patent cases, all patent cases in that district would be transferred to them unless the judge to which they were originally assigned wanted to keep them.⁵

So, the theory is that the judges would handle a lot of patent cases, but that there would be enough judges in any district handling them that the patent cases would still only be about maybe a third of their docket. These judges would have the general jurisprudence, round visibility, and the rounded look at other areas of law.

The other place I think that we need institutional changes is at the Patent and Trademark Office (“PTO”). The PTO is in a real crisis. They simply cannot handle the volume of pending patent applications, and they cannot do an adequate job of examining them. I think it is not practical to think that we are going to cure that situation. But we can improve it. They need more resources. They need to find ways to improve. But, in addition, they have to augment the patent examining system with a post-grant opposition proceeding. There have been plenty of proposals for that in Congress recently. Supplementing a good examination process and supplementing a good core process is a solution that sort of fills a niche in the middle - a lower-cost way of getting rid of the patents that are clearly or easily invalidated.

In sum, the Federal Circuit and these two institutional changes go a long way to making a very good patent system. You are going to hear more radical proposals, I think, from my two panel members here. But this sort of a middle-of-the-road approach, I think, will work very well.

JUDGE RADER: Thank you, Don.

³ H.R. 34, 110th Cong. (2007).

⁴ *Id.*

⁵ *Id.*

Scott.

PROFESSOR KIEFF: So, I think we will probably end up fighting with each other over “middle” -

(Laughter.)

*321 PROFESSOR KIEFF: - because I think probably each of us has in our own minds the view that our positions are middle in some way.

I think that when you think about the details of a legal institution: the rules that we are going to set up and then their enforcement characteristics, I think it is important then to start asking ourselves what are the types of decisions we, society, want made. And we are going to muck them up all the time. We are going to be over-inclusive; we are going to be under-inclusive. We are going to make both types of errors, and they will be unavoidable to some extent.

We should also be vigilant about the costs of those errors, which include not just their frequency, how often do we make them, but how bad of a position do they leave us in when we make them. Can we shoulder some of those errors even if they are frequent, for example.

So, then we should ask ourselves what is the information that decision-makers and decision-making bodies need to get in order to make a kind of good decision.

I want to, I think, make the argument that the patent system is just fundamentally different from other administrative regulatory systems. I think that questions about health and safety, environment and maybe even market regulation are questions about kind of expert judgment. Questions about patent validity, I think are, at bottom, questions of fact. Either my lab notebook is dated before yours or it is not. I am either adding ink to the lab notebook page to forge it or not. That student thesis is available on a library shelf at Reed College, to take a famous case, or at the University of Freiburg, you know, a foreign country’s library, to take a second famous case.⁶ It is either there or it is not, and it either was available on a particular date or it was not.

Now I do not think there is an über examiner in the world who can go to every college library or go to every world library and depose every librarian and find that information. So, I

⁶ See *In re Hall*, 781 F.2d 897, 898-900 (Fed. Cir. 1986); *In re Cronyn*, 890 F.2d 1158, 1161 (Fed. Cir. 1989).
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think the information needed to assess patent validity is really pure-play factual information. We have an organization in this country that is developed carefully to decide questions of fact, and while it sounds crazy to submit to a lay jury a seemingly complex technological question involved in patent cases, we do because they are good at finding facts. And it is no different to decide whether, on the facts, I was first or you were first than it is to decide whether I pulled the trigger or not in a murder case, or whether, you know, your car hit mine in a tort case.

And so, I think that the real underlying questions in the first instance of patent validity are questions of fact. And the best place to adjudicate those are before general federal courts, applying the Federal Rules of Civil Procedure, having Federal Rules of Evidence govern the admissibility of the evidence, and having juries, when requested, decide them. This leaves appellate courts to review the fact-finding under the highly deferential standard of substantial evidence when the lower court decision was by a jury, under the somewhat deferential standard when the fact-finding was by a trial judge, and of course the less deferential standard of *de novo* for questions of law.

***322** And so, I think that then, on appeal, the case for the specialization goes up a little bit, and I applaud it. I do think that the discussion of the Federal Circuit's history and the way it has played out is accurate, and so I ask you to allow me to incorporate that discussion herein by reference, to use a patent law term, and move on then to the next topic.

The next topic is to ask about specialization within a federal *trial* court. You know, if there are ten judges in a particular district, and three of them like patent cases, I see no problem with that degree of specialization.

What I am nervous about is formal specialization in the trial court system or in the administrative agencies - specialization of the type that would require administrative deference. I think that that administrative deference opens up the door to people who think that they are experts, substituting their personal preferences and judgment, the type of which can be hugely influenced by politics, for fact questions. So we inject another type of error into the system: pure-play political influence and lobbying. That converts the patent system from a system designed to facilitate competition to one that actually frustrates competition by being a tool for political influence - which is of course more within the domain of the large established players than of the smaller market entrants.

Now, I am not making the argument that all regulatory bodies are corrupt. I am only making the argument that we in society rationally choose to bear the potential for that type of

influence in bodies of law where we are rationally and knowingly choosing to say to ourselves, this is really about expert judgment; so in this area of law, we want an administrator to be making decisions, and we want her to get Administrative Procedures Act (“APA”)⁷ deference and *Chevron*⁸ deference. But I think we should recognize that we bear these costs because we are getting that benefit, and I do not think that benefit is available in the patent system because it is fundamentally a different question that we are asking ourselves.

So, I think that, then, on the last question about a second look, a hard look, gold-plated, or other different ways to review patents including opposition, re-examination and so forth - I think that we have, fundamentally, a set of concerns. You want people who were facing the threat or presence of litigation to be able to get out of those cases if there is no genuine issue of material fact or no ability to state a claim upon which relief can be granted. For those of you who memorize your civil procedure, you notice that we have baked all of that into the Federal Rules of Civil Procedure with motions to dismiss and motions for summary judgment, as we have baked into the Federal Rules of Civil Procedure similar rules governing joinder and issue and claim preclusion so that you do not get held up in repetitive process.

And so, I think that reproducing an adjudicatory system through second look/third look/hard look, etc, in fact puts us back in the world before the Federal Rules of Civil Procedure, where we did not have highly developed mechanisms for mitigating those concerns that both sides of the potential V in fact do have. So, the Federal Rules of Civil Procedure do a nice job of dealing with those issues.

***323** My response is to say, if you advocate second look and other approaches because you think that one size does not fit all in the patent system, I cannot possibly believe you think one more size will do the trick. Right? So, second look is not to be that much better than single look.

What is nice about the Federal Rules of Civil Procedure is it is an infinite number of sizes.

Thanks.

JUDGE RADER: Thank you, Scott.

⁷ 5 U.S.C. §§ 501 *et seq.* (2006).

⁸ *Chevron, USA, Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-45 (1984).
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Arti.

PROFESSOR RAI: So, first, I want to thank the folks at the Federalist Society for inviting me. This is a wonderful panel, and I will be very brief in the interest of getting to the good part, which is the discussion with the audience and among the panel members.

So, Scott and Don have already alluded to the role of administrative agencies. I actually teach administrative law in addition to teaching patent law, and my background as a litigator was at the Department of Justice, where I worked defending administrative agencies. So, I am glad that we have engaged the questions of administrative law already.

Now, whether patents should be within the boilerplate administrative law system or not is a good question that I will talk about a little bit more in a moment. I may differ with Scott a little bit on that question. But as many of you probably know, from the perspective of boilerplate administrative law, specialization and expertise are generally the province of administrative agencies, and then they are reviewed with various levels of deference by generalist courts.

Deference is particularly acute in the administrative law system on questions of fact-finding and on so-called mixed questions of fact and law; the idea there being that facts are the sorts of things that agencies do a particularly good job on because they have the expertise, on scientific facts in particular. And I think this is where Scott and I may differ a little bit. I am not sure that the facts in the patent system are not primarily the facts of the sort that he is talking about of, you know, what date stamp a particular lab experiment had. In addition to those sorts of facts, we often have to deal with much more complex fact-finding that does require the application of judgment.

So, what is the ordinary skill in the art in a particular area of science or technology? What would be obvious to the ordinary person having ordinary skill in the art? I do not think that the average lay jury is going to do that particularly well in most areas of complex science and technology, whether it be nanotechnology or synthetic biology or what have you. So, I think that there are reasons to think that the boilerplate administrative model, at a very high level of 35,000 feet, does have some application to patent law, that patent law is not that different from some of the complex fact-finding regarding epidemiology or what have you that might be done by the Environmental Protection Agency (“EPA”) or the Food and Drug

Administration (“FDA”).

Now, an argument that has not been raised yet, but I think is an interesting one is that patent law is different and shouldn't follow the ordinary administrative model because patents are ***324** property rights. And as a consequence of that, the work of the PTO is fundamentally different from that of other agencies. Scott has alluded to this a little bit by suggesting, we do not want the system to be subject to the whims of different administrations, to political pressure, and to what is often termed in the administrative law literature the problem of capture by well represented special-interest groups - particularly because we are talking about property rights which are perhaps different from what most other agencies deal with.

I think that is an interesting argument, but there are two responses that I would have. First of all, I am not entirely sure that patents are the sort of Blackstonian property rights that some people think that they are. And then secondly, other agencies also allocate things that look a lot like property rights, whether it be rights to broadcast on a particular piece of spectrum or a lot of different types of allocations that could be, if one has a relatively capacious view of what property is, considered property.

In addition, viewing patents as a property right is even more reason to give an agency, which is the first actor in the system, more of the power, because we want certainty and notice and predictability with respect to property rights. So, if we want really, really early certainty and predictability, a good agency can provide that better than a court system which necessarily acts *ex post* rather than *ex ante*.

So again, on the 30,000 feet level, one might think, well, you already have an agency. It is not immediately obvious that we shouldn't do more to strengthen the agency as opposed to having more specialization in the court system. But that, of course, is at a 30,000 feet level. Historically, as people on the panel well know, the PTO has not been viewed as so competent. It has been viewed as a weak agency that has a lot of problems, and I think accurately so. So, the idea is, then, that it would be foolhardy to give them a lot of power and deference, even in the area of fact-finding, where agencies generally get a lot of power and deference.

So, as a practical matter, the real work of both fact-finding and legal development has been done by the courts. And as Don pointed out, when the evidence suggested that appellate courts were taking divergent views on the legal questions, there was perceived to be a need to get more certainty and predictability through specialization in the courts rather than, for example, enhancing the power of the PTO and having all courts then defer, which would be

another way of getting certainty and predictability early on.

In other systems, we have specialization in the court system as well, so it is not an entirely strange idea to have specialization in the court system within patents. However, in other countries, it is typically done at the trial court level, with generalist courts then deferring to what the specialized trial court has done, and that yields a slightly higher, earlier level of certainty and predictability because the trial court obviously comes before the appellate court.

In the UK system, there is some empirical evidence that having a specialized trial court then reviewed by a generalist appellate court does provide some level of certainty and predictability a little bit earlier on. Also the generalist court does defer to a significant degree to the specialized trial court. Now, in these sorts of comparisons to other countries, one has to be careful because we are talking about very different systems. But it is interesting that in the UK ***325** system, the specialized trial court seems to have been perceived as a modest success, even when it is reviewed by a generalist appellate court.

What we have in the U.S. obviously is the reverse. We have specialization at the appellate level. When you have a specialist appellate-level court, they are going to be less likely to use the ordinary rules of civil procedure and rely upon them to defer on questions of fact-finding, for example, defer to the trial court on questions of fact-finding. But as a consequence, certainty and predictability are sacrificed, even though the Federal Circuit was set up to create certainty and predictability.

By definition, if fact-finding is not something that the appellate court defers on, you are not going to get certainty and predictability until the appellate court weighs in, which is pretty late in the process. So that is an issue. The reality is that a specialist appellate court is not likely to defer as much to inferior actors in the system simply because it thinks, and probably rightly so, that it has more knowledge than any of the inferior actors in the system.

One possibility would be to fix the problem through clear guidelines to lower courts on, for example, claim construction. I am not sure that is necessarily going to work, however, because in lots of areas, no matter how clear the guidelines, reasonable minds can probably differ about their application in a particular case. Claim construction, I think, is a good example of that.

So, the real problem is not necessarily coming up with precise guidelines because it will be almost impossible to do so in some cases. Rather, it is deciding to the primary authority for interpretation of the guidelines. So it is a power allocation decision as opposed to trying to

make something clear that almost by definition cannot be 100-percent clear and where reasonable minds can always differ.

I think this is interesting. As a consequence, we have a set of interesting puzzles, and now we have the Supreme Court weighing into the equation, I think primarily because it has been concerned that perhaps the attempts to get clarity through these really precise guidelines, formalistic guidelines, have not been successful and have not yielded the clarity that we want.

The Supreme Court has also, I think, perceived not necessarily a pro-patent bias but, in some cases, perceived the Federal Circuit to be taking patent law in an area that diverges from other areas of law. So, for example, in the remedies context, the perception in the *eBay* case⁹ was that the Federal Circuit had made a special law of remedies for patents, which was not exactly what the Supreme Court thought would be appropriate.

So that is where we are, I think, fighting for the mantle of moderation. We have got, I think, a pretty good system so long as the Supreme Court is maintaining some vigilance over the process. I am not sure, now that they have done their bit, that they will continue to maintain vigilance. We will see. What worries me a little bit is that they will get bored of patents and, you know, go off and not look at the area for a long time. But so far, I think we have got a pretty healthy balance, and so I would be wary of really radical proposals so long as the Supreme Court is maintaining some level of interest in the system.

***326 JUDGE RADER:** Thank you. Let us applaud all the speakers.

(Applause.)

JUDGE RADER: Scott, do you want to start off with a comment?

PROFESSOR KIEFF: I will just join, I will try to join directly some of the issues that Arti Rai raised if that is helpful.

JUDGE RADER: Sure. Go ahead.

PROFESSOR KIEFF: I think that the points that you make about property and, you know, the

⁹ *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).

Federal Communications Commission (FCC) for example; I think there are a lot of us who study comparative approaches to different institutional designs, and we would say, for example, that what the FCC does could be lumped together with property, but it could be not.

So, some colleagues and I have written papers about what we call kind of property at its best and property at its worst. We would kind of say patents when functioning well are property at their best, but that the other things you are describing, we would call regulatory entitlements, and yes, they can be traded with each other to some extent, but nowhere nearly to the degree that a well functioning kind of property right can be. So, I agree that you want some degree of certainty, but I am not sure that certainty has to be at the launch point in the way you described it. So, the PTO is the first actor, but maybe it is only making the first cut.

Now, does that mean that so-called paper patents would be shockingly unpredictable because large numbers of them are getting invalidated by courts? I do not know that it would be so bad. I mean, even after the recent crash in our capital markets, we still had the Dow up at 8,000. We still have the largest capital market in the history of the world, created around a filing system where the receiving office publishes the filings on the web: the Securities and Exchange Commission's ("SEC's") EDGAR system for publishing securities filings. The SEC does not carefully examine them for merit; it examines them for form and for fraud. But the SEC does not do kind of merits-based examination, and yet markets manage to order themselves around that stuff because markets can get access to the information they need to create the degree of certainty you are describing.

And so, in the patent setting, I think I disagree with your definitional point about calling obviousness or ordinary skill in the art a fact question. I call that a more discretionary judgment call under the newly changed law through cases like *KSR*.¹⁰ But these would have been more pure-play fact questions under the law that was implemented by the 1952 Patent Act's Section 103.¹¹

So, when Don talked about specialization at the appellate court level, I think in part he was at least implicitly referring to a degree of specialization about the history, for example, of Section 103 and the history of the statutory decision to focus on obviousness and the decision to pick the new word, "obviousness," that was different from the old word, "invention," not because *327 either of those two words has objectively any more clear of a meaning than the

¹⁰ *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

¹¹ 35 U.S.C. § 103 (2006).

other. But because there was an immense amount of interpretive baggage associated with the old word, “invention,” and because we wanted to inject new interpretive guidelines, we picked a new word. And we drafted the statute to constrain the decision-makers interpreting that new word to force them to focus on the facts, not to substitute their own judgment. And so, I think regrettably the Supreme Court overlooked that history precisely because it lacked the degree of appellate specialization and lacked the benefit of learning that the rest of us enjoyed, through history.

So, on the comparison to foreign countries question, and then I will end, I think that we in the U.S. have a ridiculously expensive discovery process, where people swap terabytes of information as required to through the litigation process. And that is really costly, and that sounds bad, but there are some benefits. The benefits that come from it are that private parties are exchanging information that is then verifiable because they know sanctions, and maybe even jail time, will come if they lie.

So, the information collectively gets injected into both sides of the lawsuit so they can decide, is this patent really valid? And I think you want people to have incentives to swap that information with each other. We want the patentee to say to the alleged infringer, hey, buddy, here are the reasons why you are infringing, and the infringer to say to the patentee, hey, buddy, here is why your patent is invalid. Then, if the parties stay in court, they are more likely to be held to be engaging in bad faith litigation. I think this is a litigation abuse problem, not a patent abuse problem.

JUDGE RADER: Let me involve the audience here for a second. One of the fundamental issues we are debating is whether there should be specialized district courts, trial courts like in England. How many here, if they were in the United States Senate, would vote for a few regional specialized patent district courts. How many would say yes? How many would say no? The no's decidedly have it.

MR. MARTENS: I do not think that is the issue.

JUDGE RADER: All right. Go ahead.

MR. MARTENS: I would be opposed to a specialist patent court that handled just patent cases.

I would not be opposed, I would favor, district court judges who have about a third of their docket, patent cases all over the country -

JUDGE RADER: Let us restate the question for Don's benefit. How many would allow one district in each circuit to handle the patent cases along with the rest of their docket?

JUDGE RADER: Hold them up high.

How many would prefer to leave the system as it is with every district court capable of handling a patent case? Raise your hand.

Well, see that did change the equation, Don. That went the other way. Thank you.

*328 MR. MARTENS: Yes, along that line, the difficulty is - Scott talks about, it is a simple fact what is the date on this document versus what is the date on the other document, and that is a simple fact. That is summary judgment material. But the facts in a patent case in trial are not that simple because you read this complex technical document and you read the patent application and the claims, and you have got to decide whether they match. And they do not use the same language, and they do not describe it in the same way.

You have got to understand what I am talking about. You have got to understand what the prior art document is talking about in order to decide whether they match. That is a complex fact determination. It is a fact determination, but it is complex fact determination. And the more patents you have handled, the more you have looked at that those kinds of issues, and the greater likelihood there is that you will resolve that question right.

JUDGE RADER: Let us challenge your opening remarks a little bit, Don. You say the Federal Circuit was created to solve a certain problem.

MR. MARTENS: Right.

JUDGE RADER: Well, why cannot we argue the Federal Circuit has corrected the problem, we should not fold it back into the District of Columbia Circuit, or maybe fold it into the Ninth

Circuit and have more than one Federal Circuit; let regional circuits handle patent cases again. The Federal Circuit has already solved the problem. What do you think?

MR. MARTENS: Go ahead, sir.

PROFESSOR KIEFF: I would say until thirty months ago, or so, I would have bought that argument.

(Laughter.)

PROFESSOR KIEFF: I think we have radically changed the patent system in the last thirty months through judicial determination at the Federal Circuit and Supreme Court level.¹² And so, I am, I mean if pressed on this, I actually would have said that we had kind of reached a high point, and we have now already started to meaningfully descend from those heights over the last thirty months.

JUDGE RADER: Don.

MR. MARTENS: Well, I think the problem is the Federal Circuit has solved problems, but the Federal Circuit has solved the problems by virtue of its existence. If you take it away and you spread it around three or four regional districts, regional courts, and you get the same problem as had before you -

*329 JUDGE RADER: But you suggested the Federal Circuit has become a part of the problem too with its panel dependence, and there were a few other things you mentioned -

MR. MARTENS: That problem - pardon?

¹² *E.g.*, *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (obviousness); *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*). (subject matter); *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) (injunctions); *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*) (enhanced damages); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (licensees' ability to bring suit while holding patentees to contract terms); *Quanta Computer v. LG Elecs.*, 128 S.Ct. 2109 (2008) (license to one may now be a license to all).

JUDGE RADER: - can we solve that, just fold it back in the District of Columbia?

MR. MARTENS: You are not going to solve it. You are just going to move it.

PROFESSOR KIEFF: And you will make it harder to find. So, at least now it is concentrated in one court, and we can focus our attention on that and separate our efforts to address that problem from the more complex, thorny problems of debating appellate process that occur, as we all well know in the context of, you know, how should we shape the circuit bench across the country generally? And how do we feel about commercial cases versus criminal cases? There are a range of broader social policies that, heaven forbid, would be worse, I think, to inject into our debate about the Federal Circuit.

PROFESSOR RAI: Well, I think the other things to think about in these contexts is transition problems. Fritz Machlup, an economist who studied the patent system, famously said of the patent system, well, we do not know whether it is good or bad for innovation, but now that we have it, we may as well keep it.

(Laughter.)

PROFESSOR RAI: And I think, you know, with the Federal Circuit, it has done a reasonable job. I am glad that, contrary to - I think here Scott and I also differ significantly - I am glad the Supreme Court has been interested in thinking about whether, in certain cases, there need to be formalistic rules and/or rules special to the patent system. So, I am glad that it stepped in.

But I think on balance the Federal Circuit has done a reasonable job, and eliminating it at this stage would create huge transition problems and huge amounts of uncertainty, unpredictability, and the like. So, now that we have it, I think it is probably a reasonable idea to keep it.

I do not know whether, de novo, if we were creating the country all over again, we would do a lot of the things we have done in terms of our court system. These are open questions. But so long as the Supreme Court is interested - given that they were not going to have the ordinary circuit splits in patent law, the Supreme Court has to rely upon other signals. So long as it is interested in relying upon those other signals, whether they be the Solicitor

General's ("SG's") office or other signals, en banc and the like, I think we are in pretty good shape.

And here, I suspect, again, Scott differs significantly from me.

JUDGE RADER: Professor Rai, while we have you, what about Professor Duffy's proposal that we have more than one Federal Circuit to solve some of the problems of a single circuit -

***330** PROFESSOR RAI: Right.

JUDGE RADER: - handling patent law.

PROFESSOR RAI: I am glad you asked that because I was going to talk about that proposal, but I did not want to go on for too long.

So, Professor Duffy and Professor Nard, respectively of George Washington Law School and Case Western Law School, have this idea that one of the difficulties with a specialized court is not so much specialization per se but lack of competition. So, from their standpoint, competition from other similarly specialized courts would help and would tee up issues for Supreme Court review. It would do all sorts of things that would maintain the virtues of specialization while also injecting into the system some of the virtues of decentralization because they think the problem is centralization as opposed to specialization.

You know, at this stage, I do think that the Supreme Court, with respect to the centralization question in particular, is sufficiently aware of cues with respect to disagreement in the Federal Circuit or disagreement with how the Federal Circuit has viewed things, and that it does not need the cue of a circuit split. Now that might change in the future, but it seems to me, to the extent the argument is that the Supreme Court would really be helped by the cue of a circuit split and having the issues teed up through that circuit split, I am not sure that that is really necessary. It seems to me the SG's office does a pretty good job, in those cases when it goes before the Supreme Court on patent cases, of teeing up the relevant questions for the court.

JUDGE RADER: Don, two or three Federal Circuits?

MR. MARTENS: No. I think two or three Federal Circuits just compounds the problem. We have plenty of disagreement among the judges in the single court in the Federal Circuit, and they tee it up very well for the Supreme Court through dissents and through differing panel decisions. We are not lacking for differences of opinion among the judges. So, why take it to two or three different courts where you simply expand the differences of opinions and differences of application? That is going in the wrong direction.

JUDGE RADER: Let us turn to our audience. Does anyone wish to inquire?

AUDIENCE PARTICIPANT: I have two questions if that is permitted.

JUDGE RADER: Sure.

AUDIENCE PARTICIPANT: The first question is prompted by something that Professor Kieff said about the nature of the validity determination in the patent area and it being more appropriate for judicial rather administrative determination. If that is true, I wonder whether you think we should get rid of the presumption of validity in the clear and convincing evidence standard - particularly since I think the level at which patent decisions are made in PTO is a relatively low level compared to the types of decisions that other agencies made but get deference? Yet that initial decision receives quite a high degree of deference.

***331** PROFESSOR KIEFF: The short answer is absolutely yes. I do not know that I would go so far as to get rid of the presumption. I would make sure that we understand that it is procedural and not substantive. You could do that with a tiny amendment to 282, and even, I think, the Federal Circuit could do it in interpreting 282 to say simply that the person challenging validity has to go so far as to utter, I challenge validity. But other than that, preponderance of the evidence standard is the substantive burden. So, I totally agree, and I have advocated for that in writing and in testimony.¹³

¹³ F. Scott Kieff, *The Case for Registering Patents and the Law and Economics of Present Patent-Obtaining Rules*, 5 B.C. L. REV. 55 (2003); Comments Regarding Competition and Intellectual Property - Summary of Proposed Testimony, www.ftc.gov/os/comments/intelpropertycomments/harvardlaw.pdf (this submission was the basis for an invitation to present further oral testimony); Official Transcript Proceedings: Competition and Intellectual Property Law and Policy In the Knowledge-Based Economy (Apr. 10, 2002), www.ftc.gov/opp/intellect/020410trans.pdf (transcript of invited testimony before the Federal Trade Commission).
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I will also just mention that that - I have kind of long and short papers on that topic and on the property versus regulatory topic and on each of these topics, available for easy download on the webpage out at Hoover, where we run this research and policy oriented Project on Commercializing Innovation. And for those of you who want to go look, it is just www.innovation.hoover.org. Short and long versions all that stuff, but I very much agree, yes.

JUDGE RADER: Don or Arti, do you agree with the clear and convincing standards?

MR. MARTENS: I have written several articles criticizing the clear and convincing standard. I think it came out of thin air when it was developed by the Federal Circuit. I think the statute was intended only to mean who has the burden, not how heavy that burden should be.

PROFESSOR RAI: And here we have a point of agreement among the whole panel, I think. I would say that Section 282¹⁴ actually adds nothing to the APA¹⁵ - it is just kind of boilerplate language. All agency action is presumed valid. And under default APA standards, there are good reasons to believe that you shouldn't give much deference to a garden-variety patent determination. Now, I have been an advocate in writing, of tiering, of having not only garden-variety patent determinations but also other types of patent determinations that are not garden-variety, which again, under default principles of administrative law, would get more deference.

But I think the current garden-variety standard patent determination, for lots of good reasons, should get a very minimal amount of deference.

JUDGE RADER: Did you have a second question?

AUDIENCE PARTICIPANT: I did. The second question is, we have sort of a strange system, in that we have, as has been discussed, generalized trial courts and then a somewhat specialist intermediate appellate court and then the Supreme Court. And of course, for the first twenty years or so, the Supreme Court largely kept its hand off, and lately it is not. And the question is, among the three viable regimes for Supreme Court review, which would be the one we have

Commission).

¹⁴ 35 U.S.C. § 282 (2006).

¹⁵ 5 U.S.C. § 706(2) (2006).

now, de novo review of Federal Circuit decisions, or a deferential type review in that *332 the Federal Circuit is specialized in the patent area, no review at all his own something from this new, which would presumably be something Congress could do. But which is the right approach?

PROFESSOR KIEFF: I do not know that - I am hugely critical of the Supreme Court action in this area. And yet, even from that perspective, I do not know that I would change the law. I would plea to the court to please take the time to read what folks who have thought about this before you, the great justices on the Supreme Court, who get these fifteen minutes to think about because while you are shockingly bright people, you are not that bright that you might not benefit from at least reading the history of the experiments we have tried and the reasons why they failed and the reasons why we have chosen, for example, to statutorily jettison bodies of your case law.

So, I would say, you know, if we the people speak through Congress to change what you, the Supreme Court, are doing, please notice that. Please read. Please pay attention. And if you want to tell us that we have acted in a way that is unconstitutional, hey, no problem. If you want to challenge us because you think, you know, on the facts, we got it wrong, then we all have to go back to the trial. The Supreme Court is not the place to fix that.

So, I think that my criticism of the Supreme Court action in this area is nothing more than the old complaint that too often either they are acting like policymakers or like jurors, and I do think anyone on the left or right of the kind of center of the political spectrum would agree with that as legitimate type of criticism of the Supreme Court - even if they might not agree with it on the merits. They might think the Court is not doing so in particular cases, but they would say, if it is doing so, that it is then acting improperly.

PROFESSOR RAI: I think that is a great question. It is very interesting because with the Federal Circuit, we have set up a situation where you have a court that acts more like an agency in some respects than in your typical system. It is almost as if you have got an appellate agency of sorts. So one could make the administrative type of arguments for deference, I think, there.

Having said that, I would be reluctant to make them as a formal matter of law. I think the Supreme Court could keep those kind of background principles of deference, however, in mind when it reviews the Federal Circuit, which is probably not too distant from what Scott is

talking about, interestingly enough.

PROFESSOR KIEFF: Yes, I mean that is -

PROFESSOR RAI: And it is probably another point of agreement that, even though the law formally should not change, I do not think, to accommodate the nature of the Federal Circuit, there is an amount of caution that the Supreme Court should exercise in reviewing the Federal Circuit; perhaps more caution than reviewing some of the regional circuits.

PROFESSOR KIEFF: Or that it could review. But I think what we are saying is, still pay attention - ideas matter. I mean, they are either good ideas or they are not. And then institutions matter. You are either a Supreme Court that is supposed to apply law not make law. And so, you know, try to apply it, not to make it, and then try to pay attention to ideas, and then, you know, *333 hey, look if we disagree with you on particular cases, you know, you are the judges; we are not. You know, you win.

JUDGE RADER: Don, you wanted to address this.

MR. MARTENS: Yes, just a little bit on deference. You know, there are two kinds of deference, I think. One is express deference where, as a matter of standards, you agree to give deference. The other is just a subjective deference where you give deference because you respect what happened - the law. I think what we are seeing is that is the kind of deference that the Supreme Court should be giving to the Federal Circuit - not procedural deference.

I think the same thing is true between the Federal Circuit and the district court. I just think that the Federal Circuit would give more deference to the district courts if the district court judges had more experience trying patent cases.

JUDGE RADER: Let me throw in another question here. If this conference were being held in Tokyo or Beijing, the central question of the day would have to do with the system and how we adjudicate patent cases, but their question would be can a jury really handle monoclonal antibodies?

Arti?

PROFESSOR RAI: I am on record as being skeptical of juries in the patent system. But that is as a policy matter. Now as a matter of law, whether we can restrict juries from doing what is in many cases fact-finding, I think is a difficult question.

I have said - and this is the part that has been controversial - that I think there are ways consistent with the 7th Amendment of restricting juries, but that is an area where reasonable minds can definitely differ. But I think as a policy matter, there is no question about it in my view.

JUDGE RADER: Don.

MR. MARTENS: Having been before a lot of juries, I do not think they can understand it. I think that what you do as a trial lawyer is you simplify it. We like to say you get it down to the 8th grade level. I think what you do is you get it to the USA Today level -

(Laughter.)

MR. MARTENS: - but it does not really, you are not dealing with real facts when you do that. You are dealing with a simplification of the facts. One side simplifies in one way, and the other side simplifies in the other way, a different way, and the jury decides based on who did the best job of simplifying them to the way they can understand rather than on the facts.

PROFESSOR KIEFF: I am very sympathetic to those concerns and, in fact, wrote a long time ago with Les Misrock in a paper arguing a range of ways to do what Arti is suggesting, to ***334** kind of address the 7th Amendment concerns and to have either specialized juries.¹⁶ Remember the 7th Amendment is a preserving right, not a granting right, and so it reserves the right to juries that we had at the time of founding. The 6th Amendment, the criminal jury amendment, is a granting.

¹⁶ S. Leslie Misrock & F. Scott Kieff, *Latent Cures For Patent Pathology: Do Our Civil Juries Promote Science and the Useful Arts?*, in THE CRISIS OF SCIENCE AND THE LAW, AT SCIENCE IN CRISIS AT THE MILLENNIUM (AN INTERNATIONAL SYMPOSIUM) (Geo. Wash. U. Ctr. for Hist. of Recent Sci., Sept. 19, 1996), reprinted in CHISUM ET AL., PRINCIPLES OF PATENT LAW 1024 (2nd ed. 2001).

And so, if you go back and look at what the British courts were doing with patent cases, Lord Mansfield was taking complex commercial cases, including patent cases before what he called special juries, merchant juries, in London, jurors who were peers of the technology or the business.¹⁷ I think in present U.S. practice because of anti-discrimination laws, you have to make sure that the jury was not special in being all black, all white, all male, all female, but it could be special in being all technically trained, for example. So I am open to that.

That having been said, I really have shifted over the years away from that view out of the great fear that the more specialized decision-maker is, the more she is inevitably willing to use her own views rather than the facts of the record. I think the sum of the error costs in this case cut in favor of constraining ourselves, of tying ourselves to the mast. Ulysses knew that he would be swayed by the siren song, and so he lashed himself the mast.

We should know that when we put experts into the box, inevitably they see friends in the audience, they recognize that through informal networks they are connected to one side of the case or the other, they use proxy decision-making. While lay juries make errors in some ways, I think the errors that people will make in this way are more pernicious because I think they ultimately boils down to being fundamentally fashion driven or capture driven, and the capture problems, I think, are too great.

JUDGE RADER: Just one observation. I am not sure how it affects the expert analysis of both of our panelists here, but I have tried many cases as a trial judge with a jury. On one occasion, I decided to be very innovative, and I selected a blue panel jury, where no one on the jury had less than a college education, except for one. She was in her senior year studying topic of our patent. That is the only jury that I have ever had to reverse as a judge in chambers.

(Laughter.)

JUDGE RADER: Just an observation. I do not know.

There was another question out here.

AUDIENCE PARTICIPANT: Hi. I am Mark Schultz. I am chair of the IP practice group, and

¹⁷ *See id.*

when we chose the topic this year for the convention panel, I was a little bit curious as to what our panelists might say about the fact that other lawyers often argue that their specialty deserves a court like the Federal Circuit. I heard this recently from a labor lawyer. Our field is a mess; we need our own specialized appellate court.

*335 So, the question I ask is our beloved subject matter - I am asking in the wrong guise of course - is our beloved subject matter *sui generis* so that we deserve a specialty court? Or are there other subject areas that perhaps deserve a specialty court? What would be the criteria? And does the experience of the Federal Circuit counsel for or against it?

MR. MARTENS: Yes, I was going to touch on that in my opening remarks but I did not want to spend too much time.

The Congress, when they adopted the Federal Circuit, made it very clear that they considered this a very special circumstance, and they were not looking to make other specialties. They looked at patents and saw that the economy was in big trouble because of an inadequate patent judicial system. And so, they were focused not on the problems of patent law, they were focused on the problems that improper management of patent law was having on the economy of the whole.

So, I think you have to look at it and I think that was good judgment. I think you have to look at it in that context, not gee, does this area of law need a specialty court? But, does this area of law need a specialty court because it is causing serious social problems?

PROFESSOR KIEFF: I echo that. I am open to the view that is, I think most clearly laid out in the Justice White report on specialized courts,¹⁸ which is that you could imagine, for example, bundling together in a single appellate court most commercial areas of law. Now, “commercial” is a sloppy term, but I think by that, what we mean would be patent, trademark, copyright, antitrust, bankruptcy might all go to a Federal Circuit. The Federal Circuit, in fact, I believe is the suggestion in the report, but you could expand the court if it needed more members in order to take that added case law and maybe another court.

But the idea here is that so much of what is driving decision-making in Congress to shape the courts, and in the courts, is a range of social policies that at least even those of us who

¹⁸ COMMISSION ON STRUCTURAL ALTERNATIVES FOR THE FEDERAL COURTS OF APPEALS, FINAL REPORT (Dec. 18, 1998) (the Commission was created by the 105th Congress and chaired by then-retired Supreme Court Justice Byron White).

are very, very nervous about so-called policy arguments in court would be open to, in some areas of law; but in other areas of law, we might think that market actors need a degree of objectivity and predictability, and that simple rules for complex life actually can be really important in commercial areas of law.

And so, you might want more economically oriented judges, more self-restrained judges, fewer judicial activists kind of applying those commercial areas, and I think that would be the case for lumping all of those bodies of law together. And again, for those you read more about it, I think it is the White Report that talks about that and the debates around it.¹⁹

JUDGE RADER: Other questions? Sir. You have the - whoever has the mic. It does not matter.

***336 AUDIENCE PARTICIPANT:** Okay, sorry about that. If the goal - I think the goal here is to get better results at the earliest possible stage, get predictability. How much of - people have alluded to this already, but how much of the responsibility or the burden is being placed on the trial lawyers themselves? I think this goes to both Professor Schultz's point and the Judge's point, that juries understand nanotechnology or do other areas of law deserve their own special courts? Because it seems to me that I came to patent law as a generalist - I have been a federal prosecutor. You ask the juries to understand Drug Enforcement Administration ("DEA") chemical analysis in a drug case, you ask juries to understand securities and accounting in financial cases and products liability cases, but our group seems to think we are special. I think that the trial lawyers need to do a better job, and I would be curious to know what you think about that.

PROFESSOR KIEFF: I would say [Arthur Gollwitzer], he is a former colleague of mine, and so I guess in that sense, I should reveal he is like a plant in the audience. That is a softball question to me. I applaud that. I mean, I think the trial lawyers do a far better job than we give them credit for, and at least I think very, very good trial lawyers do. And we met working together at a trial firm. And the paper that I wrote earlier kind of arguing against lay juries in patent cases was when I worked at a specialty patent firm.

So, I think that my views really have shifted as I have come to work with really top trial folks like you and our other colleagues at that firm and other firms who can get a jury to

¹⁹ *Id.*

understand complex technologies. They will not do it perfectly, but I think that that is what good trial lawyers can do. So, I do have that faith even though I originally trained as a patent lawyer.

JUDGE RADER: Great. Next question.

AUDIENCE PARTICIPANT: Actually, my question is related to that, and that is that there is a certain historicism in this question - can juries understand monoclonal antibodies. It is about the entire patent system. You had juries who had been asked to try to understand vast cutting edge technology. In 1910, I guarantee that very few people, juries sitting at trial of Wright and Curtiss had ever seen an airplane, and they are being asked to understand it. And in the 1880s, very few juries had ever seen a working light bulb or understood electricity, or in the 1840s and '50s, very few people had seen a functioning, working sewing machine and understood the mechanics behind it. And yet they were being constantly asked to understand that, and they did.

The fact is, as you go further back in history, you find the same complaints. How could juries understand this? This is complex, and that is what they used to call natural philosophy. They are not schooled. These are farmers and trade shop apprentices, and they are being asked to decide these complex cases. So, to what extent does the argument for specialized courts or specialized district courts or specialized administrative agencies stand or fall on this claim about the inability of lay people, and particularly juries, to understand these difficult fact questions and complex technologies?

MR. MARTENS: Well, I think there are two separate questions really. Juries or judges that have some experience trying patent cases. That is what I am advocating is judges that have *337 experience trying patent cases. That is a different question from do we eliminate juries or do not we.

I do agree that a good trial lawyer can do a better job of getting a jury to understand the technology than a poor trial lawyer. But I have done it and seen it enough to be a cynic and to think that a good trial lawyer is really getting to understand his client side of the technology, his client spin on the technology; not to understand the technology but to understand his or her client spin on the technology. A trial lawyer can do that very, very well. But I am not sure that

that is giving the right result. It depends so much on the skill of the trial lawyer and so little on the merits of the case.

JUDGE RADER: What about his point, Don, that juries have, for years, gotten it, and we have trusted them for years and they seem to have done the job?

MR. MARTENS: Yes, and I guess, well, first of all, juries are used many, many more times now in patent cases than they were to start with. And the percentage of jury trials is way up. When I started practicing, jury trials were not common in patent cases.

PROFESSOR KIEFF: Just to follow up on that, I totally agree with what you are saying now, that jury trials today are radically more frequent than they were, you know, thirty years ago, twenty years ago, forty years ago, but are they radically more than they were eighty or one hundred years ago? I do not think so. In fact, I think the opposite. I mean, we - well, go ahead.

MR. MARTENS: Okay, but I cannot speak for whether juries were doing a good job or a poor job eighty years ago. I can speak for what was happening forty years ago and thirty years ago. And forty years ago, at first, juries were not being used in patent cases because there was concern that they did not understand. Then the circuit court's regional circuits got throwing out so many patents that patent lawyers started using juries because it was harder to overturn the jury verdict and because they felt they could have a better shot at giving validity.

So, I think - I cannot tell you about 120 years ago, but I think that the history today is juries are not truly understanding the technology. They are understanding the -

JUDGE RADER: Can - did they really handle more in 1880, and did they do it better, Professor Kieff?

PROFESSOR KIEFF: Yes, well let me make a comment on that and hand the mic back in a second. I think that we have, the real brain trust in the room is at that table with Professors Schultz and Mossoff and other professors, and so I will defer to Professor Mossoff in particular on this point, who is kind of the leading expert on the history of the U.S. patent system.

My only comment I will add before heading the mic back is that it is, to me, one of the

most ridiculous arguments that is made about the patent system, that we need to update it to deal with new technologies. While I think it is really evocative to kind of get people to think about, you know, dead, white man in one image - you know, the Framers of the Constitution - and then, you know, modern biotech in the other image and say, gosh, this is so incongruous; these things cannot go together. And so, therefore, law has to be updated to deal with the modern society.

*338 I think that that argument is probably available for lots of areas of law. But the one area where it cannot possibly be available is patent law because anticipated technologies are what patent law is all about. That is why we have the law of anticipation, to make anticipated technologies not patentable. It is only unanticipated technologies that are patentable. Patent law was designed for the unanticipated technologies, and so that argument cannot be in any way relevant to patent law.

MR. MARTENS: I agree with that.

JUDGE RADER: Go ahead, Scott.

PROFESSOR KIEFF: Thank you. Just to follow up on the historical point real quickly, the 19th century broke a record. It is mixed on this point because you still had the bifurcation of law and equity courts. And so, if you sued for injunction, you went to federal equity court; I mean pre-Federal Rules of Civil Procedure, where they merged the law and equity courts at the federal level in the 1930s.

But for validity decisions, that was deemed to be a legal decision that had to go to a federal law court and had to have a jury trial because that was a question -

MR. MARTENS: For your own lost profits and for validity, both sides of the case had a reason go to law. And the plaintiff, if he wanted the other side's profits in accounting or an injunction, then he would choose equity.

PROFESSOR KIEFF: Right. And so the record is mixed on whether you had more jury trials or not because you had a different structure, where you went to, actually, the federal equity court to get your preliminary injunction from the 1940s. Before then, you had to go to a

separate law court to get your trial. So, it is difficult to assess whether there were more jury trials or not, but -

MR. MARTENS: But is it fair to say that when they went to law, they always asked for a jury or almost always?

PROFESSOR KIEFF: - essentially, yes. And the judges themselves often complained about the fact that they themselves - I mean, these are forty-, fifty-, sixty-year-old men who, you know, they did not study mechanics. They did not study natural philosophy, as it was called back then. You know, they studied law. You know, they read Blackstone and James Kent and Montesquieu, and they would comment in their opinions, on appeal, how crazy that they are being asked to decide these cases sometimes because they do not know any better. This is very complex, difficult stuff. In actual case from the 1850s involving sewing machines, one deposition transcript was 3,500 pages long. And this is the 1850s, you know, before computers, typewriters even. I mean, imagine having to compile that transcript and get it ready for trial. It is really complex issues. And we tend to forget that when we talk about, oh, well, now we are dealing with monoclonal antibodies; now we are dealing with biotech and expressed sequence tag (EST) and the like.

JUDGE RADER: Next question. Professor.

***339** AUDIENCE PARTICIPANT: I would like to change subject if I could. We have implied here that all the issues in a patent case or that come before the Federal Circuit are patent issues. And I suggest to you that very often cases involve more than patent issues. Yet the collateral issues, the related issues get decided. For example, a current number of antitrust issues and their relation to intellectual property are presented in patent cases, and thus come before the Federal Circuit.

The more general question I am trying to ask is, is there a risk that when you take nonspecialized issues before a specialized tribunal, you are either going to get less good decisions on those issues because the specialized judges are less familiar with them; or that you are going to tend to privilege the patent issues, the specialized issues, that those will become the more important and that the values or the policies in the collateral or the related subjects

will be given less weight than they might appropriately be and might be given in another circuit?

PROFESSOR KIEFF: Interestingly enough, though, in that area, the Supreme Court - this is an area where the Supreme Court, I think, has actually been of the view that the Federal Circuit's jurisprudence is totally consistent with the Supreme Court's jurisprudence. So *ITW v. Independent Ink, Inc.*²⁰ case - I can never remember what all the I's stands for in that case - but it is -

(Laughter.)

PROFESSOR KIEFF: - you know, it is a case that adjudicates, the narrow question in the case is, is a patent a presumption of market power? But the broader discussion in the case is quite consistent with the Burger court's discussion in *Dawson*,²¹ which is quite consistent with the Federal Circuit's discussion of the § 271(d)²² kind of broad set of topics which are the intellectual property-antitrust interface, and that is totally consistent with the legislative history on § 271. And so I think that - from back in the '50s and '40s.

So, I actually would say, interestingly enough, that is an area where at least I think the Federal Circuit is getting it right and the Supreme Court thinks the Federal Circuit is getting it right.

MR. MARTENS: I would agree with the implication of the question, though, that there is a danger there, but you have to weigh that danger against the advantages of having the specialist decide what it is deciding. I would agree with Scott that the way it has gone, that danger seemed to have come to fruition.

JUDGE RADER: Next question. I think it is over here.

AUDIENCE PARTICIPANT: Yes, I would like to raise an issue. I do not know if it is off topic or not; I do not think it is. A problem that a lot of my clients recognize, and I think is really

²⁰ *Illinois Tool Works v. Indep. Ink, Inc.*, 547 U.S. 28 (2006).

²¹ *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980).

²² 35 U.S.C. § 271(d) (2006).

hurting the patent system in general, it is just too expensive to litigate patent cases. We routinely tell clients that if they do not have a million dollars, do not bother.

***340** I have a client who has an infringement litigation going on. The judge asked him, how much are your sales? One and a half million. How much is the defendant's? Three hundred thousand. He says, you do not belong here. And that is a real problem. What is the point of a patent system where the little guy has to sell his soul to the devil, in other words, get an investor or sell off to the big company in order to enforce his patent?

MR. MARTENS: That is a problem. That is a serious problem of the system, and it is because of over-discovery, over-advocacy, making a mountain out of a molehill. And the solution is difficult to come by. I do not have a solution. I am sure there is a solution out there somewhere.

PROFESSOR KIEFF: I think it is a problem. It is not unique to the patent system. I think it is a problem, you know, to put on the mantle of the Federalist Society. It is the problem of big government. I mean, I think that we have made our cases generally, our litigation system generally has proliferated to a point where we just kind of have too much process.

Now, ironically, I think the fix to that is process for cabining process. Which is to say, you know, if you are in court and you have no business being in court, the court ought to feel comfortable saying to you, hey, you know, there is a cost to you for wasting our time and your opponent's time in court.

Ironically, the so-called pro-patent Federal Circuit was leading the charge on Rule 11²³ in the *Judin*²⁴ case. This is a case that came up through the Court of Claims. Remember, Rule 11 gets reviewed by the appellate court for abuse of discretion. The trial court decided not to grant Rule 11 sanctions.²⁵ The Federal Circuit in the *Judin* case decided that it was not only appropriate to grant sanctions, but it was an abuse of discretion not to have granted sanctions, remanded to the trial court, to the federal claims court for a subsequent hearing to allocate sanctions among the patentee, the patentee's trial lawyer, and the patentee's appellate lawyer.²⁶ And so, that is back in the day when everybody called the Federal Circuit pro-patent.

So, I think that the Federal Circuit itself took very seriously the concerns you are

²³ FED. R. CIV. P. 11.

²⁴ *Judin v. United States*, 110 F.3d 780 (1997).

²⁵ *Id.* at 782.

²⁶ *Id.* at 785.

raising, and you know, the question earlier about the presumption of validity, if you dial down the presumption of validity to the mere preponderance standard and you revived our case law to the pre-*Seagate* rule where fee shifting was available to the patentee, you would have fee shifting available symmetrically.²⁷ And when fee shifting is available symmetrically, parties have incentives not to avoid litigation.

I think you will still see litigation rates the same, but I think litigation length and cost will drop precipitously because the moment you sue me over a case that I know is bogus, I will have a strong reason to send you a set of documents that will explain to you why your case is bogus so that if we then stay in court, you are paying my fees. And you know, maybe times three.

***341** So, the exceptional case provision that is organic to Title 35 gives us a way to do that.²⁸ 28 U.S.C. 1927 gives us a way to do that. Federal Rules of Civil Procedure Rule 11 gives us a way to do that. There are several ways we can do it. I would encourage the Federal Circuit to, you know, kind of look at all of them. I think those are ways to mitigate those risks, but they will not completely solve the problem.

MR. MARTENS: I think that mitigates a different risk. I think that fee shifting will, in fact, cut down the amount of litigation because, then, the client who cannot afford to litigate really cannot afford to litigate because they may not only have to pay their own attorney, they may have to pay the other attorney also.

I think that that one solution, of course, is if both parties agree that they want to do it inexpensively. They can go to an arbiter. I mean, I have arbitrated cases where we had no witnesses, just declarations and documents, and very, very limited discovery. But you give up a lot. You give up your advocacy, you give up your, you know, what all trial lawyers love. But it can be done.

If the parties agree a case can be arbitrated in that kind of - I am doing one Friday, and I will bet you that the two attorneys together do not have \$150,000 in fees in the case. It is a license case. It is not an infringement case. But it is a small dollar case, and so that is the way they are doing it.

²⁷ See *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*).

²⁸ 35 U.S.C. § 285 (2006).

PROFESSOR KIEFF: So, I agree with that. I mean I mediate and arbitrate like Don; in fact, we work with some of the same people. For those of you who want to read up on this, we have a group on the web, www.fed-arb.com. It is a group of former federal judges and law professors and practitioners, and we try very hard to apply the Federal Rules of Civil Procedure to mediations or to arbitration. We even can form within our group appellate bodies to review. We think it is a reasonable system for fairness.

But I will point out, to spite all of that connection, you know, and self-interest, that I think that it is a mistake to be an unmitigated fan of alternative dispute resolution. I think there are times, and I am not saying that Don -

MR. MARTENS: No, I agree.

PROFESSOR KIEFF: - saying that. I think that we all have to recognize that there times, if what you want is fast and less expensive, alternative dispute resolution (“ADR”) is great. If what you want is the purest form of fairness that we have in our society, it is our Federal Rules of Civil Procedure, which is long and expensive. That is why we pick them. That is why we, society, made them. They are more designed to get to what we think of as the right answer.

Now again, we all, I think, think that we do a good job as mediators and arbitrators, but we recognize that we are limited, that the professionals are our courts.

MR. MARTENS: I am not sure I would agree with that. I -

***342** JUDGE RADER: I think we have heard our last word. We have to move out of this room pretty soon, but let us give a final applause to our panelists.

(Panel concluded.)