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## The Court of Appeals for the Federal Circuit: Has it Fulfilled Congressional Expectations?

George C. Beighley Jr.

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### Cover Page Footnote

George Cox Beighley, Jr. is an attorney in Washington, D.C. focusing on intellectual property. Mr. Beighley graduated from Vanderbilt University with a degree in Physics with High Honors and Political Science. He graduated law school at the University of South Carolina and received his LL.M. in intellectual property from George Washington University. Mr. Beighley worked briefly on the Court of Appeals for the Federal Circuit with Judge Pauline Newman, where he was able to acquire most of the information for this Article. The author acknowledges with deep gratitude the many kindnesses of the Honorable Pauline Newman, the Honorable Randall Rader, the Honorable Alan Lourie, the Honorable William Bryson, and the Honorable Timothy Dyk; all distinguished jurists on the Court of Appeals for the Federal Circuit; as well as my professors at the George Washington University Law School, Donald Dunner, the Honorable Gerald Mossinghoff, and the Honorable Ralph Oman. I would also like to thank Kenneth Rodriguez of the George Washington University Law School Law Library for his research. Their guidance and friendship have made this Article possible.

# The Court of Appeals for the Federal Circuit: Has it Fulfilled Congressional Expectations?

George C. Beighley, Jr.\*

ABSTRACT .....	672
INTRODUCTION .....	672
I. HISTORY .....	675
A. <i>Problems that Existed in Patent Law Prior to the Creation of the Federal Circuit</i> .....	675
B. <i>Previous Reform Proposals</i> .....	683
C. <i>The Solution</i> .....	687
D. <i>Debate over the Bill</i> .....	693
E. <i>What Were the Congressional Expectations of the Federal Circuit?</i> .....	699
II. ASSESSMENT .....	705
A. <i>The First Five Years of the Court: 1982–1987</i> .....	706
B. <i>The Court from 1988–1997</i> .....	711
C. <i>The Court from 1998–2007</i> .....	720

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\* George Cox Beighley, Jr. is an attorney in Washington, D.C. focusing on intellectual property. Mr. Beighley graduated from Vanderbilt University with a degree in Physics with High Honors and Political Science. He graduated law school at the University of South Carolina and received his LL.M. in intellectual property from George Washington University. Mr. Beighley worked briefly on the Court of Appeals for the Federal Circuit with Judge Pauline Newman, where he was able to acquire most of the information for this Article. The author acknowledges with deep gratitude the many kindnesses of the Honorable Pauline Newman, the Honorable Randall Rader, the Honorable Alan Lourie, the Honorable William Bryson, and the Honorable Timothy Dyk; all distinguished jurists on the Court of Appeals for the Federal Circuit; as well as my professors at the George Washington University Law School, Donald Dunner, the Honorable Gerald Mossinghoff, and the Honorable Ralph Oman. I would also like to thank Kenneth Rodriguez of the George Washington University Law School Law Library for his research. Their guidance and friendship have made this Article possible.

672	<i>FORDHAM INTELL. PROP. MEDIA &amp; ENT. L.J.</i>	[Vol. 21:671
	<i>D. The Court from 2008–2010</i> .....	723
	<i>E. Is the Court a Success?</i> .....	727
	<i>F. The Future of the Court</i> .....	735
	CONCLUSION.....	735
	APPENDIX .....	738

#### ABSTRACT

This Article suggests that the creation of the Court of Appeals for the Federal Circuit was a successful experiment that proves a change in the legal philosophy behind the jurisdiction for federal appellate courts from exclusively general regional jurisdiction to a more specific national subject matter jurisdiction can be successful. This Article provides a historical analysis of how the Federal Circuit was created by presenting interviews from those involved in its creation. The Article then examines the legislative intent behind the creation of the Federal Circuit by looking at the congressional history and interviewing those who testified before Congress. Finally, the Article assesses whether the Federal Circuit has fulfilled congressional expectations by reviewing empirical data detailing the number of patent applications filed by and granted to United States inventors before and after the creation of the court, and by presenting interviews from five judges on the Federal Circuit (Chief Judge Randall Rader, Judge Pauline Newman, Judge Timothy Dyk, Judge Alan Lourie, and Judge William Bryson), a former head of the U.S. Patent and Trademark Office (Professor Gerald Mossinghoff), a former head of the Copyright Office (Professor Ralph Oman), and one of the most experienced Federal Circuit practitioners (Professor Donald Dunner). Ultimately, the Article concludes that a single intermediate appellate court with national subject matter jurisdiction has proven to be a successful experiment that has stood the test of time.

#### INTRODUCTION

The United States judicial system, as established in the Constitution, places great confidence in the ability of ordinary

citizens sitting as jurors and generalist judges at trial and on appeal to understand and resolve the most technical and complicated legal matters.<sup>1</sup> That confidence in the common sense judgment of juries and judges survived inviolate for 195 years until Congress enacted the Federal Courts Improvement Act of 1982.<sup>2</sup> In that year, Congress created the Court of Appeals for the Federal Circuit, the first Article III United States appellate court with exclusive national subject matter jurisdiction over patent appeals and other specific areas of national concern.<sup>3</sup> In so doing, Congress intended to reinvigorate the U.S. patent system by taking the subject matter of patent law away from the generalist judges of the regional circuit courts of appeal and vesting it in a single bench of judges who spoke the language of science and could deal with the complexity of the new technologies that are the focus of American inventors.

Although patent matters comprise only a part of the Federal Circuit's mandate, they alone prompted the creation of the court in 1982.<sup>4</sup> Congress created the Federal Circuit to address a serious

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<sup>1</sup> See U.S. CONST. amend. VII ("In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law."); see also U.S. CONST. art. III, § 1 ("The judicial Power of the United States shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.").

<sup>2</sup> The Commerce Court of the United States was a brief-lived Article III federal trial-appellate court. It was created by the Mann-Elkins Act of 1910, 36 Stat. 539, and abolished a mere three years later by 38 Stat. 208 (1913), effective December 31, 1913. The Commerce Court was a specialized court given jurisdiction over cases arising from orders of the Interstate Commerce Commission and empowered with judicial review of those orders. However, the main function of the Commerce Court judges was to serve as at-large appellate judges reducing the work load for other regional circuits. The jurisdiction of the Commerce Court was extremely narrow compared to the Federal Circuit making the Commerce Court a truly specialized court.

<sup>3</sup> The Federal Circuit's jurisdiction extends to all appeals from all cases arising under the patent laws, excluding cases in which patent issues are asserted only as a defense. See also *infra* note 4.

<sup>4</sup> Hon. Randall Rader, C.J., Fed. Cir., Class Lecture at Geo. Wash. Univ. L. Sch. (Jan. 4, 2010). See *Court Jurisdiction*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/the-court/court-jurisdiction.html> (last visited Apr. 24, 2011) ("The court's jurisdiction consists of administrative law cases (55%), intellectual property cases (31%), and cases involving money damages against the United States government (11%). The administrative law cases consist of personnel and veterans claims. Nearly all of the intellectual property cases involve patents.").

problem: the lack of uniformity and consistency in patent law. At that time, the U.S. economy was in the midst of an economic recession and many economists saw the lack of national consistency in standards of patentability as a drag on the nation's competitiveness and a disincentive for investment in innovation.<sup>5</sup> Congress viewed the Supreme Court's difficulty in taking patent cases to resolve disputes among circuits, and the absence of an informed and efficient process for resolving patent appeals, as the principal causes of the fragmentation in patent law. In other words, uncertainty had undermined the patent system, and a designated national appeals court could bring about consistency and promote the innovation necessary for American businesses to compete in an increasingly competitive global environment.

This Article will focus on the Federal Circuit's patent jurisdiction and will assess whether or not the court has, generally after twenty-eight years, carried out its mandate "to improve the administration of the patent law by centralizing appeals in patent cases."<sup>6</sup>

To judge a court and determine whether or not it has lived up to the intent of its creators necessitates a careful examination of: (1) the status quo ante that led to the court's formation; (2) the societal and legal problems which the creation of the court was intended to solve; (3) the factual and statistical data that bears on that assessment; and (4) the opinions of those closest to the court whose reasoned judgments carry special weight. Ultimately, this Article concludes that Congress's experiment has been a success and that the Federal Circuit has become an indispensable institution in maintaining a viable patent system, in creating a greater incentive to invent, and in preserving the role of the United States as a world leader in technological innovation.

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<sup>5</sup> *Federal Courts Improvement Act of 1979: Addendum to Hearings on S.677 and S.678 Before the Subcomm. on Improvements in Judicial Machinery of the S. Comm. on the Judiciary*, 96th Cong. 67 (1979) (statement of Harry F. Manbeck, Commissioner of the U.S. Patent and Trademark Office from 1990 to 1992).

<sup>6</sup> S. Rep. No. 97-275 (1981).

## I. HISTORY

A. *Problems that Existed in Patent Law Prior to the Creation of the Federal Circuit*

Review of the Federal Circuit, after twenty-five years, starts with a reminder of the economic recession and industrial stagnation that led to the formation of this court. Its charge, the expectation and hope of its creators, was that uniform national law, administered by judges who understand the law and its purposes, would help to revitalize industrial innovation through strengthened economic incentive.<sup>7</sup>

—Judge Pauline Newman<sup>8</sup>

Historically, the regional federal appellate courts handled appeals of all patent cases, except those directly from the United States Patent and Trademark Office (“USPTO”) and those from the International Trade Commission. The Court of Customs and

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<sup>7</sup> Hon. Pauline Newman, *After 25 Years*, 17 FED. CIR. B.J. 123, 123 (2008).

<sup>8</sup>

Pauline Newman was appointed by President Ronald Reagan in 1984. From 1982 to 1984, Judge Newman was Special Adviser to the United States Delegation to the Diplomatic Conference on the Revision of the Paris Convention for the Protection of Industrial Property. She served on the advisory committee to the Domestic Policy Review of Industrial Innovation from 1978 to 1979 and on the State Department Advisory Committee on International Intellectual Property from 1974 to 1984. From 1969 to 1984, Judge Newman served as director, Patent, Trademark and Licensing Department, FMC Corp. From 1961 to 1962 she worked for the United Nations Educational, Scientific and Cultural Organization as a science policy specialist in the Department of Natural Resources. She served as patent attorney and house counsel of FMC Corp. from 1954 to 1969 and as research scientist, American Cyanamid Co. from 1951 to 1954. Judge Newman received a B.A. from Vassar College in 1947, an M.A. from Columbia University in 1948, a Ph.D. from Yale University in 1952 and an LL.B. from New York University School of Law in 1958.

*Hon. Pauline Newman's Biography*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/pauline-newman-circuit-judge.html> (last visited Apr. 10, 2011).

Patent Appeals<sup>9</sup> handled all appeals from the Patent and Trademark Office in patent and trademark cases.<sup>10</sup> Thus, the regional federal appellate courts, the CCPA, and the Court of Claims were the predecessor courts to the Federal Circuit. However, these courts had proven unable to provide uniformity and certainty in patent law.<sup>11</sup>

In the ten years prior to the creation of the Federal Circuit, there were several specific problems with respect to patent law. For one, the judges of the regional circuit courts of appeals generally lacked expertise in patent law and few came from technical backgrounds.<sup>12</sup> Also, the patent decisions of the various circuit courts of appeal were characterized by a lack of uniformity. Judge William Bryson<sup>13</sup> observed:

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<sup>9</sup> According to the Payne-Aldrich Tariff Act of 1909, 36 Stat. 11, which provided for a U.S. Court of Customs Appeals to hear all appeals from the Board of General Appraisers (later known as the U.S. Customs Court), the CCPA also handled all appeals from the Board of General Appraisers.

<sup>10</sup> In 1929, Congress renamed the court the U.S. Court of Customs and Patent Appeals and expanded its jurisdiction as indicated. 45 Stat. 1475 (1929).

<sup>11</sup> On February 25, 1855, Congress established a Court of Claims, with jurisdiction to hear and determine all monetary claims based upon a congressional statute, an executive branch regulation, or a contract with the United States government. 10 Stat. 612 (1855).

<sup>12</sup> See *infra* text accompanying note 14.

<sup>13</sup>

William C. Bryson was appointed by President William J. Clinton in 1994. Prior to his appointment, Judge Bryson was with the United States Department of Justice from 1978 to 1994. During that period, he served as an Assistant to the Solicitor General (1978–79), Chief of the Appellate Section of the Criminal Division (1979–83), Counsel to the Organized Crime and Racketeering Section (1983–86), Deputy Solicitor General (1986–94), Acting Solicitor General (1989 & 1993), and Acting Associate Attorney General (1994). He was an Associate at the Washington, D.C. law firm of Miller, Cassidy, Larroca and Lewin from 1975 to 1978. Judge Bryson served as Law Clerk to the Honorable Henry J. Friendly, United States Court of Appeals for the Second Circuit from 1973 to 1974, and as Law Clerk to the Honorable Thurgood Marshall, Supreme Court of the United States, from 1974 to 1975. Judge Bryson received an A.B. from Harvard College in 1969 and a J.D. from the University of Texas School of Law in 1973.

*Hon. William Bryson Biography*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/william-c-bryson-circuit-judge.html> (last visited Apr. 10, 2011).



2011]

FEDERAL CIRCUIT

677

I think the general perception was there was widespread dissatisfaction on a couple of scores. One is that it was perceived that there wasn't very much expertise among the various circuit courts with respect to patent law. . . . There were a lot of judges who didn't like the patent cases much, didn't have technical backgrounds, nor any considerable body of experience with patent cases. Patent law is a somewhat unusual area of the law in that there's a lot of doctrine that is distinct to patent law. . . . There was some aversion to patent cases among many of the generalist court judges. The perception was that a lot of [patent] cases didn't get the attention that they may have deserved and sometimes the results were not the product of careful and considered assessments.<sup>14</sup>

Judge Bryson also noted that:

[T]he second significant problem was the wide disparity in the way different circuits treated patent cases. Some of the regional circuits were quite hostile to patents and some of the circuits were much friendlier to patents, which created a disequilibrium in that a lot mattered as to which circuit you brought your action in.<sup>15</sup>

This lack of uniformity caused two major problems. First, in the event of litigation, the value of a patent often depended on where the case was tried.<sup>16</sup> The main economic effect of this disparity in treatment of patents across the circuits was that it prevented the patent owners from ascertaining the validity of their patents and knowing if they had a valuable patent or worthless patent.<sup>17</sup> This

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<sup>14</sup> Interview with Hon. William Bryson, J., Fed. Cir., in D.C. (Oct. 15, 2009) [hereinafter Judge Bryson Interview].

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

<sup>16</sup> *Id.*

<sup>17</sup> See Gary M. Hoffman & Robert L. Kinder, *Supreme Court Review of Federal Circuit Patent Cases—Placing the Recent Scrutiny in Context and Determining if It will Continue*, 20 DEPAUL J. ART, TECH. & INTELL. PROP. L. 227, 233 (2010) (“Even after a slight resurgence of patent importance immediately after the 1952 Patent Act, patent

uncertainty decreased the economic value of patents generally, and the uncertainty as to the validity and strength of the patent reduced incentives to commercialize new inventions.<sup>18</sup> Second, the very different treatment patents received from one circuit to the next gave rise to rampant forum shopping, with litigants lining up to file in the circuit whose law was most advantageous.<sup>19</sup> Judge Bryson remarked that the effect of the circuit splits would cause one circuit to be “regarded as a graveyard for patents and another to be regarded as a place where, if the patentee could find a way to get venue in that circuit, he or she would enhance the chances of success.”<sup>20</sup> In that pre-Federal Circuit era, even legitimate patents often had an extremely difficult time being enforced in court.<sup>21</sup>

Chief Judge Randall Rader<sup>22</sup> characterized the disparity among the regional circuits as follows:

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valuation soon began a systematic decline through increased invalidity rulings by the regional appellate courts. Throughout the 1960s and 1970s, commentators calculated that appellate courts found at least 60% of patents invalid or unenforceable. Essentially, the sentiment within some industries was that because of the systematic trend to find nearly every litigated patent invalid, the courts were crushing American innovation and competitiveness.”).

<sup>18</sup> See Judge Bryson Interview, *supra* note 14.

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

<sup>20</sup> *Id.*

<sup>21</sup> See *infra* text accompanying note 73.

<sup>22</sup>

Randall R. Rader was appointed to the United States Court of Appeals for the Federal Circuit by President George H. W. Bush in 1990 and assumed the duties of Chief Judge on June 1, 2010. He was appointed to the United States Claims Court (now the U.S. Court of Federal Claims) by President Ronald W. Reagan in 1988. Chief Judge Rader’s most prized title may well be “Professor Rader.” As Professor, Chief Judge Rader has taught courses on patent law and other advanced intellectual property courses at The George Washington University Law School, University of Virginia School of Law, Georgetown University Law Center, the Munich Intellectual Property Law Center, and other university programs in Tokyo, Taipei, New Delhi, and Beijing. Due to the size and diversity of his classes, Chief Judge Rader may have taught patent law to more students than anyone else. Chief Judge Rader has also co-authored several texts including the most widely used textbook on U.S. patent law, “Cases and Materials on Patent Law,” (3d ed. 2009) and “Patent Law in a Nutshell,” (2007) (translated into Chinese and Japanese). Chief Judge Rader has won acclaim for leading dozens of government and educational delegations to every continent (except

It was chaotic and there were really only two circuits where you had any reliable chance of having a patent upheld as valid. Those were the Fifth and the Seventh circuits. . . . It gave a great deal of uncertainty to the law. It created vast battles over procedural aspects. Venue and transfer motions and so forth became a seminal battleground because the circuit you ended up in was often dispositive. So you fought hard over your choice of forum.<sup>23</sup>

Patent litigator Donald Dunner<sup>24</sup> recalled that:

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Antarctica), teaching rule of law and intellectual property law principles. Chief Judge Rader has received many awards, including the Sedona Lifetime Achievement Award for Intellectual Property Law, 2009; Distinguished Teaching Awards from George Washington University Law School, 2003 and 2008 (by election of the students); the Jefferson Medal from the New Jersey Intellectual Property Law Association, 2003; the Distinguished Service Award from the Berkeley Center for Law and Technology, 2003; the J. William Fulbright Award for Distinguished Public Service from George Washington University Law School, 2000; and the Younger Federal Lawyer Award from the Federal Bar Association, 1983. Before appointment to the Court of Federal Claims, Chief Judge Rader served as Minority and Majority Chief Counsel to Subcommittees of the U.S. Senate Committee on the Judiciary. From 1975 to 1980, he served as Counsel in the House of Representatives for representatives serving on the Interior, Appropriations, and Ways and Means Committees. He received a B.A. in English from Brigham Young University in 1974 and a J.D. from George Washington University Law School in 1978.

*Hon. Randall Rader Biography*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/randall-r-rader-chief-judge.html> (last visited Apr. 10, 2011).

<sup>23</sup> Interview with Hon. Randall Rader, C.J., Fed. Cir., in D.C. (Nov. 3, 2009) [hereinafter Judge Rader Interview].

<sup>24</sup>

Professor Donald Dunner is a teacher of Patent Appellate Practice at George Washington University Law School. Donald Dunner has worked in all phases of patent law, including prosecution, licensing, litigation, validity and infringement studies, and counseling. He has technical expertise in the areas of chemical engineering, chemistry, biotechnology, and pharmaceuticals. Currently, Mr. Dunner is involved predominantly in intellectual property litigation and has earned the reputation of being one of the finest litigators in the

on a given kind of a case you would expect more often than not to lose if you are in the Eighth Circuit, if you are a patent owner, and more often than not . . . you could expect to win in the Fifth Circuit or the Seventh Circuit, with other circuits being somewhere in between. . . .<sup>25</sup>

The circuits' lack of uniformity meant that the same patent would be interpreted differently by each regional circuit. As an example, because of an unusual procedural circumstance, the Fifth, Sixth and Eighth Circuits conducted separate novelty analyses for the same patent, related to a pneumatic roller for compacting earth for roads and highways.<sup>26</sup> The facts were identical in all three cases, but the defendants were different. The cases dragged on for eight years and occupied the attention of at least twenty-five judges.<sup>27</sup>

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country. He has litigated numerous cases in the federal district courts and is best known for appellate practice before the U.S. Court of Appeals for the Federal Circuit and its predecessor court, the U.S. Court of Customs and Patent Appeals. He has had significant success overturning jury and other verdicts handed down by lower district courts. The New York Times reported that he has argued more Federal Circuit cases than any other litigator in the U.S.

*Professor Donald Dunner Biography*, FINNEGAN, <http://www.finnegan.com/DonaldDunner> (last visited Aug. 20, 2010).

<sup>25</sup> Interview with Donald R. Dunner, Professor, Geo. Wash. Univ. L. Sch., in D.C. (Sept. 28, 2009) [hereinafter Dunner Interview].

<sup>26</sup>

This invention relates to the art of compacting earth for roads, highways, airports runways, fills for dams, etc., where deep penetration and uniform but maximum density are important objectives, and the primary purpose is to provide a novel, efficient and practical pneumatic tired compactor that will effectively yet economically meet these rigid objectives or requirements. The compactor had several notable characteristics an arched recess, which was an element of the invention and a oscillation and rocker beam element.

U.S. Patent No. 2,610,557 (filed Nov. 17, 1949). For figures filed with the patent see Appendix. See also *Bros Inc. v. W.E. Grace Mfg. Co.*, 351 F.2d 208, 209 n.1 (5th Cir. 1965); *Bros Inc. v. Browning Mfg. Co.*, 317 F.2d 413, 414 (8th Cir. 1963); *Gibson-Stewart Co. v. Williams Bros Boiler & Mfg. Co.*, 264 F.2d 776, 777 (6th Cir. 1959). All three cases involved U.S. Patent No. 2,610,557 (filed Nov. 17, 1949).

<sup>27</sup> *W.E. Grace*, 351 F.2d at 209 n.1.

The courts' opinions related to this patent show the lack of expertise by judges and the disparity in judicial standards of patentability among the circuit courts. In *Bros Inc. v. W.E. Grace Manufacturing Co.*,<sup>28</sup> the Fifth Circuit considered the patent for the earth compactor in the context of an infringement action.<sup>29</sup> The defendant counter-claimed that the patent was invalid for failure to comply with the novelty requirement of 35 U.S.C. § 102(b) and argued that a prior art brochure had disclosed the invention in full.<sup>30</sup> The Fifth Circuit applied the following novelty test: did the prior art reference "reveal 'in such full, clear and exact terms as to enable any person skilled in the art to make, construct and practice the invention to the same practical extent as if the information was derived from a prior patent?'"<sup>31</sup> The court examined the invention, compared the claims to the brochure, reviewed testimony by witnesses and concluded that it was clearly erroneous for the District Court to hold that the brochure anticipated the Bros Inc. patent.<sup>32</sup> Accordingly, the Fifth Circuit found the patent valid and infringed.<sup>33</sup>

In *Bros, Inc. v. Browning Manufacturing*,<sup>34</sup> the Court of Appeals for the Eighth Circuit was presented with the same factual situation and needed to determine if the Bros, Inc. patent was invalid based on the same prior brochure.<sup>35</sup> The Eighth Circuit reasoned that the proper test for a 102(b) novelty analysis was that a prior art reference anticipates a patent if "the knowledge 'derived from the publication [is] sufficient to enable those skilled in the art or science to understand the nature and operation of the invention, and to carry it into practical use.'"<sup>36</sup>

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<sup>28</sup> *Id.* at 210.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 210, 213 (noting that in order to qualify for a patent, the invention must be new, useful and unobvious). In this case the defendant alleged that the invention was not "new" because the brochure had been published prior to the application for the patent. *Id.* at 210.

<sup>31</sup> *Id.* at 213 (quoting *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 517 (1870)).

<sup>32</sup> *Bros Inc v. W.E. Grace*, 351 F.2d at 213–16.

<sup>33</sup> *Id.* at 216.

<sup>34</sup> 317 F.2d 413 (8th Cir. 1963).

<sup>35</sup> *Id.* at 414.

<sup>36</sup> *Id.* at 416 (quoting *Collins v. Owen*, 310 F.2d 884, 887 (8th Cir. 1962)).

The Eighth Circuit examined in detail the prior art reference and the elements of the invention. Referring to the same patent and the same prior art reference that the Fifth Circuit found did not anticipate the patent, the Eighth Circuit held that “the essence of the invention, that is, the inventive concept which is the basis for the claims of this patent, was fully disclosed in this pamphlet and enabled one skilled in the art to build and produce the roller compactor described in this patent.”<sup>37</sup> Accordingly, the Eighth Circuit held the patent invalid for lack of novelty under 102(b).<sup>38</sup>

In *Gibson-Stewart Co. v. Williams Bros Boiler and Manufacturing Co.*,<sup>39</sup> the Sixth Circuit examined the same facts as the Eighth and Fifth Circuits to determine whether or not the brochure anticipated the patent for the pneumatic roller road compactor.<sup>40</sup> The Sixth Circuit discussed the trial judge’s findings.

[The trial court] stated that the arched recess [an element of the invention] is old and, standing alone, put nothing new into the combination of elements, being useful nevertheless. The court said further that the oscillation and rocker-beam idea was not new and that the Appellee did not even claim originality or novelty for most of the elements embraced in the structure.<sup>41</sup>

Nevertheless, the trial judge later found the patent valid despite these problems. The Sixth Circuit concluded that despite these defects the trial judge “well reasoned that novelty, usefulness and commercial acceptance for the manner in which the known elements were put together—not as a mere aggregation, but as a combination which accomplishes the job sought to be accomplished in a new and better way—was manifest.”<sup>42</sup> The Sixth Circuit found the patent to be valid and infringed.<sup>43</sup>

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<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 415–17.

<sup>39</sup> 264 F.2d 776 (6th Cir. 1959).

<sup>40</sup> *See id.* at 777.

<sup>41</sup> *Id.* at 777–78.

<sup>42</sup> *Id.* at 778.

<sup>43</sup> *Id.* at 776, 779.

The technology of the patent, while not overly complicated, was sufficiently challenging that even educated jurists had difficulty reaching a common agreement on whether the oscillation and rocker beam element was novel or anticipated by prior art. The difficulty in clearly understanding the technology and the diverging rules of law showed the need for reform of the patent system.

These cases represent an extreme example of the problems which had come to characterize patent law prior to the creation of the Federal Circuit. In these cases, three courts considered the same patent, examined the same factual situation, interpreted the same law, and reached very different conclusions. Recognizing the damage done to the U.S. patent system by these and other confusing anomalies, Congress understood the need for corrective action.

#### *B. Previous Reform Proposals*

The situation was . . . dire enough that Congress felt that some broader approach needed to be taken—quite different from the approach that’s taken in most other areas—and that was to create a court that would centralize all the patent appeals.<sup>44</sup>

—Judge William Bryson

In the early 1970’s there were several attempts to address the problems with the U.S. patent system and there was a growing concern over how to better structure the judiciary. In 1971, Chief Justice Warren Burger appointed Professor Paul Freund<sup>45</sup> to head a

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<sup>44</sup> Judge Bryson Interview, *supra* note 14.

<sup>45</sup>

Professor Paul Freund, 1908–1992, was a preeminent legal scholar. Under the guidance of Professor Thomas Reed Powell, Felix Frankfurter and others, Freund became a standout student at Harvard Law School, and was elected as President of the Harvard Law Review from 1930–1931. After receiving his S.J.D. magna cum laude in 1932, Freund spent a year as clerk to Supreme Court Justice, Louis Brandeis. He remained in Washington for the rest of the decade, working as a government lawyer in the Treasury Department (under Thomas Corcoran and Dean Acheson), Reconstruction Finance Corporation (under Stanley Reed), and finally in the Solicitor

commission designed to study methods to improve judicial efficiency and address the growing problem of unresolved circuit splits.<sup>46</sup> The commission recommended several structural changes, but its lasting effect was the creation of a special Senate body to examine methods of improving Supreme Court review.<sup>47</sup> That body was known as the Hruska Commission, after the commission's chairman, Senator Roman Hruska of Nebraska.<sup>48</sup>

Professor Ralph Oman<sup>49</sup> worked on the Senate Judiciary Committee for many years. He explained how the Hruska

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General's Office (again with Stanley Reed, followed by Robert Jackson). In Washington, Freund argued before the United States Supreme Court and wrote briefs for New Deal cases such as the *Gold Clause Cases* and *Ashwander v. Tennessee Valley Authority*. Freund returned to Harvard in the fall of 1939 and began an academic career that would take up the rest of his life. (The only interruption was a return to the Department of Justice from 1942–1946). He became a respected professor at the Law School and, after appointment as Carl M. Loeb University Professor in 1958, at Harvard College as well. Freund created a course for undergraduates, Social Sciences 137: "The Legal Process." It became so popular that he lectured to a packed Sanders Theater.

*Professor Paul Abraham Freund Biography*, HARVARD UNIV. LIBRARY, <http://oasis.lib.harvard.edu/oasis/deliver/~law00164> (last visited Aug. 20, 2010).

<sup>46</sup> BRUCE D. ABRAMSON, *THE SECRET CIRCUIT: THE LITTLE-KNOWN COURT WHERE THE RULES OF THE INFORMATION AGE UNFOLD* 15 (2007).

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

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In 1973, Mr. Oman received a doctor of laws degree from Georgetown University, where he served as Executive Editor of the Georgetown Journal of International Law. He is a member of the District of Columbia Bar and the Supreme Court Bar. Following law school, Mr. Oman served as law clerk to the Honorable C. Stanley Blair, U.S. District Court Judge for the District of Maryland. From 1974 to 1975, Mr. Oman was a trial attorney with the U.S. Department of Justice Antitrust Division. In 1975, Mr. Oman moved to the U.S. Senate, where he worked for Senator Hugh Scott of Pennsylvania as Chief Minority Counsel on the Subcommittee on Patents, Trademarks, and Copyrights. He helped the Senator draft the language and negotiate the compromises that resulted in the passage of the landmark Copyright Act of 1976. In 1977, Senator Scott retired and Mr. Oman became senior lawyer to Senator Charles Mathias of Maryland, the Senate's leading proponent of strong copyright protection. In 1982, Mr. Oman became Chief Counsel of the newly revived Subcommittee on Patents, Copyrights, and



Commission got its start in the early 1970s. It “was a great honor [for Senator Hruska to head the commission] . . . because he was a Republican, and Senator Eastland [the Chairman of the Senate Judiciary Committee] was a Democrat. [It was] rare that you would give a minority senator that type of leadership assignment.”<sup>50</sup>

Professor Donald Dunner served on the Hruska Commission as a consultant whose task was to evaluate the impact of the problems in the area of patent litigation.<sup>51</sup> Professor Dunner remarked:

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Trademarks, and in 1985 he scheduled the first Senate hearing in 50 years on U.S. adherence to the Berne Convention for the Protection of Literary and Artistic Works. From the Chief Counsel position, he was appointed Register of Copyrights on September 23, 1985. As Register, Mr. Oman helped move the United States into the Berne Convention in 1989. Mr. Oman retired from federal service in 1993 and entered private practice. Since 1993, he has also served as adjunct professor of law at the George Washington University Law School, where he teaches copyright.

*Hon. Ralph Oman Biography*, U.S. COPYRIGHT OFFICE, <http://www.copyright.gov/history/bios/oman.pdf> (last visited Aug. 20, 2010).

<sup>50</sup> Interview with Hon. Ralph Oman, Professor, Geo. Wash. Univ. L. Sch., in D.C. (Nov. 23, 2009) [hereinafter Oman Interview].

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In 50-plus years in the legal profession, attorney Donald R. Dunner has come to be regarded as one of the world’s leading experts on patents. Dunner, a partner at Finnegan, Henderson, Farabow, Garrett & Dunner, LLP—the world’s largest intellectual property law firm—has worked in every aspect of patent law and argued more cases before the U.S. Court of Appeals for the Federal Circuit (Federal Circuit) than any other litigator in the country. Dunner also was involved in the early years of the Federal Circuit, having served as chair of the Advisory Committee to the court during its first 10 years and participated in drafting the court’s rules.

Over the course of his career, Dunner also has been involved in numerous legal associations such as the American Academy of Appellate Lawyers, American Bar Association (ABA), American Patent Law Association (which later became the American Intellectual Property Law Association), Bar Association of the District of Columbia, District of Columbia Bar, and National Council of Patent Law Associations. He has coauthored several books and teaches a course on federal circuit practice at The George Washington University Law School.

*A Conversation With Donald R. Dunner*, LEGENDS IN THE LAW, DC BAR, [http://www.dcbbar.org/for\\_lawyers/resources/publications/washington\\_lawyer/november\\_2009/legends.cfm](http://www.dcbbar.org/for_lawyers/resources/publications/washington_lawyer/november_2009/legends.cfm) (last visited Jan. 24, 2011).

The goal was to try to figure out how to supplement the Supreme Court's reviewing power, because the Supreme Court limited the number of cases that it reviewed each year and there was a feeling that it was not giving adequate review to the decisions of the Circuit Courts of Appeal, so this Commission was designed to look at possible solutions to that problem.<sup>52</sup>

Their principal focus was on the formation of an appellate court in between the Supreme Court and the Circuit Courts of Appeal. The thought was that if one could appeal decisions from the circuit courts to an intermediate court, which I think had certiorari-type review, similar to what the Supreme Court has, then you end up having a double layer of certiorari review and the end result would be that you would expand the capability of certiorari review. . . . [T]hat was the principal focus of the Hruska Commission. . . . A lot of people thought it was a good idea, but it just never took off.<sup>53</sup>

Professor Dunner, with fellow consultant Professor Gambrell, specifically addressed the problem of the patent system.

We did a survey among practicing patent litigators to find out what they thought of the idea of a single court of patent appeals and the results we got were pretty well split down the middle. Half of the people, more or less, thought it was a terrible idea and half of the people thought it was a good idea.<sup>54</sup>

Professors Dunner and Gambrell ultimately recommended "not to have a specialized court of patent appeals, particularly since over the years there has been a lot of hostility to that concept."<sup>55</sup> Ultimately, they "just decided there wasn't enough enthusiasm for it."<sup>56</sup> Instead, they focused on the "problem . . . in that the various

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<sup>52</sup> Dunner Interview, *supra* note 25.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

circuit courts of appeals had . . . varying views as to the patent system.”<sup>57</sup> Professor Dunner continued:

Some were very pro-patent, and some were anti-patent. [S]ince all the district court appeals went to the regional circuit courts, litigators, if they represented a patent owner, would race to a circuit that was friendly to patents, and the accused infringer would [try to get the court to transfer the case] to . . . circuits that were hostile to patents. [T]he end result was that the different circuit courts were enunciating the same rules of law in the patent field, but they were applying those same rules very differently.<sup>58</sup>

Another concern of the Hruska Commission was the fear of having a specialized court or courts. Chief Judge Rader succinctly recalls: “Part of [Senator Hruska’s] recommendation was that you could create some other courts, although he was very worried about specialized courts.”<sup>59</sup> The advocates of specialized courts reasoned that by giving a court specific jurisdiction, the court would gain familiarity with the subject matter and would consequently make better and more consistent judgments. The main argument against specialized courts was that vesting specialized jurisdiction in a single court removes that subject matter from the docket of generalist judges, which could lead to a lack of new ideas and stagnation in the law. While the Freund Committee and the Hruska Commission failed to resolve the serious problems with the legal system, their work raised awareness among Washington policy makers that a major problem existed with respect to U.S. patent law jurisprudence.

### C. *The Solution*

Three years and one month before that day [the day Federal Circuit first sat], President Carter had sent to Congress a bill to create a new judicial circuit, a

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<sup>57</sup> Dunner Interview, *supra* note 25.

<sup>58</sup> *Id.*

<sup>59</sup> Judge Rader Interview, *supra* note 23.

Federal Circuit. It was an idea developed over the previous year in the Justice Department.<sup>60</sup>

—Professor Daniel Meador<sup>61</sup>

In the late 1970's, the Hruska Commission made several crucial findings on the nature of the patent system that would later be addressed by President Carter. The President convened the Domestic Policy Review on Industrial Innovation, known popularly as the Carter Commission, and Professor Dunner and Judge Newman served on this taskforce.<sup>62</sup> Its purpose was to examine ways to improve the patent system and encourage industrial innovation.

As Professor Dunner recollects:

The [Carter] Commission was divided up into areas of interest. One was a special patent committee. Robert Benson, who was corporate patent counsel to [Allis-Chalmers Corp.] and very active in the patent bar, was asked to chair that Committee. He was a national leader, [the chair of the Patent, Trademark, and Copyright Section of the American Bar Association], and he was asked to lead the charge. My role, along with the other members of the Commission in the special patent committee, was to . . . discuss potential solutions to what was perceived to be an innovation crisis. . . . [P]eople were not investing in development of new technologies and the balance of payments in the technological area was not as high as it needed to be or [the President] wanted it to be.<sup>63</sup>

Professor Dunner recalls the story behind the solution to these problems:

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<sup>60</sup> Daniel J. Meador, *Remarks in the United States Court of Appeals for the Federal Circuit, April 2, 2007*, 17 FED. CIR. B.J. 125, 125 (2008).

<sup>61</sup> Daniel J. Meador is James Monroe Professor of Law Emeritus at the University of Virginia. *Professor Daniel Meador Biography*, VA. L., <http://www.law.virginia.edu/lawweb/faculty.nsf/FHPbI/dmeador> (last visited Aug. 21, 2010).

<sup>62</sup> Dunner Interview, *supra* note 25.

<sup>63</sup> *Id.*

2011]

FEDERAL CIRCUIT

689

[Dan Meador] was a professor at the University of Virginia. He had taken a leave of absence from the University to head a Department of Justice section [which was called the Office for Improvements in the Administration of Justice] . . . He [learned of the Carter Commission's mission, and he directed his focus to] patents.<sup>64</sup> He concluded that there was a potential solution to the lack of uniformity . . . in the patent law. He was aware of the study that the Hruska Commission did . . . and he wanted to figure out what could be done about it without running head on into the hostility that people had to specialized courts.<sup>65</sup>

[Professor Meador] came up with the idea of merging two courts that were then sharing a building: the Court of Claims and the Court of Customs and Patent Appeals. The Court of Claims had seven judges, and the Court of Customs and Patent Appeals had five judges. They both handled some patent cases, along with other cases, and he thought, "well here is an idea. We can combine these two courts, we won't have to hire any new judges, we won't have to build a new building, we won't have to build new chambers and they have patent experience and they also do other things."<sup>66</sup>

Professor Dunner addressed the fear of specialization by recommending to give the Federal Circuit "a lot more areas of jurisdiction so that they will be further and further away from being specialists."<sup>67</sup> It was very important to address this public concern and thus the new court had general jurisdiction for national problems.<sup>68</sup> Chief Judge Rader remarked, "[T]he goal

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<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> Congress gave the court subject matter jurisdiction over all patent appeals, trademark appeals from the USPTO, appeals from the Court of Federal Claims, appeals

behind the formation of the Federal Circuit was to avoid specialization, to give it a broad enough jurisdiction that it wouldn't be branded as 'specialized.'"<sup>69</sup>

Ultimately, Professor Meador presented his idea to the Carter Commission. Professor Dunner recalled that the Federal Circuit

. . . was [Professor Meador's] suggestion, and he made that suggestion at or about the same time that the Carter Commission was discussing possible solutions. They got wind of his suggestion, and they adopted it. They recommended the formation of this new combined court, [the] Court of Claims and the Court of Customs and Patent Appeals and that ultimately became the Federal Circuit.<sup>70</sup>

At the request of President Carter, a bill was introduced in Congress that would have created the Federal Circuit—the Federal Courts Improvement Act of 1979.<sup>71</sup> Although Congress ultimately did not pass this bill, hearings on the bill were scheduled and those hearings produced a valuable record about the status of patent law prior to the creation of the Federal Circuit. George W. Whitney of the American Bar Association testified at the hearings before the Senate Judiciary Committee regarding the Federal Courts Improvement Act of 1979.<sup>72</sup> He told a powerful story: “[O]ver the 10 years from 1968 to 1977, only 622 patents were adjudicated by the 11 circuit courts of appeal and the Court of Claims for which 25.7% were found valid and infringed, 57.7% invalid, and 10.8% not infringed.”<sup>73</sup> Chief Judge Markey<sup>74</sup> of the Court of Customs and Patent Appeals, in addition to mentioning the many problems faced by inventors seeking patents, pointed out that: “The number

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from the Merit Systems Protection Board and other areas of national concern. *See infra* note 101.

<sup>69</sup> Judge Rader Interview, *supra* note 23.

<sup>70</sup> Dunner Interview, *supra* note 25.

<sup>71</sup> *Id.*

<sup>72</sup> *Federal Courts Improvement Act of 1979: Hearings on S. 677 and S.678 Before the Subcomm. on Improvements in Judicial Machinery of the S. Comm. on the Judiciary, 96th Cong. 75 (1979).*

<sup>73</sup> *Id.* (statement of George W. Whitney).

<sup>74</sup> Chief Judge Howard Markey was the Chief Judge of the Court of Customs and Patent Appeals and the first Chief Judge of the Court of Appeals for the Federal Circuit.

2011]

FEDERAL CIRCUIT

691

of patents adjudicated by the appellate courts between 1968 and 1972 for example . . . [was] less than 2/10 of 1 percent of those issued.”<sup>75</sup>

Following the inauguration of President Ronald Reagan, Professor Gerald Mossinghoff,<sup>76</sup> was appointed Commissioner of Patents and Trademarks. He recalled:

[O]ne of my highest priorities as a newly appointed Commissioner . . . was to make sure that the Reagan Administration would support that initiative of the Carter Administration. That was by no means assured given the strong opposition of the American

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<sup>75</sup> *Federal Courts Improvement Act of 1979: Hearings on S.677 and S.678 Before the Subcomm. on Improvements in Judicial Machinery of the S. Comm. on the Judiciary, 96th Cong. 75 (1979)* (prepared statement of Chief Judge Howard Markey).

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Professor Gerald Mossinghoff is a former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks and a former President of the Pharmaceutical Research and Manufacturers of America. He is also a Visiting Professor of Intellectual Property Law at the George Washington University Law School. Mr. Mossinghoff has served as United States Ambassador to the Diplomatic Conference on the Revision of the Paris Convention and as Chairman of the General Assembly of the United Nations World Intellectual Property Organization. He is a former Deputy General Counsel of the National Aeronautics and Space Administration. As one of the world’s premier intellectual property specialists, Mr. Mossinghoff advised President Reagan concerning the establishment of the Court of Appeals for the Federal Circuit, which has strengthened and brought certainty to patent law in the United States. He also initiated a far-reaching automation program at the U.S. Patent and Trademark Office to computerize that office’s enormous databases. Mr. Mossinghoff received a Juris Doctor with Honors from the George Washington University Law School and an Electrical Engineering degree from St. Louis University. He is a member of the Order of the Coif and is a Fellow in the National Academy of Public Administration. He is the recipient of many honors, including NASA’s Distinguished Service Medal and the Secretary of Commerce Award for Distinguished Public Service. He is a member of the Missouri, District of Columbia and Virginia bars.

*Professionals—Hon. Gerald J. Mossinghoff*, OBLON SPIVAK MCCLELLAND MAIER AND NEUSTADT, L.L.P., <http://www.oblon.com/professional/honorable-gerald-j-mossinghoff> (last visited Apr. 10, 2011).

Bar Association to the creation of such a “specialized” federal court.<sup>77</sup>

Professor Mossinghoff elaborated on the full story behind the Reagan Administration’s adoption of the plan establishing the Federal Circuit. “President Reagan supported a strong patent system, but he did not have any personal views on [the debate].”<sup>78</sup> Secretary of Commerce, Malcolm Baldrige, was the head of the Cabinet Council on Commerce and Trade, and he gave Professor Mossinghoff complete discretion in formulation of patent policy for the Department of Commerce. Professor Mossinghoff recalls:

When I saw that Mac Baldrige was the head of the [Administration’s Special Committee on] Commerce and Trade, I told him that there really ought to be . . . a senior-level committee on intellectual property, and I should chair it. Secretary Baldrige agreed and set up the Committee on Intellectual Property of the Cabinet Council on Commerce and Trade . . . .<sup>79</sup>

[W]hile the Justice Department was absolutely critical in designing [the Federal Circuit] and writing [] and getting the legislation prepared, my committee was very important in getting all of government to support it . . . . I brought it through my Committee . . . to the Cabinet . . . . [T]he Cabinet approved it, based not on what [the] Justice [Department] had done, but what my committee had done.<sup>80</sup>

There are really two parts to the government that were involved in this. One was Professor Meador, who was really the father of the idea of putting these two courts together and forming the Federal

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<sup>77</sup> Interview with Hon. Gerald Mossinghoff, Professor, Geo. Wash. Univ. L. Sch., in D.C. (Dec. 3, 2009) [hereinafter Judge Mossinghoff Interview].

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*



Circuit Court of Appeals. Now, [Professor Meador and the Justice Department were] absolutely necessary. [I]f you're going to do something with the judiciary and you don't have the Attorney General on board, forget it. It's not going to happen. So that took care of the details of how they were going to put this thing together, and bring[] the Justice Department on board. . . . [Second] there's the whole rest of the government out there who may have a better idea.<sup>81</sup>

The Intellectual Property Committee of the Cabinet Council on Commerce and Trade adopted the findings of the Carter Commission, gained support from the entirety of the government, and presented the idea to Congress. The debate over the creation of a national federal court with exclusive jurisdiction to hear patent appeals intensified during the hearings for the bill.<sup>82</sup>

#### *D. Debate over the Bill*

In my view, when you are dealing with a matter that concerns the general welfare of the United States, it is not wise to create a small group of men who become, like the Egyptian Priests, the sole custodians of a body of knowledge and who sooner or later begin to talk a language that nobody else understands but which is common only to them and the practitioners that appear before them and who drift away from those general principles of equity and morality, which pervade the entire judicial system.<sup>83</sup>

—Judge Simon Rifkind<sup>84</sup>

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<sup>81</sup> Judge Mossinghoff Interview, *supra* note 77.

<sup>82</sup> Dunner Interview, *supra* note 25.

<sup>83</sup> *General Revision of the Patent Laws Before the Subcomm. No. 3 of the H. Comm. on the Judiciary*, 90th Cong. 175 (1967) (statement of a well-known United States district court judge, Simon Rifkind, Co-Chairman of President Lyndon Johnson's Commission on the Patent System).

<sup>84</sup> District Judge, U.S. District Court for the Southern District of New York, 1941–1950. *Biography of Judge Simon Rifkind*, FED. JUD. CTR., <http://www.fjc.gov/servlet/nGetInfo?jid=2009&cid=999&ctype=na&instat=na> (last visited Aug. 20, 2010).

While Judge Rifkind was not referring to the Federal Circuit, the quote above reflects the concern voiced by many legal experts that specialized courts risk becoming insular and unaccountable.<sup>85</sup> There was much debate over the creation of the court, many in favor, and few opposed, but ultimately there was broad consensus that something needed to be done about the failures of the patent system and their adverse affect on United States innovation.<sup>86</sup>

Those in favor of the new court argued that patent appeals would be one of many areas of substantive law over which the Federal Circuit would exercise jurisdiction. Commenting on Judge Rifkind's remarks, Judge Newman said:

[He is] absolutely right. [T]hat philosophy was the reason why the Federal Circuit was created as a generalist court with a vast majority of judges whose interests are in other areas, which has continued. [The Federal Circuit] was designed so it wouldn't be a specialized court with only specialists on the bench which was really why . . . the original idea of having a court like the Court of Customs and Patent Appeals receive all patent appeals never got off the ground.<sup>87</sup>

Judge Newman noted a crucial point that directly addressed the concern that the Federal Circuit would be a specialized court.

[I]f you look back at the early statistics [in] the record of the hearings when the legislation was pending it looked as if patent cases would be 12% of the court's jurisdiction. [I]t was certainly the design that the court would have . . . a broad scope. I think that Judge Rifkind reflected the views of not only the Congress but in many ways I think he's actually right. You can't get so specialized that you

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<sup>85</sup> See *infra* text accompanying note 87; see also Oman Interview, *supra* note 50.

<sup>86</sup> See *supra* Part I.A.–C.

<sup>87</sup> Interview with Hon. Pauline Newman, J., Fed. Cir., in D.C. (Oct. 22, 2009) [hereinafter Judge Newman Interview].

don't see the larger picture. He was drawing on the experience of the old commerce court.<sup>88</sup>

The opponents of the bill expressed concerns similar to Judge Rifkind's—that by creating one appellate court for all patent appeals there would be too much specialization and too little cross-pollination.<sup>89</sup> Professor Oman, who worked for Senator Charles “Mac” Mathias of Maryland, noted that Senator Mathias had serious misgivings about the creation of the Federal Circuit:

[T]here are many people, like Senator Mathias, who saw a danger in having a specialized court. We have a specialized tax court; we have a specialized international trade court. He resisted the establishment of the Court of Appeals for the Federal Circuit after talking to many circuit court judges, particularly those on the Fourth Circuit saying that this diversity of viewpoints helps develop and enrich the law.

He made the analogy to the iron triangle—the administrative agency, the industry it regulates, and the congressional committees that exercise oversight over the agency. This is the iron triangle with the revolving door; they are all reading from the same prayer book. They all have the same way of thinking about their narrow area of the law, and fresh ideas never venture into the process. They are all committed to the status quo. When you have a stranger to that iron triangle, a circuit court judge from Montana or Florida, you are going to get a different perspective and have a fresh look. This is going to be useful to the system, to make sure that the law, and the implementation of the law, and the oversight of the law are not imprisoned . . . by the establishment. Senator Mathias said that “if that iron triangle becomes an iron quadrilateral, with a

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<sup>88</sup> *Id.*

<sup>89</sup> *See generally* Judge Rader Interview, *supra* note 23 (implying this concern).

specialized court, it's going to be legal gridlock and you'll never have a fresh idea, in that jurisdiction again."

So that's why Senator Mathias favored the idea of having generalist judges deciding these very arcane, but very important issues. If they're not always in agreement, fine. It will sort itself out. Ultimately, the reason . . . Congress was able to prevail on the Federal Circuit, was because the record showed differences in the circuits of a substantive nature and it became clear that the Supreme Court would not intervene to resolve these splits in the circuits.<sup>90</sup>

Professor Dunner best characterizes the players for and against the passing of the Federal Courts Improvement Act:

The American Bar Association as a whole came out against it. The Seventh Circuit bar—which included a lot of Chicago patent lawyers who liked the idea of having a friendly Seventh Circuit because they would get a lot of business—came out against it. At that point I was President of APLA [American Patent Law Association],<sup>91</sup> I was for it and the APLA was for it. I testified several times before Congress, as did some other people who were in favor of the Court . . . so it passed.

[T]he ABA opposition was kind of a confused opposition because what was then The Patent Trademark and Copyright Section, which is now The Intellectual Property Law Section of the ABA, was actually in favor of it. [However,] the ABA as a whole was dominated by general trial lawyers, and so they were against it. [A]t the time, the American Patent Law Association was very much for it, I was President of it. My successor as

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<sup>90</sup> Oman Interview, *supra* note 50.

<sup>91</sup> The predecessor of the American Intellectual Property Law Association.

2011]

FEDERAL CIRCUIT

697

President was very much against it, but he was not yet President so he could not be as effective. . . .

I testified and a number of other people testified [before Congress]. Chief Judge Markey, who was the Chief Judge of the CCPA and who was to be Chief Judge of the new Federal Circuit, testified. . . . [H]e had some good friends in Congress, and I am sure he very silently and subtly lobbied for the new court. There were a lot of other lawyers who were very vocal in favor and against it.<sup>92</sup>

Professor Mossinghoff shared President Reagan's commitment to getting the bill through Congress:

By using the cabinet council, the whole rest of the government supported this effort that was kind of hatched in the Justice Department. The [recommendation of the] Cabinet Council on Commerce and Trade was brought up to the full Cabinet, and they supported it. So the Reagan Administration was on board and supporting this, notwithstanding the ABA and notwithstanding that it was a Carter idea, coming out of the Carter domestic policy review. [I]f I had a role . . . it's as the chairman of the Intellectual Property Committee of the Cabinet Council on Commerce and Trade, which was chaired by my boss, Mac Baldrige.<sup>93</sup>

[O]nce we supported it, it went up to the Hill, and there, I told Secretary Baldrige that I thought this was an important enough initiative that he should personally lobby the Senate for it, because I knew by that time that the ABA was out lobbying against it. He said, "Fine. You and I will go up to talk to the . . . Senate judiciary committee. . . ." <sup>94</sup> I said,

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<sup>92</sup> Dunner Interview, *supra* note 25.

<sup>93</sup> Judge Mossinghoff Interview, *supra* note 77.

<sup>94</sup> *Id.*

“I’d love to go with you, Mr. Secretary, and I could be helpful to you, but I could be hurtful to you. Go up with a non-patent, non-legal person.” He was the CEO . . . of Scovill Industries, which, among other things, was Yale Locks. [He] knew the value of patents . . . Yale Locks lives and dies on patents.<sup>95</sup>

I said, “Go up yourself as a business executive. Don’t get in a conversation with a Senator about specialized courts or jurisdiction and all that. You don’t know anything about that. You’re a business executive. Just tell him, ‘America’s business executives need certainty. They can’t live with uncertainty.’” [Actually] his bumper sticker read: “A good executive can live with adversity. That’s what good executives do. They can’t live with uncertainty.” [T]he patent system had become . . . totally uncertain. Depending on what district or what numbered circuit you’re in, the law changed. As you went across state borders, the laws changed. They didn’t know what the hell the law was.<sup>96</sup>

Secretary Baldrige had several allies in the American Bar Association’s Intellectual Property Section, in the American Intellectual Property Law Association, and in the Intellectual Property Owners Association.<sup>97</sup> However, the American Bar Association (“ABA”) as a whole was against it. Professor Mossinghoff shared an interesting story about his testifying before Congress about the ABA’s opposition:

[A]ctually, I’m a member of the ABA, have been since I got admitted to the bar, and also a member of the Intellectual Property Section of the ABA. [W]hen I testified on this, we planted the question with one of the Senators, saying, “Well, isn’t the

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<sup>95</sup> *Id.*

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

American Bar Association opposed to this?” And the answer is: “Well, the big American Bar Association is opposed to it, and they’ll testify on their own but the Patents Section, the Intellectual Property Law Section, is in favor of it overwhelmingly.”<sup>98</sup>

Afterwards, the ABA lobbyist said, “That was unfair. You weren’t supposed to tell him that a branch of the ABA was in favor of it.” I said, “Well, why is that? It’s true, isn’t it?” He said, “Yes, it’s true.” I said, “Well, I like to tell the truth, and so I told the truth.” And that was the end of that discussion.<sup>99</sup>

Ultimately, the Federal Courts Improvement Act of 1982 was enacted and signed into law by President Reagan.<sup>100</sup> Congress voted to give the court subject matter jurisdiction over all patent appeals, trademark appeals from the USPTO, appeals from the Court of Federal Claims, appeals from the Merit Systems Protection Board and other areas of national concern.<sup>101</sup> As a non-specialized court of broad jurisdiction, the Federal Circuit first sat on October 1, 1982 with Howard Markey as its first Chief Judge.<sup>102</sup>

*E. What Were the Congressional Expectations of the Federal Circuit?*

The purpose obviously was to provide for uniform patent doctrine, but Congress gave us a lot of other jurisdiction. More than half of our cases are not patent cases. If anyone is trying to determine the success of our court one has to look at all these

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<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified as amended in scattered sections of 28 U.S.C.).

<sup>101</sup> *Court Jurisdiction*, COURT OF APPEALS FOR THE FED. CIR., <http://www.ca9c.uscourts.gov/the-court/court-jurisdiction.html> (last visited Jan. 24, 2011).

<sup>102</sup> Dunner Interview, *supra* note 25; Howard T. Markey, *The Federal Circuit and Congressional Intent*, 41 AM. U. L. REV. 577 (1992).

other kinds of cases. The court has probably done quite well in a lot of things, not just patents.<sup>103</sup>  
—Judge Alan Lourie<sup>104</sup>

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<sup>103</sup> Interview with Hon. Alan Lourie, Judge, Court of Appeals for the Federal Circuit, in D.C. (Oct. 15, 2009) [hereinafter Judge Lourie Interview].

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Alan D. Lourie was appointed to the United States Court of Appeals for the Federal Circuit on April 6, 1990, by President George H. W. Bush. He was formerly Vice President, Corporate Patents and Trademarks, and Associate General Counsel of SmithKline Beecham Corporation. Born in Boston, Massachusetts, on January 13, 1935, Judge Lourie received his Bachelor's degree from Harvard University (1956), his Master's degree in organic chemistry from the University of Wisconsin (1958), and his Ph.D. in chemistry from the University of Pennsylvania (1965). He received his J.D. degree from Temple University in 1970. Judge Lourie is a recipient of the Jefferson Medal of the New Jersey Intellectual Property Law Association for extraordinary contributions to the field of intellectual property law and a recipient of the Intellectual Property Owners Education Foundation Distinguished Intellectual Property Professional Award for extraordinary leadership in the intellectual property community and a lifetime commitment to invention and innovation. He was a member of the Judicial Conference Committee on Financial Disclosure from 1990 to 1998 and is now a member of the Committee on Codes of Conduct. He is a member of the American Intellectual Property Law Association, the American Chemical Society, the Cosmos Club, and the Harvard Club of Washington. Before being appointed to the court, he had been President of the Philadelphia Patent Law Association, a member of the Board of Directors of the American Intellectual Property Law Association (formerly American Patent Law Association), treasurer of the Association of Corporate Patent Counsel, and a member of the board of directors of the Intellectual Property Owners Association. He was also Vice Chairman of the Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC 3) for the Department of Commerce and the Office of the U.S. Trade Representative and treasurer of the Association of Corporate Patent Counsel. He was a member of the U.S. delegation to the Diplomatic Conference on the Revision of the Paris Convention for the Protection of Industrial Property, held in Geneva in October and November 1982, and in March 1984. He was chairman of the Patent Committee of the Law Section of the Pharmaceutical Manufacturers Association from 1980 to 1985.

*Biography of Judge Lourie*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/alan-d-lourie-circuit-judge.html> (last visited Apr. 10, 2011).



2011]

FEDERAL CIRCUIT

701

The Senate Judiciary Committee's Report on an earlier version of the act creating the Federal Circuit stated that the purpose of the legislation was:

to fill a void in the judicial system by creating an appellate forum capable of exercising nationwide jurisdiction over appeals in areas of the law where Congress determines there is a special need for nationwide uniformity; to improve the administration of the patent law by centralizing appeals in patent cases; and to provide an upgraded and better organized trial forum for government claim cases.<sup>105</sup>

The Senate Judiciary Committee ultimately concluded that there were several major problems with the American judicial system. The Committee recognized that the appellate system was malfunctioning with respect to patent law and other areas of national concern.<sup>106</sup> The Committee was also concerned by the fact that “[a] decision in any one of the twelve regional circuits is not binding on any of the others. As a result, our Federal Judicial system lacked the capacity, short of the Supreme Court to provide reasonably quick and definitive answers to legal questions of nationwide significance.”<sup>107</sup> Further, the Committee recognized the problem that the Supreme Court was operating at or close to full capacity, which meant that the Supreme Court could not take considerably more patent cases<sup>108</sup> even though the number and complexity of cases continued to grow.<sup>109</sup>

The Senate Judiciary Committee continued: “Consequently, there are areas of the law in which the appellate courts reach inconsistent decisions on the same issue, or in which—although the rule of law may be fairly clear—courts apply the law unevenly when faced with the facts of individual cases.”<sup>110</sup> In particular, the Committee concluded that the problem with the system was

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<sup>105</sup> S. Rep No. 97-275 (1981).

<sup>106</sup> *Id.* at 3.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.*

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

structural.<sup>111</sup> However, since the Supreme Court's review could not be significantly expanded, the committee determined that the solution was reorganization at the intermediate appellate level.<sup>112</sup> The committee envisioned the Federal Circuit as the solution to these structural weaknesses.<sup>113</sup>

Several commentators have expressed a similar view as to the congressional purpose in creating the Federal Circuit. As Judge Newman stated in her lecture to the Federal Circuit's law clerks:

The court was formed for one need, to recover the value of the patent system as an incentive to industry. The combination of the Court of Claims and the Court of Customs and Patent Appeals was not desired of itself, it was done for this larger purpose. This was our mission—our only mission.<sup>114</sup>

Judge Newman elaborated on her remarks in an interview:

The congressional intent . . . was quite clearly stated. It was to give a boost to innovation and encourage investment in invention in technology-based industries because it was recognized that this was the only area of domestic product in which the nation still had a positive balance of trade. Our net balance of trade at that time was negative . . . for the first time since the Revolutionary War. The need [to improve our balance of trade] was very clear. It was not speculative. Undoubtedly, it was the understanding of that need that . . . encouraged Congress to make this quite dramatic change in judicial structure by forming the Federal Circuit.<sup>115</sup>

From Judge Bryson's view, the Federal Circuit was created:

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<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> Hon. Pauline Newman, Judge, U.S. Court of Appeals for the Federal Circuit, Address to Federal Circuit Law Clerks (Feb. 5, 2010).

<sup>115</sup> Judge Newman Interview, *supra* note 87.

2011]

## FEDERAL CIRCUIT

703

in part to deal with the problem perceived in patent law. [T]here are several different elements that went together in the forming of the court. It wasn't just the creation of a patent court, of course. It was also the combination of the old Court of Claims with the Court of Customs and Patent Appeals. All of their preexisting jurisdiction and some additional jurisdiction was put into [the Federal Circuit].<sup>116</sup>

The perception was that some accumulation of all those various pieces of jurisdiction in one place in a more traditional court of appeals was a better idea than leaving them in the courts that had preexisted, such as the Court of Claims, which is a somewhat unusual animal. . . . [W]hen that court was merged with the Court of Customs and Patent Appeals and nationwide jurisdiction was granted to this court it became a much more traditional structure for a traditional circuit court. . . . [T]hat was perceived as one benefit of creating the Federal Circuit that was quite outside the sphere of dealing with patent law.<sup>117</sup>

Chief Judge Rader believes that Congress had several broad purposes in creating the federal circuit; one of the most important was the need to expand federal jurisdiction.<sup>118</sup> In addition, he believes:

[The Federal Circuit] was seen as a way to take some pressure off the other circuits and the Supreme Court by creating another circuit to handle some difficult areas of law. It was certainly the intent to bring uniformity to patent law, trade law, some of the other areas where earlier regimes had not worked well.<sup>119</sup>

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<sup>116</sup> Judge Bryson Interview, *supra* note 14.

<sup>117</sup> *Id.*

<sup>118</sup> Judge Rader Interview, *supra* note 23.

<sup>119</sup> *Id.*

Judge Dyk<sup>120</sup> believes:

It's certainly true that the creation of the Federal Circuit was designed to bring uniformity to the patent law and also to avoid forum shopping. The extent that it was designed to strengthen the patent law, I'm less certain about that. To the extent that people have argued that the purpose of the creation of the Federal Circuit was to strengthen the patent law and to make patents more readily enforceable, that may have been an additional purpose of the Congress, but I'm less certain about that.<sup>121</sup>

Judge Dyk pointed out that his uncertainty was due to the fact that there had not been a thorough study done examining the legislative history.<sup>122</sup> Nonetheless, Judge Dyk ultimately concluded: "Certainly they wanted to encourage technological innovation, and certainly having uniformity in the patent laws is important to achieving that objective."<sup>123</sup>

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Timothy B. Dyk was appointed by President William J. Clinton in 2000. Prior to his appointment, Judge Dyk was Partner and Chair, Issues and Appeals Practice Area, at Jones, Day, Reavis and Pogue from 1990 to 2000. He was Adjunct Professor at Yale Law School from 1986 to 1987 and 1989, at the University of Virginia Law School in 1984 and 1985, and from 1987 to 1988, and at the Georgetown University Law Center in 1983, 1986, 1989 and 1991. Judge Dyk was Associate and Partner, Wilmer Cutler and Pickering from 1964 to 1990. From 1963 to 1964, Judge Dyk served as Special Assistant to Assistant Attorney General Louis F. Oberdorfer. He also served as Law Clerk to Chief Justice Warren from 1962 to 1963, and to Justices Reed and Burton (retired) from 1961 to 1962. Judge Dyk received an A.B. from Harvard College in 1958 and an LL.B. from Harvard Law School in 1961. He was First President of the Edward Coke Appellate Inn of Court from 2000 to 2002 and President of the Giles Sutherland Rich Inn of Court from 2006 to 2007.

*Biography of Hon. Timothy Dyk*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/timothy-b-dyk-circuit-judge.html> (last visited Apr. 10, 2011).

<sup>121</sup> Interview with Hon. Timothy Dyk, J., Fed. Cir., in D.C. (Dec. 18, 2009) [hereinafter Judge Dyk Interview].

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

Ultimately a consensus seems to emerge from examining the statements of judges and the legislative history that the purpose of Congress in creating the Federal Circuit was to create a court with subject matter jurisdiction over national issues that would promote uniformity of patent law, eliminate forum shopping in patent cases, and thereby increase and promote technological innovation in the United States. In addition, Congress intended the Federal Circuit to have a broader jurisdiction than that of patent appeals court and to solve other national problems, such as federal claims, thereby easing the burden on the Supreme Court and the other regional federal appellate courts.

## II. ASSESSMENT

To answer the question of whether the Federal Circuit has met the goals of its sponsors, this Article reviews several key cases in the court's history which address uniformity and innovation. Additionally, it reviews the number of patents of United States origin applied for and granted by the USPTO over time in order to assess the Federal Circuit's effect on innovation within the United States. The number of patents applied for and granted throughout the court's history serves as a useful proxy for confidence in the patent system; increases in these numbers suggest an uptick in investment in infrastructure and research and development. Harry F. Manbeck Jr., General Patent Counsel for the General Electric Company, testified before the Senate Judiciary Committee that stability in patent law has a measurable impact on technological innovation:

Patents in my judgment are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for producing and distributing the goods. Certainly, it is important to those who must make these investment decisions

that we decrease unnecessary uncertainties in the patent system.<sup>124</sup>

A. *The First Five Years of the Court: 1982–1987*

To best serve its critical role in a free society, the law must be understandable, uniform, reliable, and consistent with the intent of the people’s representatives who enacted it. To the maximum extent achievable by human beings, it can fairly be said that the law entrusted to the Court of Appeals for the Federal Circuit fully meets those criteria.<sup>125</sup>

—Chief Judge Howard Markey

The first problem facing the court was its lack of precedent and its need to adopt a consistent body of law from one of the many courts that addressed patent issues, in order to bring about greater uniformity in the law. The Federal Circuit addressed this need in its first case, *South Corp. v. United States*.<sup>126</sup> The court, sitting en banc, announced that “the holdings of our predecessor courts, the United States Court of Claims and the United States Court of Customs and Patent Appeals, announced by those courts before the close of business September 30, 1982, shall be binding as precedent in this court.”<sup>127</sup> This holding provided an instant uniformity of the law, suddenly making the CCPA’s and the Court of Claims’ opinions the only relevant patent law decisions.

However, the court also held that notwithstanding its adoption of the CCPA’s and the Court of Claims’ precedent, the Federal Circuit, when sitting en banc, would retain the power “to overrule an earlier holding with appropriate explication of the factors compelling removal of that holding as precedent. If conflict appears among precedents, in any field of law, it may be resolved

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<sup>124</sup> *Federal Courts Improvement Act of 1979: Addendum to Hearings on S.677 and S.678 Before the Subcom. on Improvements in Judicial Machinery of the S. Comm. on the Judiciary, 96th Cong. 67 (1979) (Prepared Statement of Harry F. Manbeck).*

<sup>125</sup> Markey, *supra* note 102, at 579 (describing the success of Federal Circuit in its early years).

<sup>126</sup> 690 F.2d 1368 (Fed. Cir. 1982).

<sup>127</sup> *Id.* at 1369.

2011]

FEDERAL CIRCUIT

707

by the court en banc in an appropriate case.”<sup>128</sup> This holding allowed the Federal Circuit to resolve conflicting panel decisions involving any of the subjects over which the court exercised jurisdiction by rehearing the case en banc.

Chief Judge Rader assessed *South Corp.* and its effect on the uniformity of the law. “At the time there was no choice; [Chief Judge] Markey had to remain committed to the jurisprudence of the Court of Claims and the Court of Customs and Patent Appeals and so he maintained that uniformity with *South Corp.*”<sup>129</sup> In addition, Judge Lourie remarked that:

[*South Corp.*] is a ground rule that enabled us to move ahead without having to decide everything anew. Obviously, it enabled them at that time to assume that the law was what both originating courts said it was at the time they rendered various decisions. It was a tool. It didn’t decide anything substantively aside from the case itself.<sup>130</sup>

Further, Judge Newman remarked on the rationale for adopting the predecessor court’s precedent:

Having some precedent is certainly better than having no precedent. Taking the precedent of those two courts that were combined was inevitable. Don Dunner can remind you at that time the Court of Customs and Patent Appeals was riding high.<sup>131</sup> They had a marvelous reputation. The giants on that court really understood what the system was

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<sup>128</sup> *Id.* at 1370 n.2.

<sup>129</sup> Judge Rader Interview, *supra* note 23.

<sup>130</sup> Judge Lourie Interview, *supra* note 103.

<sup>131</sup> Dunner Interview, *supra* note 25 (“Well that was the very first case the court decided, the new court, and since the new court did not have a body of law to guide it for future action, it decided that all prior decisions of the Court of Claims and all prior decisions of the Court of Customs and Patent Appeals would be binding on it and that was, they suddenly had an instant body of law and to the extent there was a conflict between the two, they would have to resolve the conflict, but they decided in that opinion that no panel decision could overrule any other panel decision and that you would have to go en banc in order to overrule a panel decision. So the first panel in the court that decided a certain legal issue that would be the law of the court until somebody took it en banc. That was a very important opinion. Basically, what it holds.”).

about. They were writing excellent opinions, although . . . all they received were the appeals from the Patent Office and the Customs Court and the International Trade Commission. The law as it was being evolved in those courts was viewed extremely favorably. So adopting their precedents was a good way to start. There's no reason why anyone would start from scratch in these complex areas of law unless you had to.<sup>132</sup>

Ultimately Judge Rader assessed the lasting effect of *South Corp.*:

A good deal of that Court of Claims jurisprudence and CCPA jurisprudence came from a different time and a different context and often a different law. So it's of less significance today but at the time there was little choice for [Chief Judge Markey] to do other than adopt Court of Claims and CCPA precedent.<sup>133</sup>

Thus, by adopting the precedent of the Court of Claims and the CCPA, the court resolved all of the regional circuit splits concerning patent law in one fell swoop and created a mechanism for resolving panel disputes ensuring uniformity to the law and certainty in the patent system.

One of the first cases decided by the new court was *Polaroid Corp. v. Eastman Kodak Co.*<sup>134</sup> where the manufacturer of photographic materials brought suit in the U.S. District Court for the District of Massachusetts against Kodak for patent infringement and was awarded damages of \$909,457,567.<sup>135</sup> The amount was then amended to \$873,158,971 because of "simple clerical mistakes" in the original damages calculation.<sup>136</sup> On appeal, the Federal Circuit "affirm[ed] the appealed portions of the judgment in all respects."<sup>137</sup> While *Polaroid* was one of the first

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<sup>132</sup> Judge Newman Interview, *supra* note 87.

<sup>133</sup> Judge Rader Interview, *supra* note 23.

<sup>134</sup> 789 F.2d 1556 (Fed. Cir. 1986).

<sup>135</sup> *Polaroid Corp. v. Eastman Kodak Co.*, 16 U.S.P.Q.2d 1481, 1541 (D. Mass. 1990).

<sup>136</sup> *Polaroid Corp. v. Eastman Kodak Co.*, 17 U.S.P.Q.2d 1711, 1711 (D. Mass. 1991).

<sup>137</sup> *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1557 (Fed. Cir. 1986).



cases reviewed by the Federal Circuit which involved substantial damages, it would not be the last. The effect of the court's upholding such a large award of damages in a patent case sent a powerful message to inventors, innovative companies, and universities that patents would be enforced and that if corporations invested in patented technology they would receive protection for their invention and their investment.

In assessing the court's early years, it is imperative to ask if things could have been done differently. When asked, "Had you been on the court in 1982, what would you have done?" Chief Judge Rader replied: "If I were Howard Markey, I think I would have wanted to do exactly what Howard Markey did, which is to unify the Court of Claims and the Court of Customs and Patent Appeals."<sup>138</sup>

Judge Newman remarked:

The judges who were in place at the time had a very profound and wise understanding of the role of the court. They knew the law. . . . They understood the role of patents in supporting innovation in the nation, and they just went about deciding the cases in a straightforward and wise manner. The way they put it is that they were applying the law the way it had been written and not putting any spin on it.<sup>139</sup>

Through knowledge, skill, and decisions such as *South Corp.* and *Polaroid* which provided certainty to the law and signaled that patent validity would be enforced, the court laid the framework for achieving its congressional mandate. While there are a number of factors which go into determining how many patents are filed, the law governing enforcement of patents is an important factor. By examining this statistic we can see the effect these decisions had on the patent system. Professor Mossinghoff was Commissioner of the U.S. Patent and Trademark Office when the Federal Circuit

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<sup>138</sup> Judge Rader Interview, *supra* note 23.

<sup>139</sup> Judge Newman Interview, *supra* note 87.

710 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* [Vol. 21:671

was established.<sup>140</sup> When asked whether or not the number of patents spiked after the creation of the court, Professor Mossinghoff replied:

No, it wasn't drastic at the time. The data would show that it really was kind of a gradual buildup. When I was budgeting at the end of my tenure,<sup>141</sup> I was budgeting for 120,000 filings which compared with what they have now, is not that many. . . . My view is that [the Federal Circuit] changed the landscape, but the buildup was gradual.<sup>142</sup>

The data supports Professor Mossinghoff's assessment. Between 1982 and 1987, the number of patents of U.S. origin granted by the USPTO increased by only 9,629.<sup>143</sup> While this represented only a modest increase, it was the first prolonged period of increase in the number of patents granted since 1971. By contrast, between 1971 and 1982, the number of patents granted to domestic applicants decreased by 22,085 patents: from 55,975 patents in 1971 to 33,890 patents in 1982.<sup>144</sup> It is clear that the Federal Circuit played an important role in reversing this trend: almost certainly by making patents more attractive to inventors. See Figure 1 below.<sup>145</sup>

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<sup>140</sup> *Professionals—Hon. Gerald J. Mossinghoff*, OBLON SPIVAK MCCLELLAND MAIER AND NEUSTADT, L.L.P., <http://www.oblon.com/professional/honorable-gerald-j-mossinghoff> (last visited Apr. 10, 2011).

<sup>141</sup> Judge Mossinghoff Interview, *supra* note 77. Professor Mossinghoff served as Commissioner of the U.S. Patent and Trademark Office until 1984.

<sup>142</sup> *Id.*

<sup>143</sup> U.S. PATENT AND TRADEMARK OFFICE STATISTICS: EXTENDED YEAR SET: PATENTS BY COUNTRY, STATE, AND YEAR, [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst\\_utlh.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_utlh.htm) (last visited Apr. 6, 2011) [hereinafter USPTO EXTENDED YEAR SET].

<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

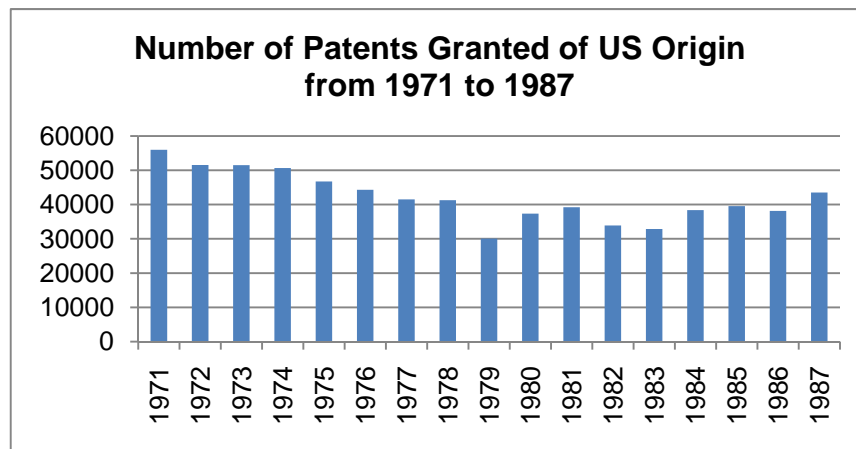


FIGURE 1

Similarly, the number of utility patent applications filed by United States inventors declined from 71,089 in 1971 to 63,316 in 1982.<sup>146</sup> However, between 1982 and 1987 the number of utility patent applications filed by U.S. inventors rose by 4,999 to 68,315.<sup>147</sup> These data provide compelling circumstantial evidence that in the first five years, the Federal Circuit infused the patent law with greater uniformity and in the process built the modern patent system, which led to accelerated global technological growth.

#### *B. The Court from 1988–1997*

As the Federal Circuit celebrates its tenth anniversary as an innovation in the administration of justice, I report my conclusion that the court has generally succeeded in establishing consistent rules governing application of the patent law. To the extent that the statutory purposes of the patentee's right to exclude have been reinvigorated,

<sup>146</sup> U.S. PATENT AND TRADEMARK OFFICE: U.S. PATENT STATISTICS CHART, [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm) (last visited Aug. 20, 2010) [hereinafter USPTO STATISTICS CHART].

<sup>147</sup> *Id.*

technological innovation should correspondingly benefit. However, new situations continue to probe the framework of the law, as do new fields of science and technology, and I do not fault the fact that some aspects of law are still developing.<sup>148</sup>

—Judge Pauline Newman

In the period from 1988 to 1997, the Federal Circuit decided several cases that continued the march toward greater national uniformity in patent law jurisprudence. In 1995, the Federal Circuit decided *Markman v. Westview Instruments*,<sup>149</sup> which held patent claim construction to be a matter of law reserved for judges, not a question of fact for juries.<sup>150</sup> Also in 1995, the court decided *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*,<sup>151</sup> which tightened the doctrine of equivalents, narrowing the scope of patent protection.<sup>152</sup> With these landmark decisions and others, the Federal Circuit resolved issues that had been festering for many years in the lower courts.

In *Markman*, the Federal Circuit considered whether plaintiff Markman's patent on an inventory system used in a dry cleaning business was infringed by Westview's system.<sup>153</sup> The main issue presented was whether patent claim construction was a question of law to be determined by the judge or a question of fact to be determined by the jury.<sup>154</sup> Reasoning that patent claim construction was analogous to statutory interpretation, the court held that "the interpretation and construction of patent claims" was

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<sup>148</sup> Hon. Pauline Newman, *The Federal Circuit—A Reminiscence*, 14 GEO. MASON L. REV. 513, 528 (1992).

<sup>149</sup> 52 F.3d 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

<sup>150</sup> *Markman*, 52 F.3d at 970–71 (noting that claim construction is the actual meaning that is given to the words in a patent).

<sup>151</sup> 62 F.3d 1512 (Fed. Cir. 1995), *rev'd*, 520 U.S. 17 (1997).

<sup>152</sup> *Hilton Davis Chem. Co.*, 62 F.2d at 1522. The doctrine of equivalents prevents competitors from escaping patent infringement liability by making trivial changes to a patented invention. As the Supreme Court has explained, a device may be found infringing if "the two devices do the same work in substantially the same way, and accomplish substantially the same result." *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 608 (1950) (quoting *Union Paper-Bag Mach. Co. v. Murphy*, 97 U.S. 120 (1877)).

<sup>153</sup> *Markman*, 52 F.3d at 971–74.

<sup>154</sup> *Id.* at 976–79.

“a matter of law exclusively for the court.”<sup>155</sup> The Supreme Court affirmed the Federal Circuit, holding that “the construction of a patent, including terms of art within its claim, is exclusively within the province of the court.”<sup>156</sup>

Judge Lourie explained why he joined in the Federal Circuit’s majority opinion in *Markman*:

I think two things. [First], I think judges whose business it is to decide cases every week, every day, probably are in a better position to decide what a patent means than jurors brought in just for a particular case. [Second], a lot of lawsuits are brought against parties who are not infringing and once the claims are construed, and such a construction would lead to a conclusion of no infringement, the patentee recognizes that and the case is made final and comes up on appeal.<sup>157</sup>

What that means is that all the defenses—such as invalidity—don’t get tried in the lower court, and that saves a lot of time and expense. Of course, not all cases are decided as summary judgments of non-infringement [but] the majority of patent cases we get here on appeal are. In all of those cases, if we affirmed those, then a lengthy trial on validity and damages would not have occurred. That has to be a savings of time and money to the parties and to the judicial system.<sup>158</sup>

Judge Bryson, who did not participate in the *Markman* decision, remarked: “Obviously saying that a question of claim construction is a matter of law tends to give this court a greater role in claim construction than it would if the court had a more deferential standard. That’s just one of those difficult questions

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<sup>155</sup> *Id.* at 970–71, 987.

<sup>156</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

<sup>157</sup> Judge Lourie Interview, *supra* note 103.

<sup>158</sup> *Id.*

that we've struggled with."<sup>159</sup> Judge Bryson's overall evaluation of *Markman* is as follows:

[I]t's hard to assess with complete accuracy what the net effects of the *Markman* rule are. There are pros and cons to having deference to trial courts on questions such as claim construction that in many respects looks a lot like . . . statutory construction. You wouldn't defer to a trial court on a question of statutory construction. You wouldn't abide a system in which one trial court would construe a statute one way and the Court of Appeals would say fine and another trial court would construe it a different way and the Court of Appeals would say fine.<sup>160</sup>

On the other hand, contract interpretation frequently has factual components as to which there is deference. Claim construction is somewhere in between. And that's why this issue has been one over which we have struggled.<sup>161</sup>

Judge Dyk was not on the court when *Markman* was decided; however, he discussed the role of *Markman* in bringing uniformity to the law. "By making claim construction a question of law, it certainly has had the effect . . . of taking claim construction issues away from the jury. In that sense, it's probably created greater uniformity in claim construction than existed before."<sup>162</sup> Chief Judge Rader, who filed a concurrence in *Markman*, provided a succinct assessment of the case: "I think it's basically positive in that it puts the primary responsibility on the judges to interpret claims and removes an area of uncertainty from the jury realm."<sup>163</sup>

An examination of costs, reliability, and predictability of patent litigation following *Markman* suggests that the court provided a great deal of certainty in patent law by making claim construction

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<sup>159</sup> Judge Bryson Interview, *supra* note 14.

<sup>160</sup> *Id.*

<sup>161</sup> *Id.*

<sup>162</sup> Judge Dyk Interview, *supra* note 121.

<sup>163</sup> Judge Rader Interview, *supra* note 23.

2011]

FEDERAL CIRCUIT

715

a question of law to be determined by a judge and leaving the determination of infringement to be made by the jury. Judge Newman filed a dissent in the original Federal Circuit *Markman* decision, pointing out the historical and precedential problems with the majority's decision.<sup>164</sup> However, when asked whether or not *Markman* has positively affected costs and accuracy in patent litigation, Judge Newman agreed: "It [has] certainly positively affected costs and accuracy. I do think it's reduced the cost of litigation and I'm told by practitioners that they feel that it's provided more accuracy."<sup>165</sup>

Judge Bryson addressed the costs and accuracy of litigation after *Markman*:

Let's take accuracy first. It depends on what you mean by "accuracy." The consequence of having a different result in *Markman* of saying that we defer to the trial court's claim construction would be that you could have one trial court in one district construing a particular claim in a particular patent in a certain way, and we would affirm that construction, and then another trial court in another district construing exactly the same claim in exactly the same patent in a different way, and we would affirm that because we would be saying that because we regard claim construction as a matter of fact we defer to the finder of fact.<sup>166</sup>

Now, some people would say that's not my idea of accuracy because what it is doing is simply shifting to the trial court and deferring to the trial court on a question of claim construction and allowing trial courts to reach different results and not rationalizing

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<sup>164</sup> *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 1000 (1995) (Newman, J., dissenting) ("The majority today denies 200 years of jury trial of patent cases in the United States, preceded by over 150 years of jury trial of patent cases in England, by simply calling a question of fact a question of law. The Seventh Amendment is not so readily circumvented.").

<sup>165</sup> Judge Newman Interview, *supra* note 87.

<sup>166</sup> Judge Bryson Interview, *supra* note 14.

those different results in the single tribunal that is supposed to be supervising patent cases. I'm not sure that having a rule different from *Markman* would increase accuracy. Accuracy in that sense may assume that when the reviewing court decides a question it gets it right and that's not necessarily true.<sup>167</sup>

You hope that the second-level review is more accurate than the first-level decision-making, but it doesn't always happen. You can have first-level decision makers that get things right and then the Court of Appeals screws it up. But if you start with the assumption that the system it's predicated on—which is that review tends to correct error more frequently than it creates error—then I suppose having a more comprehensive system of review in which the reviewing court takes a larger role in something like claim construction will yield what could arguably be said to be a more accurate result.<sup>168</sup>

Has it been more costly? It had the effect of shifting the attention of litigants away from the District Court and towards the Court of Appeals. A lot of the trial strategy in patent cases tends to be directed at . . . finding a way to [] get a case to the Court of Appeals and get a claim construction that's binding for purposes of the case.<sup>169</sup>

Another case that harmonized national patent practice was *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*,<sup>170</sup> in which the Federal Circuit, and later the Supreme Court, addressed whether a patent for purifying dye was infringed under the doctrine

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<sup>167</sup> *Id.*

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*

<sup>170</sup> 62 F.3d 1512 (Fed. Cir. 1995), *rev'd*, 520 U.S. 17 (1997).



of equivalents.<sup>171</sup> Under the doctrine of equivalents infringement of a patent is not limited to the literal meaning of their claims, rather courts have held there to be infringement where “an infringing device or process is an ‘equivalent’ to that claimed in the patent.”<sup>172</sup> The Federal Circuit examined the Supreme Court’s precedent, *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*,<sup>173</sup> which held that “the doctrine applies if, and only if, the differences between the claimed and accused products or processes are insubstantial.”<sup>174</sup> The Federal Circuit recognized that it had to balance the need for judicial fairness in applying a rule that would not make a patent dependent solely on the “mercy of verbalism,”<sup>175</sup> without expanding the patent beyond its claims.

In a per curiam opinion, the Federal Circuit held that a “finding of infringement under the doctrine of equivalents requires proof of insubstantial differences between claimed and accused products or processes.”<sup>176</sup> The court explained that “infringement under the doctrine of equivalents is an issue of fact to be submitted to the jury in a jury trial with proper instructions, and to be decided by the judge in a bench trial.”<sup>177</sup> The court further held that a “trial judge does not have discretion to choose whether to apply the doctrine of equivalents when the record shows no literal infringement.”<sup>178</sup>

On appeal, the Supreme Court attempted to balance the Federal Circuit’s broad application of *Graver Tank* with the line of cases holding that a patent may not be extended beyond its scope.<sup>179</sup> The Supreme Court reversed the Federal Circuit, holding that:

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<sup>171</sup> See 5B-18 DONALD S. CHISUM, CHISUM ON PATENTS § 18.04 (Matthew Bender rev. ed. 2011) (“The doctrine of equivalents allows a patent owner to hold as an infringement a product or process that does not correspond to the literal terms of a patent’s claim but performs substantially the same function in substantially the same way to obtain the same result as the claimed subject matter.”).

<sup>172</sup> DONALD S. CHISUM ET AL., PRINCIPALS OF PATENT LAW: CASES AND MATERIALS 905 (3d ed. 2004).

<sup>173</sup> 339 U.S. 605, 610 (1950).

<sup>174</sup> *Hilton Davis Chem. Co.*, 62 F.3d at 1517.

<sup>175</sup> *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 607 (1950).

<sup>176</sup> *Hilton Davis Chem. Co.*, 62 F.3d at 1521–22.

<sup>177</sup> *Id.* at 1522.

<sup>178</sup> *Id.*

<sup>179</sup> *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 29 (1997).

The way to reconcile the two lines of authority is to apply the doctrine to each of the individual elements of a claim, rather than to the accused product or process as a whole. Doing so will preserve some meaning for each of a claim's elements, all of which are deemed material to defining the invention's scope.<sup>180</sup>

Chief Judge Rader commented on the Supreme Court's decision as follows: "The doctrine of equivalents was in a clear downward spiral. The Federal Circuit tightened the doctrine of equivalents vastly, even before *Warner-Jenkinson*, and was making every effort to do so. But [*Warner-Jenkinson*] is a part of that trend and an important part of that trend."<sup>181</sup> Judge Newman wrote: "Most commentators say the doctrine of equivalents is dead and provides no incentive as Chief Judge Rader said."<sup>182</sup>

Judge Dyk argues that if experience is any guide, the Supreme Court will continue to make substantive and procedural changes to patent law.<sup>183</sup> Judge Dyk remarks:

[C]hange is the result of the [Supreme] Court's greater willingness to perform the central function of a common-law court—to reexamine doctrine in the light of changed circumstances and to make the law better serve the interest of all concerned. The fact that the mandate here is statutory should not alter this basic responsibility.<sup>184</sup>

Judge Dyk points out that *Hilton Davis* is evidence of the Court's willingness to change and why we should continue to expect change in the future.<sup>185</sup>

Even though *Hilton Davis* decreased the scope of patent protection by making patents narrower, the effect of this decision

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<sup>180</sup> *Id.* at 17–18 (explaining the doctrine of equivalents).

<sup>181</sup> Judge Rader Interview, *supra* note 23.

<sup>182</sup> Hand written comment from Judge Newman (on file with author).

<sup>183</sup> Hon. Timothy B. Dyk, *Does the Supreme Court Still Matter?*, 57 AM. U. L. REV. 763, 771 (2008).

<sup>184</sup> *Id.*

<sup>185</sup> *Id.*

is to prevent innovation from being stifled by having overly broad patents that incorporate every possible variation. Therefore, *Hilton Davis* had the ultimate effect of promoting innovation.

During this period of the Federal Circuit's history, the number of patents granted grew from 40,498 in 1988 to 61,708 in 1997.<sup>186</sup> The number of patents filed by U.S. inventors rose from 75,192 in 1988 to 120,445 in 1997.<sup>187</sup> Compared with the significant decrease in the number of patents granted and filed in 1970s, the uptick in the number of patent applications and grants strongly suggests a significant boost to innovation and technology within the United States between 1988 and 1997. The legal framework provided by *Markman* and *Hilton Davis* helped to establish the fundamental patent law jurisprudence which allowed for the potential for greater innovation which is shown by the following figure. While innovation can be assessed by a variety of factors, the number of patents filed is a good indicator of the potential for innovation. See Figure 2 below.

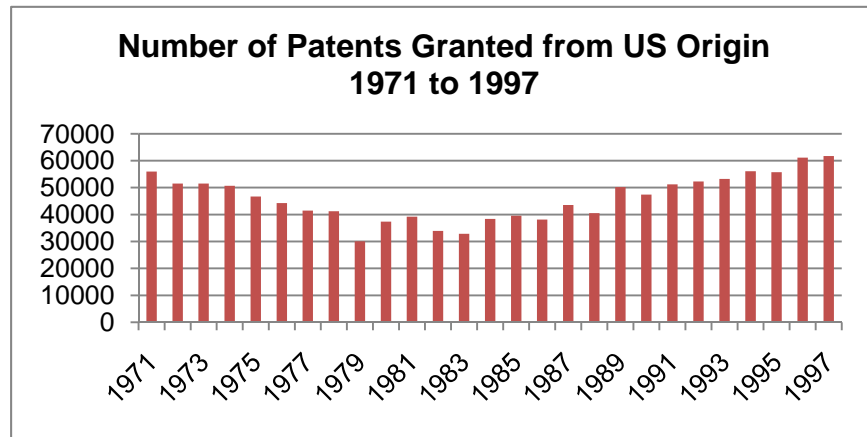


FIGURE 2

In summary, the *Markman* decision immediately provided greater uniformity to patent law by holding for the first time that a

<sup>186</sup> USPTO EXTENDED YEAR SET, *supra* note 143 (the figures reflect only those patents of U.S. origin).

<sup>187</sup> USPTO STATISTICS CHART, *supra* note 146.

given claim term is susceptible to only one interpretation. Although the Supreme Court reversed the Federal Circuit in *Hilton Davis*, the ultimate effect of the case was to limit the scope of the doctrine of equivalents.<sup>188</sup> Moreover, the increase in the number of applications filed and patents granted between 1988 and 1997 suggests that the Federal Circuit's jurisprudence had a profound impact on fostering technological growth during this period. These decisions laid the foundation for the technological explosion of the 1990s.

### C. *The Court from 1998–2007*

Some have said this court is a permanent experiment. That of course is a contradiction in terms. From the perspective of one who has watched its evolution from an idea, not intuitively appealing to one of traditional bent, to maturity at twenty years and counting, I can only marvel at what has transpired.<sup>189</sup>

—Chief Judge H. Robert Mayer (2002)<sup>190</sup>

By its 20th anniversary, the Federal Circuit had already accomplished a great deal. In the following decade, the court further elaborated on several doctrines, including business method patents and willful infringement. The court's decisions in these cases would have a profound impact on technological innovation.

In *State Street Bank & Trust Co. v. Signature Financial Group*,<sup>191</sup> the Federal Circuit considered the validity of a patent for a computerized system used to manage mutual fund investments.<sup>192</sup> While this decision has since been abrogated by

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<sup>188</sup> *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17–18 (1997).

<sup>189</sup> Hon. H. Robert Mayer, *Foreword* to KRISTEN L. YOHANNON, *THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY 1990–2002*, at xxi–xxii (2004).

<sup>190</sup> Chief Judge H. Robert Mayer served as Chief Judge of the Federal Circuit from 1997 to 2004. *Biography of Chief Judge Mayer*, COURT OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges/haldane-robert-mayer-circuit-judge.html> (last visited Apr. 10, 2011).

<sup>191</sup> 149 F.3d 1368, 1369 (Fed. Cir. 1998), *cert. denied*, 523 U.S. 1093 (1999).

<sup>192</sup> *Id.* (discussing the patentability of business methods); *see also* 35 U.S.C. § 101 (“Whoever invents or discovers any new and useful process, machine, manufacture, or

the Supreme Court's recent decision in *Bilski v. Kappos*<sup>193</sup> it is nevertheless important to look at the economic effect of *State Street* on encouraging business method patents.<sup>194</sup> The Federal Circuit applied the "useful, concrete and tangible result"<sup>195</sup> test to conclude that the computerized accounting system at issue in *State Street* was not unpatentable.<sup>196</sup> The Federal Circuit also explicitly held that "business methods are subject to the same legal requirements for patentability as applied to any other process or method, and thus there is no 'business method' exception to patentability."<sup>197</sup> By providing patent protection for business methods, *State Street* provided an economic incentive to inventors of new economic methods that had a concrete and tangible result.

The effect of *State Street* was a drastic increase in the number of utility patents filed. Between 1997 and 2000, over 80,000 more new utility patents were filed.<sup>198</sup> Of these, the number of business method patents granted by the USPTO soared from 155 in 1996 to 735 in 2000.<sup>199</sup>

While there are many possible explanations for the sudden rise in the number of filings for utility patents, the substantial rise in the number of filings for business method patents, specifically,

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composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.").

<sup>193</sup> 130 S. Ct. 3218 (2010); *see also id.* at 3231 ("[N]othing in today's opinion should be read as endorsing interpretations of § 101 that the Court of Appeals for the Federal Circuit has used in the past."). *See generally State Street*, 149 F.3d at 1373; *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).

<sup>194</sup> In *Bilski*, the Supreme Court held that business methods were patentable subject matter. 130 S. Ct. at 3225. However, the Court left room for the Federal Circuit to further define the limits of business method patents. *Id.* at 3228 ("With ever more people trying to innovate and thus seeking patent protections for their inventions, the patent law faces a great challenge in striking the balance between protecting inventors and not granting monopolies over procedures that others would discover by independent, creative application of general principles. Nothing in this opinion should be read to take a position on where that balance ought to be struck.").

<sup>195</sup> *See In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994).

<sup>196</sup> *State Street*, 149 F.3d at 1368.

<sup>197</sup> *Id.* at 1375.

<sup>198</sup> USPTO STATISTICS CHART, *supra* note 146.

<sup>199</sup> U.S. PATENT AND TRADEMARK OFFICE: PATENT COUNTS BASED ON ORIGINAL CLASSIFICATION ONLY, <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cbcbby.htm#PartA1-1> (last visited Aug. 21, 2010).

strongly suggests that *State Street* had the immediate effect of promoting innovation in a new field of invention.<sup>200</sup>

During this period the Federal Circuit also addressed the issue of willful infringement in *In re Seagate Technology, LLC*.<sup>201</sup> In *Seagate*, the court held that “proof of willful patent infringement permitting enhanced damages at least requires a showing of objective recklessness.”<sup>202</sup> Second, the court held that “to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>203</sup>

These new standards for willful infringement overruled *Underwater Devices Inc. v. Morrison-Knudsen Co.*<sup>204</sup> and may in some circumstances provide patent holders a lesser incentive to litigate in defense of their patents due to the heightened standard of objective recklessness. The higher the standard of objective recklessness, the more difficult it is for plaintiffs to recover. Whether or not this change weakens or strengthens the patent system, it has the virtue of creating more certainty in the rules of litigation.

The ultimate effect of the *Seagate* decision was to preempt legislative action on the issue.<sup>205</sup> Professor Mossinghoff remarked, “In Senate Bill S.515, [*Seagate*] is followed. [In effect Congress] said, ‘the Senate’s going to follow the *Seagate* ruling.’ Now, whether S.515 gets changed when it’s enacted is another issue, but . . . other than that, [Congress] simply adopted [*Seagate*].”<sup>206</sup> Judge Newman remarked: “I don’t think that [preempting Congress was] a critical aspect of our decision. We took a case that came before us and did our best to decide it correctly. If Congress had gotten there first . . . we wouldn’t have had to . . .

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<sup>200</sup> *Id.*

<sup>201</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1360 (Fed. Cir. 2007) (discussing willful patent infringement).

<sup>202</sup> *Id.* at 1371.

<sup>203</sup> *Id.*

<sup>204</sup> 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

<sup>205</sup> Judge Mossinghoff Interview, *supra* note 77.

<sup>206</sup> *Id.*

proceed further.”<sup>207</sup> Chief Judge Rader believes that *Seagate* “improved the law. Maybe it didn’t solve all the problems, but it was a vast improvement in an area that needed it.”<sup>208</sup>

Judge Newman believes that in order to assess the effects of the court’s holdings regarding business method patents and willful infringement: “You can’t focus on any particular narrow decision. It’s really the entire body of the law and the effect that that body of law has on the innovator and on the people who make the commitment and perform the innovation.”<sup>209</sup> The following graph helps illustrate Judge Newman’s point. The number of patents granted remained at historically high levels from 1998 to 2007.<sup>210</sup> These data suggest that the Federal Circuit succeeded in helping provide the legal framework necessary to maintain a high level of innovation as shown in Figure 3.<sup>211</sup>

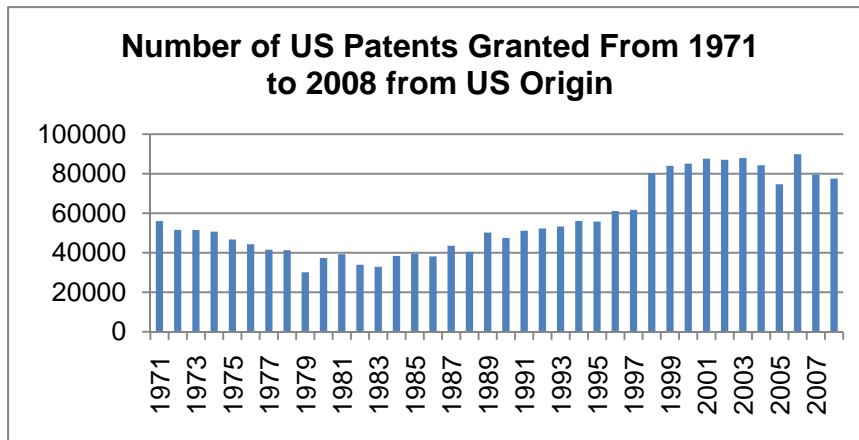


FIGURE 3

#### D. The Court from 2008–2010

[T]he Patent Act leaves open the possibility that there are at least some processes that can be fairly described as business methods that are within

<sup>207</sup> Judge Newman Interview, *supra* note 87.

<sup>208</sup> Judge Rader Interview, *supra* note 23.

<sup>209</sup> Judge Newman Interview, *supra* note 87.

<sup>210</sup> USPTO EXTENDED YEAR SET, *supra* note 143.

<sup>211</sup> *Id.*

patentable subject matter under § 101.<sup>212</sup> [W]e by no means foreclose the Federal Circuit's development of other limiting criteria that further the purposes of the Patent Act.<sup>213</sup>

—Justice Anthony Kennedy (2010)

Over the past two years, the Federal Circuit has considered several major cases—one addressing the scope of patentable subject matter;<sup>214</sup> the other dealing with venue battles.<sup>215</sup>

*In re Bilski*<sup>216</sup> involved a challenge to the USPTO's rejection of a patent application for a method of hedging risk in the field of commodities trading. The USPTO rejected the application on the grounds that the claimed method was not patent-eligible subject matter.<sup>217</sup> Prior to *Bilski* there were several tests of patentable subject matter, including the "useful, concrete and tangible result" test laid down in *State Street*.<sup>218</sup> However, in *Bilski*, the Federal Circuit held that the "machine-or-transformation" test, rather than the "useful, concrete and tangible result" inquiry, was the proper test to apply to determine patent eligibility of process claims.<sup>219</sup> The court explained that the machine or transformation test "is a two-branched inquiry; an applicant may show that a process claim satisfies the statute either by showing that his claim is tied to a particular machine, or by showing that his claim transforms an article."<sup>220</sup> Additionally, the court reaffirmed its holding in *State Street* that business methods are not categorically unpatentable subject matter.<sup>221</sup>

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<sup>212</sup> *Bilski v. Kappos*, 130 S. Ct. 3218, 3229 (2010).

<sup>213</sup> *Id.* at 3231.

<sup>214</sup> *In re Bilski*, 545 F.3d 943, 943 (Fed. Cir. 2008).

<sup>215</sup> *In re TS Tech USA Corp.*, 551 F.3d 1315, 1315 (Fed. Cir. 2008) (detailing venue battles).

<sup>216</sup> 545 F.3d 943, 943 (Fed. Cir. 2008).

<sup>217</sup> *Id.* at 943.

<sup>218</sup> See *supra* note 195 and accompanying text.

<sup>219</sup> *In re Bilski*, 545 F.3d at 961 (abrogating *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994); *State Street Bank & Trust Co. v. Signature Fin. Grp., Inc.*, 149 F.3d 1368 (Fed. Cir. 1998); and *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999)).

<sup>220</sup> *Id.*

<sup>221</sup> *Id.* at 960.



Accordingly, the court framed the issue as whether a process that transforms how a business operates is patentable subject matter under the machine-or-transformation test. The court held that the plaintiff's method of hedging risk did not transform any article to a different state and was not tied to a machine and was therefore not patentable subject matter.<sup>222</sup> On appeal, the Supreme Court affirmed, but held that the machine or transformation test was not the sole test for deciding whether an invention is a patent-eligible process under § 101.<sup>223</sup> The Court held that the process was an unpatentable mathematical algorithm.<sup>224</sup> Since the Court found the patent in *Bilski* was an algorithm, it did not need to reach the question of what the appropriate test was for defining what constitutes a patentable process.<sup>225</sup>

In so holding, the Supreme Court reaffirmed that business method patents are patentable subject matter.<sup>226</sup> Nonetheless, the Court did not use *Bilski* to outline a general definition of patentable subject matter for processes, instead leaving it to the Federal Circuit to develop.<sup>227</sup> While the Supreme Court did not explicitly state its rationale for this decision, the Court may have felt that the Federal Circuit was better situated to develop an appropriate test for patent-eligible business methods because the Federal Circuit more frequently sees patent cases and thereby has a more in-depth understanding of the interwoven nature of § 101.<sup>228</sup> In other words, the Court will know the proper rule for defining a process when they see it, but since they have not seen it yet, they defer to the judges on the Court of Appeals for the Federal Circuit.

The fact that the Supreme Court gave the Federal Circuit the mandate to create the appropriate test underscores the great prestige of that court, the deference the Supreme Court accords the decision of Congress to create the court, and the special and continuing role the court plays in the development of patent law.

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<sup>222</sup> *Id.* at 963.

<sup>223</sup> *Bilski v. Kappos*, 130 S. Ct. 3218, 3218 (2010).

<sup>224</sup> *Id.* at 3231.

<sup>225</sup> *Id.* at 3222.

<sup>226</sup> *Id.* at 3228.

<sup>227</sup> *Id.* at 3231.

<sup>228</sup> *See supra* text accompanying note 119.

Another crucial aspect of the Supreme Court's decision in *Bilski v. Kappos* is the fact that the Court implicitly affirmed the Federal Circuit's holding in *State Street* that business methods were not categorically excluded from patent protection. The Court also seemed to agree with the Federal Circuit's determination that Congress recognized the importance of business method patents and their effect on promoting innovation in drafting the Patent Act.

Recently, the Federal Circuit has addressed venue issues arising from plaintiffs seeking to file their cases in the Eastern District of Texas, due to the belief that filing in that forum will be more favorable for their clients than filing in other jurisdictions. *In re TS Tech USA Corp.*<sup>229</sup> involved a patent for pivotally attached vehicle headrest assemblies.<sup>230</sup> The parties disputed venue and the plaintiff provided little justification for filing in the Eastern District of Texas.<sup>231</sup> The defendant sought to have the case removed to Ohio, where the majority of the documents and witnesses were located.<sup>232</sup> The Federal Circuit considered Fifth Circuit venue provisions and concluded that venue was appropriate in Ohio because the only tie to Texas was the location and sale of some of the vehicles containing the accused headrest assembly.<sup>233</sup>

While *In re TS Tech* is ostensibly an example of the Federal Circuit's attempting to prevent the same venue battles that existed prior to its creation, the Federal Circuit's harmonization of patent law has, as a practical matter, largely eliminated venue-based substantive law advantages.<sup>234</sup> While some very large infringement verdicts have come from the Eastern District of Texas, Chief Judge Rader believes that plaintiffs now file in the Eastern District of Texas because the judges have a sound knowledge of the details of patent law. (The District also offers considerably lower filing fees than major urban venues).<sup>235</sup>

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<sup>229</sup> 551 F.3d 1315 (Fed. Cir. 2008).

<sup>230</sup> *Id.* at 1318.

<sup>231</sup> *Id.*

<sup>232</sup> *Id.* at 1320.

<sup>233</sup> *Id.* at 1321.

<sup>234</sup> Judge Rader Interview, *supra* note 23.

<sup>235</sup> *Id.*

When asked if plaintiffs' preference for filing in the Eastern District of Texas reflected the forum shopping which had become common in patent infringement cases prior to the creation of the Federal Circuit, Chief Judge Rader replied:

No. Not to that dimension at all. You have a place where plaintiffs have chosen to litigate . . . . It's not the same thing. The judges there are conscientious in their application of patent law and . . . the difficulty is almost in there being a beneficial forum for patents, not in being a detriment.<sup>236</sup>

If the Eastern District of Texas were to misapply the law, the Federal Circuit would quickly get it back on track, which, of course, would not have been the case prior to the court's creation.

*E. Is the Court a Success?*

It's hard to know what would have occurred in the absence of this court. Surely innovation goes on even when the patent system is weaker. But sounder ground rules . . . enable people to invest with more confidence . . . . [T]he court is probably a positive factor.<sup>237</sup>

—Judge Alan Lourie

Judge Bryson articulated his view on whether or not the Federal Circuit has been a success:

[T]he answer to that question depends on what you think Congress had in mind. Strictly as a structural matter the idea was to centralize all patent appeals in one court where there would be people who would deal regularly with patent cases and bring the kind of consistency of decision that a single court is able to generate. Then almost by definition that was successful by the creation of a single court that gets a lot of patent cases.<sup>238</sup>

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<sup>236</sup> *Id.*

<sup>237</sup> Judge Lourie Interview, *supra* note 103.

<sup>238</sup> Judge Bryson Interview, *supra* note 14.

Judge Lourie noted that in addition to promoting innovation, the Federal Circuit has provided a greater uniformity in the law: “One doesn’t have a multiplicity of rules from different circuits. We have one Court of Appeals rather than eleven or twelve.”<sup>239</sup> Therefore, by definition, the Federal Circuit has brought about more uniformity of law.

Judge Bryson noted that the success of the court largely turns on one’s definition of “success”:

[I]f you think that the definition of success would be that all questions of law in the area of patent law would be quickly resolved and the court would bring complete clarity to the area of patent law so that cases could be decided without any dispute as to the facts or the law in case after case after case, then, . . . obviously we still have legal issues on which we have internal disputes.<sup>240</sup>

There are still legal questions that are unresolved, partly because judges tend to have different views of things, and if you have more than one judge you’re going to very often have more than one view on how different legal questions should be addressed. And the second part of that is there are lots of very difficult questions of either fact, or application of law to fact, that come before us all the time, and many of them are very close questions that could be resolved either way.<sup>241</sup>

Now, some people view the resolution of those questions of application of law to fact in particular cases as indicative that the Federal Circuit has not succeeded in bringing tranquility and rationality to patent law. My own sense of it is that that’s just what happens when you have a multi-member court

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<sup>239</sup> Judge Lourie Interview, *supra* note 103.

<sup>240</sup> Judge Bryson Interview, *supra* note 14.

<sup>241</sup> *Id.*

2011]

FEDERAL CIRCUIT

729

dealing with a lot of cases, many of which are difficult and close. You will have some disagreement. You will have cases that some lawyers . . . [say] the court didn't get right. That's going to happen.<sup>242</sup>

If the expectation was that all these questions would be resolved and that the area of patent law would suddenly become crystal clear and that there wouldn't be any remaining questions then, A) the expectation is unrealistic, but B) the court probably hasn't lived up to it, not surprisingly.<sup>243</sup>

When asked: "Do you feel as though the creation of the Federal Circuit has increased technological innovation in the United States and worldwide by giving a better value to patents?" Chief Judge Rader replied:

I do, that's probably one of the objectives of . . . the Federal Courts Improvement Act. It has strengthened the patent system and with the strengthening of the patent system you've seen more investment in R&D [research and development], more protection for R&D, and I think it has stimulated and continues to stimulate the innovation community. Every judicial institution has certain difficulties and problems and things that it needs to improve. But I think the Federal Circuit has performed well.<sup>244</sup>

As noted above, in 1992 Chief Judge Markey offered the following assessment of the court:

To best serve its critical role in a free society, the law must be understandable, uniform, reliable, and consistent with the intent of the people's representatives who enacted it. To the maximum extent achievable by human beings, it can fairly be

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<sup>242</sup> *Id.*

<sup>243</sup> *Id.*

<sup>244</sup> Judge Rader Interview, *supra* note 23.

said that the law entrusted to the Court of Appeals for the Federal Circuit fully meets those criteria.<sup>245</sup>

All five judges interviewed for this Article were asked to comment on this quote and assess the Federal Circuit seventeen years later. Judge Dyk remarked:

Having consistency and uniformity in law general[ly] is very important and it certainly is important in patent law. . . . [T]here's no question [that] the creation of the Federal Circuit, in putting the vast majority of patent cases here, has brought about greater uniformity. . . . [I]n that sense, it's been important in achieving that very significant objective.<sup>246</sup>

Judge Newman remarked:

[P]articularly at the time . . . that's a very important and profound statement that Judge Markey made [a]nd the court has understood that goal. What's happened in recent times . . . is that with the new kinds of technologies and the different kinds of businesses which flow from the new kinds of technologies, there are new approaches to be devised.<sup>247</sup>

[T]he experience and the talent of judges on this court with a diversity of backgrounds haven't always seen it in exactly the same way. . . . [S]o as to some of the new areas there is a difference among panels. . . . [W]hen the difference becomes clear and sufficiently polarized we take the issue en banc and come up with a uniform position which we all abide by and then go on to the next question. The difference in panels is quite useful in terms of

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<sup>245</sup> Markey, *supra* note 102, at 579 (noting the success of the Federal Circuit in early years).

<sup>246</sup> Judge Dyk Interview, *supra* note 121.

<sup>247</sup> Judge Newman Interview, *supra* note 87.

2011]

FEDERAL CIRCUIT

731

the evolution of the law. The way I like to put it is that we do our own percolation in-house . . . .<sup>248</sup>

Judge Newman discussed the need for independent thinking on the court:

I have not hesitated to comment when I think that a panel isn't going in quite [the] appropriate direction. Others have felt that perhaps I haven't gone in quite the appropriate direction. . . . [A]ll in all it seems to me that it's quite healthy to present a certain amount of turmoil to practitioners in the short run. But in the long-run I think the law is better for it.<sup>249</sup>

Chief Judge Rader summed up his assessment of the Markey quote as follows:

[T]he biggest purpose of the Federal Circuit was to make federal law in certain important areas uniform and it's done that. I think reliability, understandability, consistency, those are more judgmental terms. I like the quote. I would like to think that we have achieved that. But I'm sure that some of these areas are areas for debate these days.<sup>250</sup>

Judge Lourie's response was somewhat more cautious:

Nothing is perfect. When you have judges writing, they may express a concept in different words and the lawyers may say, "Aha! That's not clear, it's not uniform." Uniformity is a relative concept. I'm sure our law is more uniform than it was in 1982 . . . . [W]here we find lack of uniformity we'll sometimes go en banc and straighten it out. So nothing is perfect. That's partly a question of terminology. But I think the court has moved in the

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<sup>248</sup> *Id.*

<sup>249</sup> *Id.*

<sup>250</sup> Judge Rader Interview, *supra* note 23.

direction of uniformity and will continue to do the same.<sup>251</sup>

Judge Bryson commented:

Well, it's everybody's intention that the law should be as understandable and uniform and consistent as possible . . . . [E]very individual judge's idea of what constitutes uniformity, consistency and rationality is not necessarily identical, which is why you have some disagreements. . . . [T]he more you centralize decision-making in a single body, especially a single collegial body such as this court, as opposed to having decision-making fractionated among a lot of courts that don't interact with one another, you tend to get more uniformity, consistency through interchanges and, principally, through the effect of binding precedent respected by one panel when created by another.<sup>252</sup>

You do tend to get uniformity. . . . [T]hat's happened to a great extent. But you don't achieve complete and perfect uniformity. . . . [A]nytime you have a group of more than one judge—even one judge isn't necessarily uniform at all times as perceived at least by commentators. But when you have multiple judges you're going to have some diversity of opinion as to what constitutes the consistent interpretation of prior precedent, for example. . . . I think probably that statement is generally true compared to what went before.<sup>253</sup>

[I]f you view that as a statement of the perfect platonic ideal, . . . you can certainly point to areas in which there is some lack of uniformity or lack of consistency when we have en banc resolutions. For

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<sup>251</sup> Judge Lourie Interview, *supra* note 103.

<sup>252</sup> Judge Bryson Interview, *supra* note 14.

<sup>253</sup> *Id.*



2011]

FEDERAL CIRCUIT

733

example, we are almost invariably resolving inconsistencies between one position and another. . . . [O]ne group of judges may say that the outcome in this particular case is not consistent with previous decisions. . . . At least one member of the court [may] think that in particular cases that the results achieved by the majority are not consistent.<sup>254</sup>

I would ask Judge Markey, if he were alive, in those cases in which he dissented did he think the court has achieved uniformity and consistency and so forth or did he think otherwise? And my guess is he would say in that instance otherwise.<sup>255</sup>

In assessing the success of the court in providing uniformity, Professor Dunner remarked on the Federal Circuit's en banc review process:

[T]he court doesn't like going en banc. It's a lot of work and they often get split decisions and so it is not their favorite thing to do. . . . [O]n the other hand, there are occasionally areas of the law where they feel the court as a whole needs to either resolve conflicts within the court or to clarify a body of law in general in the court in important areas. . . . [T]hey have a nice balance between en banc and non-en banc cases, and they show a willingness to go en banc when they have a body of law that needs clarification. . . . I used to be in favor of more en banc hearings, but I think they go en banc often enough. . . .<sup>256</sup>

Chief Judge Rader shared his view on the variation from panel to panel and the need to go en banc:

I don't think this court is different from any other circuit court in its variation from panel to panel; in fact probably less so than most circuit courts. The variations you get from panel to panel in the Ninth

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<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

<sup>256</sup> Dunner Interview, *supra* note 25.

Circuit or most other circuits I think would be as great if not greater than the Federal Circuit.<sup>257</sup> [T]hen you'd have to argue about what is inconsistency from panel to panel. There are very few instances where I'm absolutely convinced that there's a lack of consistency. . . . [O]ur judges strive very hard to keep a law which is predictable and uniform and there are very few instances . . . of vast disharmony from panel to panel.<sup>258</sup>

Professor Mossinghoff commented on the consistency of the court from panel to panel:

[Y]ou'll find people . . . who practiced before the Federal Circuit who'll say, . . . "if you get a panel with X, Y, and Z, it's going to be a different decision [than if] you get the panel with A, B, and C." Well, maybe so, maybe not, but it's greatly improved over what it was.<sup>259</sup>

Professor Mossinghoff concluded that the effect of the creation of the Federal Circuit has been that:

[E]verybody kind of relaxes, because you've got the Federal Circuit looking over the shoulder of the 94 district courts now in the patent field. So if somebody comes up with something which is, to use a colloquial way, kind of flaky, you'd be pretty sure it's not going to be adopted by the trial judge, because he's going to be looking to the Federal Circuit opinion, not to a diverse set of numbered circuits' opinions. . . . [The Federal Circuit] really has made a difference.<sup>260</sup>

When asked why the Federal Circuit was successful, Judge Newman replied, "Well, sort of the combination of wisdom and

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<sup>257</sup> Judge Rader Interview, *supra* note 23.

<sup>258</sup> *Id.*

<sup>259</sup> Judge Mossinghoff Interview, *supra* note 77.

<sup>260</sup> *Id.*

luck. It has been in many ways a straightforward exercise of a judicial process.”<sup>261</sup>

#### *F. The Future of the Court*

[The Court of Appeals for the Federal Circuit] was an experiment. It’s now a solidly-based experiment, and . . . the court . . . has made a valuable contribution and will continue to do that.<sup>262</sup>

—Judge Timothy Dyk

When asked about how she envisioned the future of the court, Judge Newman answered, “Well, in some ways that’s very easy to answer because I imagine it will be the same as in the past. The technology changes. We need to be thorough, understanding, and we need to get it right, and that’s the same challenge we’ve had from the beginning.”<sup>263</sup> Judge Newman once remarked, “It is time, again, to think creatively, to assure that the law and the policy it implements are optimum for today’s and tomorrow’s science and its technological applications. Although the twenty-five year achievements of our court are profound, the future will be as demanding as the past.”<sup>264</sup>

Judge Lourie, too, foresees “[v]ery little change. It’s like predicting what’s going to happen to our country or anything else. I don’t expect much change. The composition of the court will change. Some judges will retire and new judges will be appointed and new cases will come in and be decided some of them on new issues . . . . [T]hat’s what happens in all courts. Other than that I have no predictions of change.”<sup>265</sup>

### CONCLUSION

The underlying legal philosophy behind the Court of Appeals for the Federal Circuit was that the creation of a single intermediate court of appeals with exclusive jurisdiction over

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<sup>261</sup> Judge Newman Interview, *supra* note 87.

<sup>262</sup> Judge Dyk Interview, *supra* note 121.

<sup>263</sup> Judge Newman Interview, *supra* note 87.

<sup>264</sup> Newman, *After 25 Years*, *supra* note 7.

<sup>265</sup> Judge Lourie Interview, *supra* note 103.

certain national issues would be the best method of promoting uniformity of the law, which would have the effect of limiting forum shopping, and encouraging investment in research and design and technology infrastructure. Despite the longstanding preference for courts of general jurisdiction, and in order to avoid pure specialization, the Federal Circuit was given diverse areas of national jurisdiction.

The Federal Circuit has helped solve the problems in patent law in several ways. To ensure that a patent is valid throughout the United States, it is important that the patents be consistently interpreted from one region of the country to another. Uncertainty in the patent system prevents inventors from counting on patents and causes corporations to rely on other areas of law to protect their inventions. The special need for certainty related to patents makes a single appellate court the best option for uniformity in the protection of patent rights. While there are still some differences among panels, the differences do not have the drastic effect of giving different value to the same patent in different regions in the United States.

The congressional objective in creating the Federal Circuit was to provide uniformity to the law and thereby to promote innovation. As the data has indicated, the number of patents granted to U.S. inventors and the number of patents filed by U.S. inventors have increased steadily over the history of the court. Throughout the history of the court, the Judges have made sound decisions on the rules and cases involving patent jurisprudence. While “innovation” is a difficult concept to measure, one of the main factors showing the potential for innovation lies in the number of patents filed. The large increase in the number of patents filed is strong circumstantial evidence that the Federal Circuit has provided the framework that has allowed for greater U.S. innovation.<sup>266</sup>

For most areas of the law, the regional federal appellate jurisdiction provides the most desirable solution, because it allows for evolution of the law and for the development of different viewpoints to be resolved by the Supreme Court. With the special

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<sup>266</sup> See *supra* note 211 and accompanying text.

2011]

*FEDERAL CIRCUIT*

737

need for certainty in patent law, its importance to U.S. innovation and industrial policy, and its complicated nature, a single intermediate appellate court with national subject matter jurisdiction has proven to be a successful experiment that has stood the test of time.

APPENDIX

