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# FEDERAL CIRCUIT EXCLUSIVE APPELLATE PATENT JURISDICTION: A RESPONSE TO CHIEF JUDGE WOOD

*Harold C. Wegner\**

## I. OVERVIEW

In her keynote address last year at the Supreme Court Intellectual Property Review conference held at the Chicago-Kent College of Law, Chief Judge Diane P. Wood launched a frontal assault on the exclusive appellate patent jurisdiction of the Federal Circuit.<sup>1</sup> The Chief Judge raised the flag: Congress should divest the Federal Circuit of its exclusive appellate patent jurisdiction. Nobody saluted. There has been no movement in Congress to legislatively adopt her proposal.

Yet, her proposal raises serious questions and deserves thoughtful consideration. For the past several years there has been debate in academic circles as to whether the Federal Circuit should be divested of its exclusive appellate patent jurisdiction.<sup>2</sup> Given the prominence of the Chief Judge and her background in academic circles, her views are worthy of detailed discussion. To be sure, there has been significant academic support for changing the ground rules,<sup>3</sup> and there has indeed been a longstanding history of opposition to specialized courts.<sup>4</sup>

A driving force behind the creation of the Federal Circuit was a desire by the business community to have uniform patent justice throughout the country.<sup>5</sup> On the other hand, one of the major arguments favoring plural appellate routes is that conflicting viewpoints will percolate up to the Supreme Court which will then resolve the issue.<sup>6</sup> Yet, in the areas of high technology obviousness case

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<sup>1</sup> Hon. Diane P. Wood, *Is It Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?*, 13 CHI.-KENT J. INTELL PROP. 1 (2014).

<sup>2</sup> See *infra* Part II.

<sup>3</sup> See *infra* Part II.B.

<sup>4</sup> See Diane P. Wood, *Generalist Judges in a Specialized World*, 50 SMU L. REV. 1755 (1997).

<sup>5</sup> H.R. REP. NO. 97-312, at 23 (1981).

<sup>6</sup> See Wood, *supra* note 1, at 4; *infra* Part V.

law where uniformity is needed most, the Court has for more than sixty years been reluctant to grant review.<sup>7</sup>

Professor John Fitzgerald Duffy of the University of Virginia has been one of the key leaders of the movement to divest the Federal Circuit of exclusive appellate patent jurisdiction. Professor Duffy also was counsel for petitioner in the *KSR* case where he argued about the failure of the Court to grant review in patent cases.<sup>8</sup>

While this paper focuses upon the bread and butter issue of nonobviousness and the virtual absence of Supreme Court review in the entire history of the Federal Circuit, the same story applies for a variety of other issues where the Court rarely, if ever, has granted review.<sup>9</sup>

While academics may relish the opportunity to write about inter-circuit splits, the uncertainty that would be created by the failure of the Court to grant review would create unacceptable business uncertainty.<sup>10</sup>

## II. VIEWS SUPPORTING THE WOOD POSITION

### A. A View from the Chief Judge of the Seventh Circuit

In her keynote address on September 26, 2013, Chief Judge Diane Wood reopened the debate started by Professor Duffy several years ago as to whether the exclusive patent appellate jurisdiction of the Federal Circuit should be reconsidered.<sup>11</sup> *Sub silentio* adopting the Duffy view, the Chief Judge would provide patent appellants a choice between the Federal and a regional Circuit.<sup>12</sup> A look at the contemporary writings of Duffy and others would suggest that her views merely follow others. Yet, that is indeed *not* the case: her own thinking goes back nearly a full generation.<sup>13</sup>

The Chief Judge also is not a patent neophyte. Her exposure to patent cases dates back nearly forty years to 1976 when she was a law clerk at the Fifth Circuit where her judge authored the patent opinion, *Yoder Brothers, Inc. v. California-Florida Plant Corp.*<sup>14</sup>

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<sup>7</sup> See *infra* Part V.A.

<sup>8</sup> See Petition for a Writ of Certiorari, *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (No. 04-1350), 2005 WL 835463.

<sup>9</sup> See *infra* Part VI.

<sup>10</sup> See *infra* Part VII.

<sup>11</sup> Wood, *supra* note 1; Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 NW. L. REV. 1619 (2007).

<sup>12</sup> See Wood, *supra* note 1.

<sup>13</sup> See Wood, *supra* note 4.

<sup>14</sup> 537 F.2d 1347 (5th Cir. 1976) (Goldberg, J.).

### B. The Academic Chorus of Support

Professor Gugliuzza has once again pointed the finger at the Federal Circuit: “If patent law’s problems can be traced in significant part to the Federal Circuit, the natural question for patent scholars is: what has caused this disconnect between the court’s patent jurisprudence and the needs of innovators?”<sup>15</sup> Citing Professors Bessen, Meurer, Nard, Duffy, Rai, Jaffe, and Lerner, he states: “Many scholars have attributed the problem to the court’s status as the practically exclusive appellate forum for patent cases.”<sup>16</sup>

Led by Professor Duffy, there is significant scholarship within academic circles that puts the blame on the exclusive jurisdiction for patents that is enjoyed by the Federal Circuit: “A common argument is that the Federal Circuit’s exclusive jurisdiction leads to poor percolation of legal ideas, less experimentation with legal principles, and, ultimately, a patent law that, although uniform, is insular and severed from economic reality.”<sup>17</sup>

### III. GENERALIST COURTS: A DIVERSITY OF CIRCUIT VIEWPOINTS

The Chief Judge has had a longstanding opposition to specialized tribunals:

[P]owerful arguments against fundamentally changing the role of the Article III judge . . . exist. In my view, the strongest one relates to the accountability of the courts to the rest of society. Generalist judges cannot become technocrats; they cannot hide behind specialized vocabulary and “insider” concerns. The need to explain even the most complex area to the generalist judge (and often to a jury as well) forces the bar to demystify legal doctrine and to make the law comprehensible. This creates obvious benefits for clients as well as courts, since in today’s skeptical world clients are not likely to warm to the “trust me, I know what is best for you” explanation either.<sup>18</sup>

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<sup>15</sup> Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1441 (2012).

<sup>16</sup> *Id.* (citing JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS AND LAWYERS PUT INNOVATORS AT RISK 227–31 (2008); Nard & Duffy, *supra* note 11, at 1619 (2007); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1122–27 (2003); ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 96–126 (2004) (characterized as “arguing that the creation of the Federal Circuit led to a broadening of patent-holders’ rights, which in turn has led to ‘waste and uncertainty that hinders and threatens the innovative process’”).

<sup>17</sup> *Id.* at 1442 (citing BESSEN & MEURER, *supra* note 16; Nard & Duffy, *supra* note 11, at 1622).

<sup>18</sup> Wood, *supra* note 4, at 1767.

For the purposes of the present discussion, one may assume, *arguendo*, that all of the various benefits of shared appellate routes are true, particularly that the percolation of differing views amongst the several circuits will help shape issues for Supreme Court grant of certiorari and ultimate resolution. Yet, the unstated *premise* of both Professor Duffy's and the Chief Judge's arguments is that when issues become clearly identified as ripe for grant of certiorari, the Supreme Court *will* grant review to resolve and shape the issues which have been painted through conflicting circuit court opinions.

#### IV. PATENT LAW UNIFORMITY THROUGHOUT THE COUNTRY

Undoubtedly the most important *benefit* of the exclusive patent jurisdiction of the Federal Circuit has been the *predictability* of a uniform result no matter which trial court was selected. Under the old regime, a patent challenged in St. Louis was likely to be held invalid for want of "invention" (obviousness) whereas a lawsuit across the Mississippi River in Illinois could yield the opposite result, all based upon whether the appellate review was to the most anti-patent circuit in the United States—the Eighth Circuit—or in one of the more moderate fora—the Seventh Circuit.

Appellate forum shopping came to an end with the creation of the Federal Circuit:

[Prior to the establishment of the Federal Circuit], the law diverged among regions of the country. Some circuits imposed difficult burdens on patentees, or light ones on infringers. Statistics demonstrate that in the period 1945-1957, a patent was twice as likely to be held valid and infringed in the Fifth Circuit than in the Seventh Circuit, and almost four times more likely to be enforced in the Seventh Circuit than in the Second Circuit. It is no wonder that forum shopping was rampant, and that a request to transfer a patent infringement action from Texas, in the Fifth Circuit, to Illinois, in the Seventh Circuit, would be bitterly fought in both circuits and, ultimately, in the Supreme Court. Furthermore, without knowing where a patent would be litigated, it became impossible to adequately counsel technology developers or users. In such a legal environment, the promise of a patent could hardly be considered sufficient incentive to invest in research and development."

The [Federal Courts Improvement Act of 1982 creating the Federal Circuit] offered a solution to these problems by creating a single forum to hear appeals from most patent disputes. According to proponents of the legislation, channeling patent cases into a single appellate forum would create a stable, uniform law and would eliminate forum shopping. Greater certainty and predictability would foster technological growth and industrial innovation and would facilitate business planning. In addition, proponents hoped that the new court would alleviate the workload crisis, at least at the appellate level, where the technical nature of patent disputes

required a disproportionate amount of time from the generalist judges of the regional circuits.<sup>19</sup>

## V. PREMISE OF SUPREME COURT GRANT OF CERTIORARI

### A. *Paucity of High Technology Obviousness Cases*

Beginning with the time when the Federal Circuit was established in 1982, there was an early reluctance to grant review of Federal Circuit patent cases. Nearly fourteen full years later, the Supreme Court handed down *Markman v. Westview Instruments, Inc.*,<sup>20</sup> the first major substantive patent law case from the Federal Circuit with a merits decision on a matter of substantive patent law.<sup>21</sup>

Recently, there have been several patent cases heard by the Supreme Court, but the models suggested by Professor Duffy and the Chief Judge are theoretically sound *only if* the premise is correct that the Supreme Court will grant certiorari to review conflicts in patent cases on major issues of substantive patent law such as nonobviousness. The premise is dubious at best when the focus is upon the substantive hard core patent issues relating to patent validity and, particularly, to the bottom line consideration in a majority of cases, the issue of statutory nonobviousness under 35 U.S.C. § 103.

Given the track record of the Supreme Court dating back to the commencement of practice under the 1952 Patent Act, there is little assurance that the Court *would* grant certiorari to resolve inter-circuit conflicts of substantive patent law. If there is divided appellate jurisdiction, there is no assurance of any kind (apart from the slowing down of the certiorari process to await for inter-circuit conflicts to arise) that the Court would grant certiorari in many, or any, high technology cases where a high technology issue is at stake.

Since the 1952 Patent Act—a period that involves thirty years of patent appeals to the regional circuits and thirty years under the Federal Circuit regime—the Court has been loathe to grant certiorari to determine nonobviousness in *any* case involving a high technology invention where the technology was the focus of the inquiry. In the few cases dealing with

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<sup>19</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 6–7 (1989) (footnotes omitted).

<sup>20</sup> 517 U.S. 370 (1966).

<sup>21</sup> *Cf.* *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986) (GVR to apply FRCP Rule 52(a)); *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988) (jurisdictional issue); *Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661 (1990) (statutory construction of the scope of 35 U.S.C § 271(e)(1)); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993) (vacatur); *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 510 U.S. 27 (1993) (dismissed after argument on the basis of an improvident grant of certiorari); *Asgrow Seed Co. v. Winterboer*, 513 U.S. 179 (1995) (Plant Variety Protection Act).

nonobviousness where review has been granted, the Supreme Court *has* shied away from any recent review of issues requiring knowledge of high technology. Since *Sakraida v. Ag Pro, Inc.*<sup>22</sup> in 1976, the Court has issued an opinion on whether an invention is nonobvious *only* in *KSR*, the “gas pedal” case.<sup>23</sup> *KSR* involved no new technology at all, but rather determined whether a combination of old elements should be put together to create an electronic gas pedal.<sup>24</sup> *Sakraida* itself also was hardly high tech; the case dealt with the “technology” for flushing cow manure from barns.<sup>25</sup> The Court equated the invention to the mythical Hercules flushing the Aegean stables.<sup>26</sup>

*KSR* stands alone as the *only* Supreme Court review in the era of the Federal Circuit of an issue of nonobviousness under 35 U.S.C. § 103.

*B. The Duffy Premise is Contradicted by the Duffy Petition*

The *premise* of Professor Duffy’s and Chief Judge Wood’s argument is that with a diversity of appellate decisions blossoming forth from competing circuits, such conflict will encourage Supreme Court review of patent cases where clear differences emerge between the several circuits. However, this has not been true for obviousness cases.

For example, *Stratoflex, Inc. v. Aeroquip Corp.*,<sup>27</sup> was decided in the first full year of existence of the Federal Circuit and just seven years after *Sakraida*. Here, the Federal Circuit *sub silentio* but clearly repudiated the Supreme Court’s holding in *Sakraida*.<sup>28</sup> The Court left *Stratoflex* standing for nearly thirty years until it granted review in *KSR*.

The *KSR* petition (coauthored by Professor Duffy) stated that:

The [*KSR*] decision below is in direct conflict with this Court’s precedents, the law of at least seven (7) regional Circuits, and the text of § 103 itself. The divergence between this Court’s precedents and existing Federal Circuit precedent is so blatant that commentators and casebook editors in the field of patent law routinely describe the Federal Circuit’s precedents on § 103 as “abolish[ing],” “ignor[ing],” or “dismissing” controlling Supreme Court precedent.

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<sup>22</sup> 425 U.S. 273 (1976).

<sup>23</sup> *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

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

<sup>25</sup> *See Sakraida*, 425 U.S. 273.

<sup>26</sup> *Id.* at 275 n.1.

<sup>27</sup> 713 F.2d 1530 (Fed. Cir. 1983) (Markey, C.J.).

<sup>28</sup> *Id.* at 1566. See Kevin Rhodes, *The Federal Circuit’s Patent Nonobviousness Standards: Theoretical Perspectives on Recent Doctrinal Changes*, 85 NW. U. L. REV. 1051, 1061–65 (1991) for more information on the obvious standards adopted by the Supreme Court in *Sakraida* and the Federal Circuit in *Stratoflex*.

Prior to the creation of the Federal Circuit in 1982, at least seven (7) of the regional Courts of Appeals had cited and followed *Sakraida*, *Anderson's-Black Rock*, and their many predecessor cases, when analyzing the validity of combination patent claims such as the patent claim at issue in this case.<sup>29</sup>

Thanks to a new statutory scheme for patent law that has been in effect for applications filed since March 16, 2013, the courts have a multitude of issues that will present cases of first impression. Even if the Federal Circuit retains exclusive appellate jurisdiction, it will be some time before patent applications percolate through the examination system to be granted patents and eventually find their way into the court system. Consider, for example, the statutory test for nonobviousness under 35 U.S.C. § 103 of the 1952 Patent Act, *the very first statutory test* replacing the case law doctrine of “invention” dating back more than a century earlier to *Hotchkiss v. Greenwood*.<sup>30</sup> Despite the fact that nonobviousness was an issue in the vast majority of all patent trials, it took *fourteen years* for the Supreme Court to issue its first opinion interpreting the new statutory enactment in *Graham v. John Deere Co. of Kansas City*.<sup>31</sup> In the eleven-year stretch between *Graham* and *Sakraida* there were only two further decisions on nonobviousness.<sup>32</sup> Since *KSR* in 2007, there has yet to be another review of nonobviousness.

## VI. GENERAL ABDICATION OF APPELLATE PATENT REVIEW

The stark failure of the Court to review more than one nonobviousness case in the thirty plus years of the existence of the Federal Circuit speaks for itself.

Yet another example is the important issue of particularity in claiming under the Leahy Smith America Invents Act,<sup>33</sup> codified as 35 U.S.C. § 112(b), but which has existed under different statutory labels since the nineteenth century. Whether under the Federal Circuit or the prior era with the possibility of inter-circuit splits, until this year the Court had *never* granted review of the issue of whether a claim particularly points out and distinctly claims the invention as mandated by § 112(b) since World War II.

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<sup>29</sup> Petition for a Writ of Certiorari, *supra* note 8, at \*11–12, \*15 (footnote omitted).

<sup>30</sup> 52 U.S. 248 (1850).

<sup>31</sup> 383 U.S. 1 (1966); *United States v. Adams*, 383 U.S. 39 (1966).

<sup>32</sup> *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969); *Dann v. Johnston*, 425 U.S. 219 (1976).

<sup>33</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.).

This year, for the first time in modern history, the Court reviewed the issue in *Biosig Instruments, Inc. v. Nautilus, Inc.*<sup>34</sup> *Nautilus* reawakens the ghost of *United Carbon Co. v. Binney & Smith Co.*,<sup>35</sup> the last major Supreme Court case where claims were invalidated for indefiniteness under what today is 35 U.S.C. § 112(b).<sup>36</sup>

## VII. AN ACADEMICS DELIGHT, BUSINESSMAN’S FRIGHT

The Duffy proposal has received discussion largely within academic circles. To be sure, a split appellate route for patents would be an academic’s dream come true as academics would have a field day presenting the ideas of economists and legal scholars.<sup>37</sup> It is perfectly understandable that academics are delighted with the proposals of the Chief Judge and Professor Duffy. Nothing fuels academic interest more than inter-circuit splits.

But what about business certainty? The Chief Judge acknowledges that “[t]he greatest pressure to move toward specialization appears to be coming from the business community, which would like faster justice for itself, but who does not want that?”<sup>38</sup> Indeed, this is precisely what has been fostered through the exclusive appellate jurisdiction given to the Federal Circuit for patent cases.

## CONCLUSION

While the premise of Professor Duffy’s and Chief Judge Wood’s argument that a diversity of appellate decisions from competing circuits will encourage Supreme Court review of patent is sound, given the track record of the Supreme Court over the past generations both pre- and post-Federal Circuit, it is difficult to expect significant grants of certiorari to resolve inter-circuit conflicts over high technology issues.

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<sup>34</sup> 715 F.3d 891 (Fed. Cir. 2013), *vacated*, 134 S. Ct. 2120 (2014) (holding that “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention).

<sup>35</sup> 317 U.S. 228 (1942).

<sup>36</sup> Arguably, one could also consider the issues as part of a case from sixty-eight years ago, *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 12 (1946) (citing *United Carbon*, 317 U.S. at 236).

<sup>37</sup> Nard & Duffy, *supra* note 11, at 1649 (“Without the benefits of competition and diversity, the Federal Circuit is isolated from noteworthy doctrinal proposals and normative prescriptions that would be generated by other circuit courts, and is less likely to be presented with or to entertain ideas articulated by economists, legal scholars, and other judges. And it is at the appellate level where these proposals and prescriptions can make the most pronounced difference.”) (footnote omitted).

<sup>38</sup> Wood, *supra* note 4, at 1768.