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## IT'S *BLONDER-TONGUE* ALL OVER AGAIN

*Alex Kozinski\* & Daniel Mandell\*\**

### INTRODUCTION

Thirty-two years ago, Congress passed the Federal Courts Improvement Act of 1982 (Act).<sup>1</sup> The Act was the first significant change to the federal judiciary since the Judges' Bill of 1925.<sup>2</sup> Among other reforms, the Act merged the Court of Claims and the Court of Customs and Patent Appeals, creating a new judicial phoenix in the form of the Court of Appeals for the Federal Circuit.<sup>3</sup> Congress bestowed upon its new creation exclusive jurisdiction over patent cases, regardless of where in the nation each case arose.<sup>4</sup>

In a recent speech at the Supreme Court IP Review held at the Chicago-Kent College of Law, Chief Judge Diane Wood of the United States Court of Appeals for the Seventh Circuit asked whether it is time to roll back the Act by taking away the Federal Circuit's exclusive jurisdiction over patent cases.<sup>5</sup> Judge Wood posits an affirmative answer to her question and proposes to amend the current system to provide for shared jurisdiction over patent cases between the regional courts of appeals and the Federal Circuit.<sup>6</sup> In support of her argument, Judge Wood raises several noteworthy points, including the blurred lines between patent law and the law governing other forms of intellectual property, and the fact that the average patent case may be no more complicated than other litigation requiring the interpretation of dense statutes and regulations but which is nevertheless entrusted to the generalist judges of the regional courts of appeals.<sup>7</sup> Judge Wood's argument concerning the value of having non-

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<sup>1</sup> Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982) (codified as amended in scattered sections of 28 U.S.C.).

<sup>2</sup> Richard H. Seamon, *The Provenance of the Federal Courts Improvement Act of 1982*, 71 GEO. WASH. L. REV. 543, 554 (2003).

<sup>3</sup> The Court of Appeals for the Federal Circuit was described as a phoenix by the court's first Chief Judge, Howard T. Markey. See Howard T. Markey, *The Phoenix Court*, 10 APLA Q. J. 227, 227 (1982).

<sup>4</sup> See Federal Courts Improvement Act § 127(a) (codified at 28 U.S.C. § 1295 (2006)).

<sup>5</sup> Hon. Diane P. Wood, *Keynote Address: Is It Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?*, 13 CHI.-KENT J. INTELL. PROP. 1 (2013).

<sup>6</sup> See *id.* at 9–10.

<sup>7</sup> See *id.* at 6–7.

specialized courts such as the regional courts of appeals contribute to the development of the law channels some of the original concerns expressed by Members of Congress at the time the Act was passed.<sup>8</sup>

Toward the end of her speech, Judge Wood refers to the “bad old days’ in which a single patent might be valid in the Second Circuit and invalid in the Tenth at the same time.”<sup>9</sup> But *that* problem was largely eliminated over forty years ago by the Supreme Court’s holding in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*.<sup>10</sup> After *Blonder-Tongue*, there could be no inconsistency in the validity of a patent across circuits because a patent declared invalid in any circuit would automatically be invalid in all circuits.<sup>11</sup> While *Blonder-Tongue* therefore avoids the problem Judge Wood references, it creates a different problem that the Federal Circuit’s exclusive jurisdiction has, as a practical matter, kept in check. Eliminating the exclusive jurisdiction of the Federal Circuit will bring back *this* problem.

*Blonder-Tongue* eliminated the mutuality requirement for collateral estoppel in patent cases, enabling a defendant to estop a plaintiff from asserting infringement if the patent had previously been found invalid.<sup>12</sup> The elimination of the mutuality requirement means that a single finding of invalidity effectively dooms a patent nationwide. As a result, would-be infringers can continue challenging a given patent in courts across the country until one of them obtains a determination of invalidity in any circuit. At that point, the invention passes into the public domain. Continuing challenges mean that patent holders will have to endure repeated trials in district courts throughout the country. It will be a long time, if ever, before a patent holder will feel secure that the patent is enforceable. The Federal Circuit’s role as exclusive appellate authority over patent cases means that there is only a single body of appellate case law applicable to any patent, and this goes a long way in mitigating the *Blonder-Tongue* problem.

This brief response to Judge Wood raises the *Blonder-Tongue* problem so that it will not be forgotten in discussing her thoughtful proposal.

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<sup>8</sup> Compare *id.* at 7 with 127 CONG. REC. S14,722 (daily ed. Dec. 8, 1981) (statement of Sen. Alan K. Simpson) (“Eliminating forum shopping by conferring an exclusive appellate jurisdiction on one circuit court will have the unfortunate side effect of doing away with a rich diversity of opinion . . .”).

<sup>9</sup> Wood, *supra* note 5, at 9.

<sup>10</sup> 402 U.S. 313, 327 (1971).

<sup>11</sup> See *id.* at 338, 349–350.

<sup>12</sup> *Id.* at 350.

## I. THE HISTORY OF COLLATERAL ESTOPPEL IN PATENT CASES AND THE IMPACT OF EXCLUSIVE JURISDICTION

Historically, collateral estoppel could not be asserted by a party who did not participate in the prior action.<sup>13</sup> This mutuality requirement was specifically applied to patent cases in the Supreme Court's 1936 decision in *Triplett v. Lowell*.<sup>14</sup> Justice Stone, writing for the Court, explained:

Neither reason nor authority supports the contention that an adjudication adverse to any or all the claims of a patent precludes another suit upon the same claims against a different defendant. While the earlier decision may by comity be given great weight in a later litigation and thus persuade the court to render a like decree, it is not *res adjudicata* and may not be pleaded as a defense.<sup>15</sup>

Under *Triplett*, an accused infringer could not assert the invalidity of a patent unless he had been a party in the earlier case. As a result, patent holders could repeatedly bring infringement lawsuits, even though the patent had already been found invalid, forcing defendants and the courts to expend resources re-litigating the patent's validity. Multiple litigations could, moreover, result in divergent outcomes concerning the same patent's validity.<sup>16</sup> This situation undermined the purpose of the patent—to provide a limited monopoly and its financial windfalls as a reward for innovation—and hampered the growth of business.<sup>17</sup>

These unintended consequences became apparent approximately thirty-five years after *Triplett*, leading to *Blonder-Tongue*. *Blonder-Tongue* began when the University of Illinois Foundation (Foundation) brought an action in the Southern District of Iowa alleging infringement of one of the Foundation's patents.<sup>18</sup> The District Court held that the patent was invalid on obviousness grounds, and dismissed the case. The United States Court of Appeals for the

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<sup>13</sup> See *Bigelow v. Old Dominion Copper Co.*, 225 U.S. 111, 127 (1912) (“It is a principle of general elementary law that the estoppel of a judgment must be mutual.”).

<sup>14</sup> 297 U.S. 638 (1936).

<sup>15</sup> *Id.* at 642.

<sup>16</sup> See George C. Beighley, Jr., *The Court of Appeals for the Federal Circuit: Has It Fulfilled Congressional Expectations?*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 671, 680–83 (2011) (discussing three cases with different defendants and in different circuits, but identical facts pertaining to the same patent; the cases “dragged on for eight years and occupied the attention of at least twenty-five judges” and produced different results).

<sup>17</sup> See, e.g., *Federal Courts Improvement Act of 1979: Addendum to Hearing Before the Subcomm. on Improvements in Judicial Machinery of the S. Comm. on the Judiciary*, 96th Cong. 67–68, 69 (1979) (statement of Harry F. Manbeck, General Patent Counsel, General Electric).

<sup>18</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 314 (1971).

Eighth Circuit subsequently affirmed.<sup>19</sup> At approximately the same time, the Foundation brought a second case in the Northern District of Illinois alleging infringement of the same patent by a different defendant. In that case, the Foundation prevailed and its patent was found to be valid and infringed.<sup>20</sup> On appeal, the Seventh Circuit affirmed, creating a direct circuit split regarding the validity of the Foundation's patent. The Supreme Court granted certiorari to address the circuit split, but subsequently requested further briefing as to the continuing viability of *Triplett's* mutuality requirement.<sup>21</sup>

After discussing how the law of estoppel had been shifting away from the mutuality requirement in courts throughout the country, the Supreme Court concluded that:

[p]ermitting repeated litigation of the same issue as long as the supply of unrelated defendants holds out reflects either the aura of the gaming table or "a lack of discipline and of disinterestedness on the part of the lower courts, hardly a worthy or wise basis for fashioning rules of procedure."<sup>22</sup>

The Court thought that this was especially true in patent litigation, which "is a very costly process,"<sup>23</sup> and therefore held that "*Triplett* should be overruled to the extent it forecloses a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid."<sup>24</sup>

The Supreme Court's repudiation of the mutuality requirement drastically changed the effect of a finding of patent invalidity. Whereas under *Triplett* a finding of invalidity had limited impact on the patent-in-suit,<sup>25</sup> under *Blonder-Tongue* a single finding of invalidity effectively killed a patent nationwide because subsequent defendants could use offensive collateral estoppel to counter infringement claims.<sup>26</sup> For example, in *Blonder-Tongue*, once the Southern District of Iowa held the Foundation's patent to be invalid, the defendant in the Northern District of Illinois—and every defendant thereafter—would have been

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<sup>19</sup> *Id.* at 315.

<sup>20</sup> *Id.* at 315–16 (noting that Judge Hoffman, the judge in the Northern District of Illinois case, discussed the Southern District of Iowa decision in his opinion, but nevertheless found the Foundation's patent to be valid).

<sup>21</sup> *Id.* at 317.

<sup>22</sup> *Id.* at 329.

<sup>23</sup> *Id.* at 334.

<sup>24</sup> *Id.* at 350.

<sup>25</sup> *See id.* at 338 (noting that "[u]nder *Triplett*, only the comity restraints flowing from an adverse prior judgment operate to limit the patentee's right to sue different defendants on the same patent").

<sup>26</sup> *See* Joseph Scott Miller, *Joint Defense or Research Joint Venture? Reassessing the Patent-Challenge-Bloc's Antitrust Status*, 2011 STAN. TECH. L. REV. 5, ¶23 (2011) (observing that after *Blonder-Tongue*, "an alleged infringer who wins a patent invalidity judgment earns a benefit not only for itself, but for everyone . . .").

able to estop the Foundation from asserting patent validity and bringing claims of infringement on its patent. As the Fifth Circuit put it:

*Blonder-Tongue* did not throw merely a jab at the multiplicity of patent litigation; rather, it intended a knockout blow through the doctrine of collateral estoppel so that any time a patent was found invalid in a fair fight with a knowledgeable referee, the courts could count ten and the patent holder could no longer maintain that he was champion.<sup>27</sup>

*Blonder-Tongue* gave would-be infringers an incentive to bring a string of declaratory judgment actions in courts throughout the country. Would-be infringers had the opportunity to choose the forums in which to bring their actions, enabling them to choose courts that historically have been hostile to patents. And, indeed, courts developed reputations as patent-friendly or as patent graveyards.<sup>28</sup>

As soon as a single finding of invalidity was made, the patent became unenforceable nationwide, even after half a dozen prior victories. Under this regime, patent-holders were forced to repeatedly litigate throughout the country under a sword of Damocles. Such litigations would be time-consuming and expensive, severely depleting the financial rewards of owning the patent.

Although there is some evidence to suggest Congress was concerned with the elimination of the mutuality requirement following *Blonder-Tongue*,<sup>29</sup> it certainly was not the primary motivation behind the creation of the Federal Circuit. Rather, Congress was far more concerned with the lack of uniformity in

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<sup>27</sup> *Blumcraft of Pittsburgh v. Kawneer Co.*, 482 F.2d 542, 549 (5th Cir. 1973).

<sup>28</sup> Alex Kozinski, *A Market-Oriented Revision of the Patent System*, 21 UCLA L. REV. 1042, 1061–63 (1974).

<sup>29</sup> See Sen. Roman L. Hruska, Address at the First Judicial Conference of the United States Court of Customs and Patent Appeals (Apr. 30, 1974), in 65 F.R.D. 171, 209 (1974) (“This development [the limitation of the mutuality requirement in patent infringement actions], I understand, has resulted in forum shopping, and in the words of Judge Friendly, ‘mad and undignified races . . . between a patentee who wishes to sue for infringement in one circuit believed to be benign toward patents, and a user who wants to obtain a declaration of invalidity or non-infringement in one believed to be hostile to them.’”).

patent law and the forum shopping that was seen as rampant.<sup>30</sup> Nonetheless, the creation of the Federal Circuit, with exclusive jurisdiction over patent appeals, did create a practical back-stop against the *Blonder-Tongue* problem. Because all patent appeals go up to the Federal Circuit, there is no possibility of having conflicting doctrines apply to the same patent.<sup>31</sup> And, of course, district courts all over the country defer readily to the Federal Circuit's supremacy and expertise in patent matters. If regional courts of appeals could develop separate patent doctrines, would-be infringers could select patent-hostile circuits to bring a multiplicity of patent challenges. This would most likely diminish the value of patents.

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<sup>30</sup> See H.R. REP. NO. 97-312, at 20 (1981) ("Patent litigation long has been identified as a problem area, characterized by undue forum-shopping and unsettling inconsistency in adjudications."); *id.* at 23 ("[T]he central purpose [of the new Federal Circuit] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law."); S. REP. NO. 97-275, at 5 (1981) ("The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity in this [patent] area of the law."); 127 CONG. REC. 27,791 (1981) (statement of Rep. Kastenmeier) ("A second specific goal of the legislation is to provide increased uniformity in the patent law. . . . The new Court of Appeals for the Federal Circuit will provide nationwide uniformity in patent law, will make litigation results more predictable and will eliminate the expensive and time-consuming forum shopping that characterizes litigation in the field."); *id.* at 29,861 (statement of Sen. Thurmond) ("The creation of this appellate structure will eventually lead to uniformity in this very important and specialized field of law."); *id.* (statement of Sen. Leahy) ("The court of appeals for the Federal circuit . . . will go a long way to diminishing forum shopping and reducing both the excessive cost and inconsistency in patent litigation."); *id.* at 29,887 (statement of Sen. Grassley) ("We are aiming for a definitive, uniform, and clear interpretation of the national law of patents."). Not everyone agrees that the problems were as significant as some made them out to be. See, e.g., Cecil D. Quillen, Jr., *Essay: Innovation and the U.S. Patent System*, 1 VA. L. & BUS. REV. 207, 228–29 (2006).

<sup>31</sup> See, e.g., *Alloc, Inc. v. Norman D. Lifton Co.*, No. 03 Civ. 4419 (PAC), 2007 WL 2089303, at \*9–11 (S.D.N.Y. July 18, 2007) (analyzing the appropriate amount of deference to give to Federal Circuit decisions and concluding that district courts "should substitute their own judgment for that previously expressed by the Federal Circuit with the greatest trepidation"); *Abbott Labs. v. Sandoz, Inc.*, No. 05 C 5373, 2006 WL 3718025, at \*3 (N.D. Ill. Dec. 15, 2006) (in considering a request for a temporary restraining order, deferring to the prior findings of the Federal Circuit; "this Court will not reach a result inconsistent with that holding [of the Federal Circuit] absent a substantial showing that on a more complete record, the Federal Circuit would have reached a different result"). Deference to Federal Circuit decisions also promotes the congressional intent behind the Federal Circuit. See Larry D. Thompson, Jr., *Adrift on a Sea of Uncertainty: Preserving Uniformity in Patent Law Post-Vornado Through Deference to the Federal Circuit*, 92 GEO. L.J. 523, 578 (2004).

## II. POSSIBLE SOLUTIONS

If exclusive jurisdiction were removed from the Federal Circuit, something should be done to create a new check against the *Blonder-Tongue* problem. The simplest way to avoid this problem is to reverse *Blonder-Tongue* and reinstate the mutuality requirement. There are two ways this could be done: either the Supreme Court could overrule *Blonder-Tongue* or Congress could legislatively reverse *Blonder-Tongue*'s holding. But completely eliminating *Blonder-Tongue* will return the system to how it was under *Triplett*, and will resurrect the problems the Supreme Court sought to eliminate in 1971. Moreover, permitting a patent holder to continue asserting a patent that has been found invalid might raise due process issues because the patent holder would be able to continue asserting a property right—and impose the cost and delay of litigation—once a court of competent jurisdiction has held that the patent holder does not have a property right at all.

## CONCLUSION

The Supreme Court's decision in *Blonder-Tongue* created a situation where would-be patent infringers were encouraged to file repeated actions until they obtained a finding of patent invalidity. Patent holders feared the possibility of defending against these repeated actions under a sword of Damocles, as a single negative outcome could knock out the patent. The Federal Circuit's exclusive jurisdiction has acted as a check against this problem by creating a single arbiter of patent validity. In considering Judge Wood's proposal for removing the Federal Circuit's exclusive jurisdiction, it is important to remember the *Blonder-Tongue* problem and account for it in whatever proposals come out of the conversation.