

## Federal Circuit works well

The National Law Journal

Vol. 29, No. 15 - at 30

Copyright 2006 by American Lawyer Media, ALM, LLC

December 4, 2006

By Thomas G. Field Jr.

Special to The National Law Journal

A little more than eight years ago, as reported here, “the nation’s dependence on technological innovation has pushed the once-obscure U.S. Court of Appeals for the Federal Circuit center stage.” Victoria Slind-Flor, “Federal Circuit Judged Flawed,” *NLJ*, Aug. 3, 1998, at A1. The article quoted several critics of the court and questioned whether the court serves the purposes for which it was designed in 1982.

Since then, critics have become only more vocal. Indeed, Adam B. Jaffe and Josh Lerner in *Innovation and its Discontents: How Our Broken Patent System is Endangering Innovation and Progress and What to Do About It* (2004), fault the Federal Circuit as a primary cause for the gloomy assessment reflected in their title. Although more nuanced, recent reports from the Federal Trade Commission (FTC) and a National Research Council board are also critical. That the FTC report was cited in *eBay Inc. v. MercExchange LLC*, 126 S. Ct. 1837 (2006) (Justice Anthony M. Kennedy concurring), shows that the U.S. Supreme Court has taken notice.

On Nov. 28, the high court heard arguments in *KSR Int’l Co. v. Teleflex Inc.*, after certiorari was granted over an unpublished decision of the Federal Circuit. The petitioner alleges that the obviousness standard comprehensively addressed in *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966), was misapplied. In *Graham*, the court flagged “a notorious difference between the standards applied by the Patent Office and by the courts.” In that regard, it is useful to consider the work of a commission appointed by President Johnson and published shortly after *Graham*. That report ultimately faulted the U.S. Court of Customs and Patent Appeals (CCPA) for much of the “notorious difference” stressed in *Graham*. The extent to which that criticism was apt is unclear, but the commission opined that CCPA decisions, more than those of the U.S. Circuit Court of Appeals for the District of Columbia — and more than those of other courts — encouraged the office to resolve doubts in favor of applicants. Fearing erosion of a strong presumption of patent validity, the commission made several recommendations. Its most striking one for present purposes proposed that CCPA decisions be reviewable in the D.C. Circuit. Other proposals, addressing burdens of proof and standards of review, are closely related. They did not come to pass, but some commentators apparently have the same dim view of the Federal Circuit that the commission had of the CCPA.

### **Stability and predictability**

Such a view is, at best, misguided. As noted by the FTC, the Federal Circuit brings “stability and increased predictability to various elements of patent law.” That follows from

its assumption of the role of other appellate courts, but it also assumed the CCPA's jurisdiction. It is of equal or greater importance that, since 1982, review of refusals to grant patents is no longer primarily conducted by a court of limited jurisdiction. Thus, the scope of Federal Circuit jurisdiction wholly eliminates the potential for one court (the CCPA) to insist that patents be granted on records that many other courts of appeal would later find unacceptable.

Unlike the CCPA earlier and the U.S. Patent and Trademark Office (PTO) even now, the Federal Circuit must confront unwarranted grants in litigation. Critics inadequately credit the importance of that perspective in developing a sound patent system. If nothing else, it makes it difficult for attorneys, particularly the same attorneys, to argue one set of propositions when challenging PTO refusals directly and converse propositions when challenging patent grants collaterally. Critics may also inadequately credit the Federal Circuit's continuing difficulties. It began with limited precedent for conducting collateral review of patent validity, but, as stated in *Graham*: "What is obvious is not a question upon which there is likely to be uniformity of thought in every given factual context. The [issues], however... should be amenable to a case-by-case development."

As stressed in a new Bush administration report, "Few issues are as important to the current and future economic strength of the United States as our ability to create and protect intellectual property." In that respect, the Federal Circuit plays a key role. It still faces a formidable task in reducing uncertainty and burdens on legitimate innovation.

During oral argument in *KSR*, most justices seemed skeptical about the Federal Circuit's articulation of the obviousness standard. Justice David H. Souter, however, flagged the uncertainty that could be caused by striking it down. Absent clear evidence of serious error, the high court may well leave the Federal Circuit to pursue its incremental development of standards for application across an expanding patent landscape.

Thomas G. Field Jr. is a professor and director of the IP Amicus Clinic at Franklin Pierce Law Center in Concord, N.H.