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## Forward: Symposium on Evolving the Court of Appeals for the Federal Circuit and Its Patent Law Jurisprudence

Dennis D. Crouch

*University of Missouri School of Law*, [crouchdd@missouri.edu](mailto:crouchdd@missouri.edu)

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## Symposium: Evolving the Court of Appeals for the Federal Circuit and its Patent Law Jurisprudence

### Foreword

*Dennis D. Crouch\**

#### I. INTRODUCTION

During its thirty years, the Court of Appeals for the Federal Circuit has continuously held a powerful role in U.S. patent policy. But the Court is neither a monolith nor a fixed point of rotation. Rather, the Court continues to change and be changed. It changes in reaction to the questions presented and external political influences; in reaction to the personnel shifts as members leave and are replaced by judges with varying attitudes toward intellectual property and varying judicial approaches; and in reaction to our understanding of the roles and justifications for intellectual property law in today's society. Although this evolution alters the law and its practice, it is this evolution that guarantees an ongoing role for the court and satisfies the public demand for a law shaped to fit the needs of society.

While this Symposium draws its foundation from the history of the Federal Circuit, the focus is on the future – the future of patent law and the future of the court. Biological evolution is often thought of as passive – a natural phenomenon that happens to a population without conscious design. But, we are part of the patent system, and we are conscious influencers of changes to

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\* Associate Professor of Law, University of Missouri School of Law. I would like to thank the staff of the *Missouri Law Review* for its outstanding and professional work in hosting the 2011 Symposium and in editing the submitted articles.

the system. Thus, for the Federal Circuit, a better metaphor uses evolution in an active form to reveal the active and intentional influences on the court.

It is my great pleasure to introduce the *Missouri Law Review's* 2011 Symposium: "Evolving the Court of Appeals for the Federal Circuit and its Patent Law Jurisprudence." The entire staff of the *Missouri Law Review* should be congratulated both for the February 25, 2011 Symposium at the University of Missouri School of Law, and for the written Symposium that follows. Although the debates that occur in these pages are wide ranging, we framed the approach as follows in the symposium brochure:

The Court of Appeals for the Federal Circuit is approaching its 30th anniversary as the focal point of patent law policy in the United States. Many praise the Court for its role in unifying and strengthening patent law doctrine. Others challenge the Court's formalism and argue that a doctrine-specific solitary circuit leads to systematic failures in the development of the law.

In many ways, the Court is operating in a power vacuum, with the U.S. Patent Office denied authority to substantively develop the law and Congress regularly withholding its guidance. Over the past few years, the Supreme Court has taken a more active role in deciding patent cases, but will that increased interest alter the jurisprudence of the Federal Circuit beyond the doctrinal holdings of the High Court?<sup>1</sup>

As I discuss below, conditions on the ground have changed in the few short months following the Symposium. Congress has now acted, and the Patent Office will soon have additional authority. These changes play directly into the arguments of our Symposium authors and make their results even more important.

## II. NOT ALONE IN THE CENTER

Each year, the *Missouri Law Review* invites a particularly distinguished guest to deliver the Earl F. Nelson Lecture as the keynote speaker for the annual Symposium. This year's Nelson lecturer was Mr. David J. Kappos, Under Secretary of Commerce and Director of the United States Patent and Trademark Office (USPTO); his remarks are included in this published Symposium.<sup>2</sup> Since his appointment as head of the multi-billion dollar executive

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1. *Missouri Law Review, Evolving the Court of Appeals for the Federal Circuit and its Patent Law Jurisprudence* (Feb. 25, 2011) (on file with the Missouri Law Review) (brochure of the 2011 *Missouri Law Review* Symposium).

2. David J. Kappos, *Crafting a 21st Century United States Patent and Trademark Office 2011 Earl F. Nelson Lecture*, 76 MO. L. REV. 639 (2011).

agency and chief intellectual property officer for the nation, Under Secretary Kappos has brought a new vibrancy and positive spirit to the important job of determining which inventions are deserving of the exclusive property rights provided by patent protection. In his lecture, Under Secretary Kappos called for legislative patent reform.<sup>3</sup> Ask and ye shall receive. In the months between his speech and this publication, Congress has passed the Leahy-Smith America Invents Act.<sup>4</sup> As suggested by his lecture, the Leahy-Smith Act was strongly supported by Under Secretary Kappos because it, *inter alia*, provides the USPTO with more control over the creation and administration of its operating rules; follows international harmonization principles that can facilitate a more multi-national approach to patent granting; and raises the potential for increased USPTO funding to implement the grand visions of Under Secretary Kappos.<sup>5</sup> The oft-maligned USPTO<sup>6</sup> will now possess tools to right its ship, and we are lucky to have Under Secretary Kappos at the helm. The next few years will reveal whether these new tools can be translated into “a more simplified and streamlined process to acquire patent rights, ultimately enabling inventors to[] bring their ideas to fruition faster and compete in global markets sooner.”<sup>7</sup>

Mr. Kappos’s discussion of the USPTO is helpful in that it frames the role of the Federal Circuit court within a broader context of the patent system and patent law policy. Both the Federal Circuit and USPTO remain daily influences on patent law, while other bodies such as Congress and the U.S. Supreme Court hold great but rarely exercised power. In her oral presentation at the symposium, Professor Lisa A. Dolak discussed the Federal Circuit’s remarkable response to external political influences, including Congress, the Supreme Court, and the USPTO.<sup>8</sup> To her point, in the six years since the Patent Reform Act of 2005 was first introduced, the Federal Circuit

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3. *Id.* at 643 (“But pivotal to any such discussion, the long-term success of our system is a much needed patent reform effort, and we’re counting on you, in this room to help us do that.”).

4. Leahy-Smith America Invents Act, H.R. 1249, 112th Cong. (2011) [hereinafter Leahy-Smith Act] (passed by the Senate on September 8, 2011).

5. *Id.*

6. See, e.g., Joseph Farrell & Robert P. Merges, *Incentives To Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 946-47 (2004); Mark A. Lemley, *Can the Patent Office be Fixed?*, 15 MARQ. INTELL. PROP. L. REV. 295, 303 (2011) (The patent office issues a “worrisome number of economically significant bad patents and those patents enjoy a strong, but undeserved, presumption of validity.”).

7. Kappos, *supra* note 2, at 639.

8. Lisa Dolak, Remarks at the Missouri Law Review Symposium 2011, Panel I: Structure and Jurisprudential Approach of the Court of Appeals for the Federal Circuit (February 25, 2011) available at <http://law.missouri.edu/faculty/symposium/2011/webcast.html>.

has addressed many of the concerns raised by the original reform initiative.<sup>9</sup> As another symposium speaker, Professor Peter Menell, suggested, the Federal Circuit is now “deeply involved with orchestrating and guiding the patent system.”<sup>10</sup>

The unique structure of the Federal Circuit has facilitated this rapid transformation of the law. The following is taken from my own congressional testimony regarding the Court’s structural importance:

[U]nlike most other federal legal questions appealed to regional Circuit Courts of Appeal, virtually all patent law related appeals from across the country are heard by the Court of Appeals for the Federal Circuit (the “Federal Circuit”). The national reach of the Federal Circuit means that a ruling by the court has an automatic nationwide impact in much the same way that decisions by the United States Supreme Court have a nationwide impact. However, unlike the Supreme Court, the Federal Circuit hears hundreds of patent cases each year. Over the past ten years, the funneling of patent appeals to the Federal Circuit has resulted in the court hearing over four thousand patent infringement appeals in addition to its review of patent decisions from the United States Patent and Trademark Office (the “Patent Office”) and the International Trade Commission. The large number of cases provides the court with the opportunity to rapidly shift the law, even when each case presents only an incremental change. In addition to the means to effect change, it is apparent that both the Federal Circuit and the Supreme Court have taken an interest in shaping patent law policy. Finally, unlike many Federal statutes, the Patent Act as codified in Title 35 of the United States Code is a relatively sparse statute that leaves tremendous leeway for interpretation.<sup>11</sup>

It is the structural design of the Federal Circuit that gives it such power and, as Professor Dolak discussed, has allowed the court to quickly address prob-

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9. *Review of Recent Judicial Decisions on Patent Law: Hearing Before H. Subcomm. on Intellectual Prop., Competition and the Internet*, 112th Cong. 2 (2011) [hereinafter Dennis Crouch, *Review of Recent Judicial Decisions on Patent Law*] available at <http://judiciary.house.gov/hearings/pdf/Crouch03102011.pdf> (statement of Dennis Crouch, Associate Professor of Law, University of Missouri School of Law); see generally William C. Rooklidge & Alyson G. Barker, *Reform of a Fast-Moving Target: The Development of Patent Law Since the 2004 National Academies Report*, 91 J. PAT. & TRADEMARK OFF. SOC’Y 153 (2009).

10. Peter Menell, Remarks at the Missouri Law Review Symposium 2011, Panel II: The Court’s Role in Developing Patent Law Policy at 6:40 (February 25, 2011) available at <http://law.missouri.edu/faculty/symposium/2011/webcast.html>.

11. Dennis Crouch, *Review of Recent Judicial Decisions on Patent Law*, *supra* note 9, at 2-3 (footnotes omitted).

lems that it perceives in the system. Professor Dolak honestly left open the next question – whether the court’s active approach of responding to external pressures is appropriate?

In his oral presentation, Professor Lee Petherbridge considered a different potential influencer – legal scholarship – and how that scholarship is used by the Federal Circuit.<sup>12</sup> Professor Petherbridge presented his empirical conclusions that the subject-matter focused Federal Circuit’s “use of legal scholarship appears quite similar to that of the regional circuits.”<sup>13</sup> As Professor Petherbridge would readily admit, analyzing influence is incredibly difficult because the indicia within reach are largely inadequate. Although judicial opinions have historically relied heavily on citation to precedential authority, citations to academic legal theory articles rarely if ever justify a particular conclusion. In a recent decision, Federal Circuit Chief Judge Randall Rader wrote a strong concurring opinion arguing for a doctrine of avoidance for the fundamental issue of patentable subject matter, because of the problems created by the “course eligibility filter.”<sup>14</sup> Although certainly grounded in the academic debate on the topic, Judge Rader did not cite any law review articles.<sup>15</sup> The academic work offered only ideas and argument, and not the authoritative stamp of a typical judicial citation.

In his Symposium article, Professor Ryan Vacca considers how the structure and activity of the Federal Circuit leaves the court appearing like an administrative agency.<sup>16</sup> Although both the USPTO and the Federal Circuit have parallel goals of using the patent system to promote the progress of technology and the useful arts, their approaches can vary and are occasional-

12. Lee Petherbridge, Remarks at the Missouri Law Review Symposium 2011, Panel I: Structure and Jurisprudential Approach of the Court of Appeals for the Federal Circuit (February 25, 2011) available at <http://law.missouri.edu/faculty/symposium/2011/webcast.html>. See David L. Schwartz and Lee Petherbridge, *Legal Scholarship and the United States Court of Appeals for the Federal Circuit: An Empirical Study of a National Circuit*, BERKELEY TECH. L. J. (forthcoming 2011) available at <http://ssrn.com/abstract=1725543>.

13. Schwartz and Petherbridge, *supra* note 12. This result is contrary to prior studies. See Craig Allen Nard, *Toward a Cautious Approach to Obeisance: The Role of Scholarship in Federal Circuit Patent Law Jurisprudence*, 39 HOUS. L. REV. 667 (2002) (suggesting that after *KSR*, the Federal Circuit and district courts are much more willing to find patent claims invalid as obvious); Dennis Crouch, *Citation of Law Review Articles*, PATENTLY-O BLOG (Nov. 20, 2008, 11:26 PM), <http://www.patentlyo.com/patent/2008/11/citation-of-law.html>.

14. *Classen Immunotherapies, Inc. v. Biogen IDEC*, Nos. 2006-1634, 2006-1649, 2011 WL 3835409, at \*15-26 (Fed. Cir. Aug. 31, 2011) (Rader, C.J., with additional views).

15. See, e.g., Dennis Crouch and Robert P. Merges, *Operating Efficiently Post-Bilski by Ordering Patent Doctrine Decision-Making*, 25 BERKELEY TECH. L.J. 1673 (2010) (arguing for a doctrine of avoidance).

16. Ryan Vacca, *Acting Like an Administrative Agency: The Federal Circuit En Banc*, 76 MO. L. REV. 733 (2011).

ly at odds.<sup>17</sup> Vacca's particular insight focuses on the Federal Circuit's frequent en banc practice, typical extensive list of questions presented, and extensive amicus filings, together suggest that the court is looking to make decisions with broader application, and in much the same way that administrative agencies use the notice and comment process to consider the positive and negative impact of proposed rules.<sup>18</sup> Professor Vacca writes:

Congress traditionally has delegated policy setting to administrative agencies that must comply with the Administrative Procedure Act (APA), particularly the notice and comment provisions. Despite being an appellate court not subject to the notice and comment requirements, the Federal Circuit appears to comply with these requirements when it orders cases to be heard en banc.

And although some commentators object to the en banc Federal Circuit acting like an administrative agency by engaging in substantive rulemaking and policy setting, I argue that the Federal Circuit is in the best position to do so. However, other governmental bodies can and should play a larger role in shaping patent policy.<sup>19</sup>

Vacca could likely consider an additional aspect of Federal Circuit activity as suggesting agency-like behavior. All of the members of the court have extensive experience in patent law, with most having sat on hundreds of panels considering patent appeals. Although patent law has always been known for its hairsplitting points of distinction, the Court's extensive experience appears to have also led to a level of doctrinal complexity that is more akin to federal regulations than to any common law doctrine.

In this theme of structural differentiation, the greatest difference between the Federal Circuit and other circuit courts of appeals is that the Federal Circuit is a national court focused on particular areas of federal law. In her paper, Professor Elizabeth Winston identifies a host of additional structural differences that make the court unique.<sup>20</sup>

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17. See, e.g., *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009) (rejecting USPTO rulemaking authority), *vacated by* 328 F. App'x 658 (Fed. Cir. 2009) (per curiam) (rejecting USPTO rulemaking authority); see also Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1097 & n.277 (2003).

18. Vacca, *supra*, note 16, at 735-48.

19. *Id.* at 734.

20. Elizabeth I. Winston, *Differentiating the Federal Circuit*, 76 MO. L. REV. 815 (2011) (identifying the residency requirement; unusual panel size potential; mandated panel rotation; court location; removal power over Federal Claims judges; and criminal sanctions against members of Congress representing parties at the Federal Circuit).

As part of the Symposium, the *Missouri Law Review* hosted a nationwide competition for the best article authored by a law student on the topic of “the Patent Jurisprudence of the Court of Appeals for the Federal Circuit.”<sup>21</sup> Out of a large pool of excellent submissions, University of Iowa Law School student Damon Andrews’ submission was chosen for publication.<sup>22</sup> In his article, Mr. Andrews provides a comprehensive review of the court’s thirty year history of patent decisions, its attempts to solidify patent law doctrine, and the ongoing conversation between the Federal Circuit and the Supreme Court.<sup>23</sup> These themes obviously fit well within this Symposium issue.

### III. DOCTRINAL FOCUS OF THE FEDERAL CIRCUIT

The second half of the written Symposium largely focuses on particular patent law doctrines, including the interface between claim construction and infringement;<sup>24</sup> damages for ongoing adjudicated patent infringement;<sup>25</sup> the role of technological unpredictability especially as it applies to software development and patenting;<sup>26</sup> and the role legal unpredictability plays, especially as it applies to the pharmaceutical industry.<sup>27</sup>

#### A. Doctrinal Tensions

In his article, Jason Mudd moves away from the institutional balance of power and focuses on a doctrinal tension between claim construction and the infringement/invalidity determinations.<sup>28</sup> Although these doctrines are different, Mudd recognizes a growing substantive similarity – especially as “courts are becoming increasingly accepting of and often prefer conducting claim construction in the context of the accused product.”<sup>29</sup> This frontloading offers the potential to quickly end the case by achieving a claim construction that is determinative of the outcome. As I wrote in 2008:

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21. Members of the *Missouri Law Review* were excluded from the competition.

22. Damon C. Andrews, *Promoting the Progress: Three Decades of Patent Jurisprudence in the Court of Appeals for the Federal Circuit*, 76 MO. L. REV. 841 (2011).

23. *Id.*

24. Jason R. Mudd, *To Construe or Not to Construe: At the Interface Between Claim Construction and Infringement in Patent Cases*, 76 MO. L. REV. 709 (2011).

25. Mark A. Lemley, *The Ongoing Confusion Over Ongoing Royalties*, 76 MO. L. REV. 695 (2011).

26. Greg R. Vetter, *Patent Law’s Unpredictability Doctrine and the Software Arts*, 76 MO. L. REV. 763 (2011).

27. Christopher M. Holman, *Unpredictability in Patent Law and Its Effect on Pharmaceutical Innovation*, 76 MO. L. REV. 646 (2011).

28. Mudd, *supra* note 24, at 711-12.

29. *Id.* at 712.



There is a strong tendency . . . to push the judge toward deciding the infringement issue within a *Markman* hearing – leading to a potentially quick summary judgment conclusion. Thus, parties often ask the –judge to determine whether or not claimed element “X” should be interpreted to cover “Y” where Y is an element of the accused product.<sup>30</sup>

Mudd's novel conceptualization is that the steps of construction and application are part of a continuum and the exact dividing point between the two is uncertain. Although Mudd argues that the two elements of a decision must eventually be separated, his conceptualization suggests that they may remain intermingled even in the final decision.

### B. Ongoing Damages

In his article,<sup>31</sup> Professor Mark Lemley considers damages law in the wake of *eBay Inc. v. MercExchange, L.L.C.*<sup>32</sup> In that case, the U.S. Supreme Court held that traditional notions of equity control the grant of injunctive relief and, therefore, that an adjudication of infringement does not necessarily lead to injunctive relief.<sup>33</sup> The open question raised and answered by Professor Lemley is how courts should respond to ongoing infringement after denying injunctive relief.<sup>34</sup> Responding to his own inquiry, Professor Lemley identifies two theories that he argues support forward-looking royalty awards.<sup>35</sup> First, the patent damages statute is not expressly limited to past infringement and past damages, and the “complete compensation” required under section 284 of the Patent Act may only be possible if future damages are also taken into consideration.<sup>36</sup> Second, a court may also collect future royalties through its traditional equitable power to do accountings and create constructive trusts.<sup>37</sup> Lemley goes on to argue that any ongoing damages should be awarded at the same royalty rate as past damages stating: “There is no reason to think that asking the same question twice should produce different answers in most cases.”<sup>38</sup> The most important aspect of Lemley's paper

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30. Dennis Crouch, *Deciding Infringement During Claim Construction*, PATENTLY-O BLOG (June 18, 2008, 11:37 AM), <http://www.patentlyo.com/patent/2008/06/deciding-infrin.html>.

31. Lemley, *supra* note 25, at 696.

32. 547 U.S. 388 (2006).

33. *Id.* at 394.

34. Lemley, *supra* note 25, at 696.

35. *Id.* at 696-98.

36. 35 U.S.C. § 284 (2006) as interpreted by *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983) (requiring “complete compensation” but not contemplating future infringement).

37. Lemley, *supra* note 25, at 698-99.

38. *Id.* at 705.

likely is his challenge to Professor Tomás Gómez-Arostegui's historical conclusion that traditional English equity courts never allowed prospective financial awards.<sup>39</sup> Lemley argues that Gómez-Arostegui asks the wrong question regarding equity:

Rather, the question is whether the equitable remedy is of a type traditionally granted in equity, as opposed to an entirely new sort of remedy. Accountings for profits and constructive trusts were well-established in equity, and indeed, an accounting for profits was a statutory remedy in patent law until 1946.<sup>40</sup>

Going forward, Professor Lemley's approach surely will have some traction in courts. Interestingly, the fact that ongoing damages are available may work in favor of awarding damages and against injunctive relief.

### C. Unpredictability

The final two articles in the Symposium work with unpredictability but come from two very different angles. Technological solutions that were unpredictable are more likely to be non-obvious, but the law may also require greater disclosure and proof of invention. Professor Greg Vetter suggests a new approach for dealing with this technological unpredictability that removes the traditional judicial gloss that treated certain categories of technology as unpredictable and others as predictable.<sup>41</sup> Academia has seen a longstanding policy debate over whether patent law should be uniform or technology and market-area specific.<sup>42</sup> Professor Vetter neatly sidesteps this debate and instead presents a model for determining unpredictability based upon the time and effort involved in the design of new technologies.<sup>43</sup> The problem, as Professor Vetter admits, is that generalized categories are so much easier to determine and judge.<sup>44</sup>

Rather than technological unpredictability, Professor Christopher Holman's article focuses on legal unpredictability and its particular impact on the pharmaceutical industry.<sup>45</sup> More than any other major industry, pharmaceutical companies rely on patents to protect markets. Without patent rights,

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39. H. Tomás Gómez-Arostegui, *Prospective Compensation in Lieu of a Final Injunction in Patent and Copyright Cases*, 78 *FORDHAM L. REV.* 1661, 1696 (2010).

40. Lemley, *supra* note 25, at 699 n.27.

41. Vetter, *supra* note 26, at 802-11.

42. Dan L. Burk & Mark A. Lemley, *Is Patent Law Technology Specific?*, 17 *BERKELEY TECH. L.J.* 1155, 1161 (2002); Michael W. Carroll, *Patent Injunctions and the Problem of Uniformity Cost*, 13 *MICH. TELECOMM. & TECH. L. REV.* 421, 443 (2007).

43. Vetter, *supra* note 26, at 802-11.

44. *Id.*

45. Holman, *supra* note 27, at 645.

generic manufacturers quickly compete and drive prices low. And those generic manufacturers regularly invalidate pharmaceutical patents. Professor Holman argues that in recent years these invalidations are largely based upon “unpredictable and unanticipated applications of the law.”<sup>46</sup> Holman's case for stability runs contrary to the calls for reform and legal evolution.

### III. CONCLUSION

The diverse viewpoints on the role of the patent system and the Court of Appeals for the Federal Circuit are evident from the perspective of these contributors. A common theme of all contributors is that the Federal Circuit remains a central figure in ongoing patent law policy and that we can expect continued changing or evolving of the law.

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46. *Id.* at 651.