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HOW THE SUPREME COURT’S DECISIONS OVER THE LAST DECADE HAVE RE-SHAPED FEDERAL CIRCUIT JURISPRUDENCE

Katherine E. White*

In 1982, Congress created the U.S. Court of Appeals for the Federal Circuit (Federal Circuit) in order to, *inter alia*, provide an appellate forum of nationwide jurisdiction to improve the administration of patent law through centralizing appeals in patent cases.1 Before the forming of the Federal Circuit, patent cases were appealed to the regional numbered circuits. Nationwide uniformity was possible only through the U.S. Supreme Court (Supreme Court) intervention in resolving conflicts between the circuits. From 1982 to 1996, the Supreme Court appeared to grant the Federal Circuit a honeymoon period to allow the court to develop its own law and create uniformity among the circuits. The honeymoon ended in 1996 when the Supreme Court granted certiorari in *Markman v. Westview Instruments.*2 After that case was decided, the landscape for the Federal Circuit changed. Since then, the Supreme Court has been increasingly granting certiorari in patent cases from the Federal Circuit.

The Supreme Court is always the most important voice in interpreting the laws of the United States. The Court, however, has more force when it is unanimous in its decision-making. Many of the controversial Supreme Court cases discussed in the news are 5 to 4 decisions where any given issue is just one Justice away from receiving a majority. This is not the case in patent cases, where the Supreme Court is uniquely united. In looking at the important patent cases the Supreme Court has heard since 1996, seven have been unanimous, with two having only one dissenter, and one having two dissenters.3 The only case

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2. 52 F.3d 967 (Fed. Cir. 1995), cert. granted, 64 U.S.L.W. 3201 (U.S. Sep. 27, 1995) (No. 95-26).
I. HOW HAVE RECENT SUPREME COURT DECISIONS RE-SHAPED FEDERAL CIRCUIT JURISPRUDENCE?

The cases the Supreme Court has decided over the last decade have re-shaped Federal Circuit jurisprudence. The recent Supreme Court opinion in *KSR International Co. v. Teleflex Inc.*5 exposes further how the Court is scrutinizing Federal Circuit patent law jurisprudence. In analyzing the aforementioned cases, one can discern three principles the Federal Circuit should follow:

1. Follow Supreme Court precedent first before resorting to creating new Federal Circuit law,
2. The Supreme Court prefers the Federal Circuit to apply rules in a flexible, rather than in a rigid manner; and
3. Where there is vagueness and indefiniteness in applying a rule, clarify and define.

II. HOW DID THE SUPREME COURT REVEAL THESE PRINCIPLES IN THEIR CASE LAW?

The Supreme Court prefers the Federal Circuit to apply rules flexibly rather than applying them too rigidly. If there is a need for a rigid rule, the Supreme Court wants to be the court to come up with it—more on this later.6 The first case that foreshadowed the Court’s concern over rigid rules was *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*7 In that case, the petitioner challenged whether the doctrine of equivalents survived the changes made in the 1952 Patent Act.8 The Supreme Court adhered to the doctrine of equivalents, a doctrine the Court first approved in 1854.9 The Supreme Court embraced using

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8. *Id.* at 25 (“Petitioner’s primary argument in this Court is that the doctrine of equivalents, as set out in *Graver Tank* in 1950, did not survive the 1952 revision of the Patent Act . . . .”).
different linguistic frameworks in determining the doctrine of equivalents.10
Rather than choosing between using the triple identity test,11 otherwise known as
the function-way-result test, or the insubstantial change test,12 the analysis
should focus more flexibly on the essential question: “Does the accused product
or process contain elements identical or equivalent to each claimed element of
the patented invention?” The Supreme Court chose to recognize that
“[d]ifferent linguistic frameworks may be more suitable to different cases,
depending on their particular facts.”14 Instead of micromanaging, the Supreme
Court is contented to allow the Federal Circuit to work out the details in
analyzing how to evaluate subject matter to determine equivalents, while
applying rules in a flexible way. The Court did, however, choose to limit the
Federal Circuit’s application of the doctrine of equivalents through requiring that
the court apply the doctrine on an “element-by-element basis.”15
In Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,16 the Supreme
Court admonishes the Federal Circuit for creating a rigid rule that is inconsistent
with Supreme Court precedent.17 In Festo, the Federal Circuit held that any
narrowing amendment made for a “reason related to patentability”18 triggered
prosecution history estoppel such that no range of equivalents was available for
that amended claim element.19 This we refer to as the complete bar approach.20
Although the Supreme Court had never applied a complete bar rule to
prosecution history estoppel, the Federal Circuit viewed the flexible bar
approach, which allowed some equivalents based on what occurred during
prosecution, as unworkable.21 The Federal Circuit sought a bright-line rule to
solve this problem.22 The Supreme Court, however, preferred its own precedent
and adhered to its flexible bar approach—unworkable or not.23 The Court stated:
“The [complete bar approach] is inconsistent with the purpose of applying the
estoppel in the first place—to hold the inventor to the representations made

10. Warner-Jenkinson, 520 U.S. at 40 (stating “the particular linguistic framework used is less
important than whether the test is probative of the essential inquiry”).
11. Id. at 39.
12. Id.
13. Id. at 40.
14. Id.
15. Id.
17. Id. at 738-39.
2000).
19. Id. at 564.
20. See, e.g., id. at 574.
21. Id. at 575 (“We believe that the current state of the law regarding the scope of equivalents
that is available when prosecution history estoppel applies is ‘unworkable’.”).
22. See id. at 575 (stating “[i]n patent law, we think that rules qualify as ‘workable’ when they
can be relied upon to produce consistent results and give rise to a body of law that provides
guidance to the marketplace on how to conduct its affairs”).
during the application process and to the inferences that may reasonably be
drawn from the amendment."24

The eBay Inc. v. MercExchange, L.L.C.25 case is another that challenges one
of the Federal Circuit’s rules. In that case the Federal Circuit applied its
“general rule that courts will issue permanent injunctions against patent
infringement absent exceptional circumstances.”26 The Supreme Court granted
certiorari specifically to “determine the appropriateness of this general rule.”27
Once again, the Supreme Court preferred its own precedent to the Federal
Circuit’s and rejected automatic grants of permanent injunctions to patentees
upon a finding of patent infringement.28 The Supreme Court viewed the
principles of equity to be well-established and satisfactory in determining when a
plaintiff is to receive an injunction.29 Those principles espoused a four-factor
test steeped in tradition, which has long been recognized as proper.30 According
to the Supreme Court, casting aside such an entrenched test should not be taken
lightly.31

KSR International Co. v. Teleflex, Inc.32 is the most recent case where the
Supreme Court rejects a rigid application of a rule. That case may have changed
Federal Circuit precedent, but it did not change Supreme Court precedent. In
KSR International, the Court clarifies that it favors general and flexible rules to
determine patentability rather than bright-line rules that are applied rigidly and
strictly.33 The Supreme Court de-emphasizes the importance the Federal Circuit
placed on finding a teaching, suggestion, or motivation (TSM) to combine
references in published scientific literature when analyzing obviousness.34 The
Court gives stronger weight to motivations driven by market demand and
techniques that would be obvious to one of ordinary skill, but where there may

24. Id.
27. eBay Inc. v. MercExchange, L.L.C., 401 F.3d 1323 (Fed. Cir. 2005), cert. granted,
74 U.S.L.W. 3051 (U.S. Nov. 28, 2005) (No. 05-130).
28. Id.
29. Id. at 1839 (setting out the four-factor test) (“A plaintiff must demonstrate: (1) that it has
suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are
inadequate to compensate for that injury; (3) that, considering the balance of hardships between the
plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not
be disserved by a permanent injunction.”).
30. Id. at 1840-41.
32. Id. at 1739 (“[Supreme Court] cases have set forth an expansive and flexible approach
inconsistent with the way the [Federal Circuit] applied its [teaching-suggestion-motivation to
combine] test here.”).
33. Id. at 1741 (“The obviousness analysis cannot be confined by . . . an overemphasis on the
importance of published articles and the explicit content of issued patents.”).
be little discussion about them because such methods are common sense.\textsuperscript{35} The Supreme Court adhered to \textit{Graham v. John Deere Co. of Kansas City},\textsuperscript{36} its own precedent, and rejected how the Federal Circuit changed the obviousness inquiry over the years in applying the TSM test.\textsuperscript{37} Unfortunately, the Supreme Court was so enamored with its own precedent that it even brought up those old cases the patent bar has long rejected—cases like \textit{Anderson's-Black Rock, Inc. v. Pavement Salvage Co.},\textsuperscript{38} \textit{Sakraida v. Ag Pro. Inc.},\textsuperscript{39} and my least favorite case, \textit{Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.}\textsuperscript{40} The Supreme Court in \textit{Graham} stated:

Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must “promote the Progress of * * * useful Arts.” This is the standard expressed in the Constitution and it may not be ignored. And it is in this light that patent validity “requires reference to a standard written into the Constitution.”\textsuperscript{41}

The Supreme Court in \textit{KSR International} seems to be trying to clean up these cases through citing them only in so far as they are consistent with \textit{Graham v. John Deere}.\textsuperscript{42}

\section*{III. WHEN DEFINITENESS IS REQUIRED, A CLEAR RULE IS NEEDED}

It is not that the Supreme Court dislikes rigid or general rules, it is just that the Court seems to want to resort to such rules only when indefiniteness and vagueness are a problem. And the Supreme Court prefers to be the court that creates those rules rather than the Federal Circuit. We see this in \textit{Pfaff v. Wells Electronics, Inc.}\textsuperscript{43} In that case, the Supreme Court held that the current standard the Federal Circuit used to trigger when the statutory bar clock begins, when an invention is “substantially complete,” was too vague and indefinite.\textsuperscript{44} The

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{35} \textit{Id.} at 1740-41.
\item \textsuperscript{36} 383 U.S. 1 (1966).
\item \textsuperscript{37} \textit{eBay}, 127 S. Ct at 1740-41.
\item \textsuperscript{38} 396 U.S. 57 (1969).
\item \textsuperscript{39} 425 U.S. 273 (1976).
\item \textsuperscript{40} 340 U.S. 147 (1950).
\item \textsuperscript{41} \textit{Graham}, 383 U.S. at 6 (citing \textit{Great A. & P. Tea Co.}, 340 U.S. at 154 (concurring opinion)).
\item \textsuperscript{42} See \textit{KSR Int'l Co.}, 127 S. Ct. at 1740 (suggesting that “a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions”).
\item \textsuperscript{43} 525 U.S. 55 (1998).
\item \textsuperscript{44} \textit{Id.} at 66 n.11 (stating that the totality of the circumstances test has admittedly been criticized as unnecessarily vague).
\end{itemize}
\end{footnotesize}
Supreme Court agreed with the Federal Circuit that it is important to know what activity will trigger the statutory bar clock running, but a more definite rule was needed.45 The Supreme Court employs a general rule having two prongs, where the issues are whether (1) the invention is the subject of a commercial offer for sale and (2) whether the invention is ready for patenting.46 Thus, this is a general rule that the Supreme Court developed to solve an indefiniteness problem.

IV. HOW DID THE FEDERAL CIRCUIT GET OFF TRACK AND HOW WILL THE SUPREME COURT’S DECADE LONG INVOLVEMENT IN PATENT LAW JURISPRUDENCE AFFECT THE FEDERAL CIRCUIT GOING FORWARD?

First, how did the Federal Circuit get off track? When the Federal Circuit was formed, it was intended to create national uniformity.47 Giving the Federal Circuit national jurisdiction would prevent the problems that occurred prior to the court’s inception, where a patent might be valid in one regional circuit but not in another. Before the Federal Circuit’s creation, the Supreme Court was forced to step in to handle any disagreements between the circuits. The idea was that the Federal Circuit would eliminate this problem. The only thing is that the Federal Circuit, unlike its predecessor the Court of Customs and Patent Appeals, does not routinely sit en banc, as the Supreme Court sits. The Federal Circuit sits, like the regional circuits, in panels of three.48 This has affected Federal Circuit jurisprudence. Unable to overrule each other, each panel takes a small step away from the next, making distinctions from prior cases so as not to overrule but to distinguish itself from the previous panels. In so doing, the Federal Circuit may have strayed too far from Supreme Court precedent and in trying to create uniformity in developing bright-line rules. It is clear, however, that the Supreme Court is poised to step in when a case is ripe and pull the Federal Circuit back to following Supreme Court precedent.

Perhaps it is the Court’s ruling in KSR International that has signaled where the Supreme Court wants the Federal Circuit to go and where it should not tread. It is evident from the cases following KSR International that the Federal Circuit is trying harder to carefully apply Supreme Court precedent as it was intended. The Court’s message has been heard. A case in point is In re Seagate Technology, LLC.49

45. Id. at 65-66 (“A rule that makes the timeliness of an application depend on the date when an invention is ‘substantially complete’ seriously undermines the interest in certainty.”).
46. Id. at 67.
49. 497 F.3d 1360 (Fed. Cir. 2007).
In that case, the Federal Circuit overruled its own precedent in Underwater Devices Inc. v. Morrison-Knudsen Co., which set a lower threshold for willful infringement than Supreme Court precedent. Underwater Devices uses a standard akin to a negligence standard that does not “comport with the general understanding of willfulness in the civil context.” The Federal Circuit overruled this precedent in response to a recent Supreme Court case, Safeco Insurance Co. of America v. Burr, which set forth the meaning of willfulness as a statutory condition of civil liability for punitive damages. The Federal Circuit, in overruling its own precedent, held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.” The Supreme Court case Safeco Insurance, setting forth the willfulness standard, was completely unrelated to patent law. The case involved the Fair Credit Reporting Act, which imposes liability for failure to comply with its requirements. Punitive damages could be recovered for willful violations. The Supreme Court defined willfulness as comporting with its common law usage, which includes actions taken in reckless disregard. Even though the case was unrelated to patent law, when the Federal Circuit had an opportunity to extend new Supreme Court precedent to a patent case, it did so.

V. PREDICTIONS FOR THE FUTURE

Any Federal Circuit precedent that has carved out special rules for treating patent cases differently than they would be treated using traditional notions of equity is vulnerable to Supreme Court attack. For example, eBay Inc. v. MercExchange, L.L.C. signals the end of the presumption of irreparable harm in preliminary injunction cases upon a clear showing of infringement. The Supreme Court was clear on its adherence to applying traditional notions of

50. 717 F.2d 1380 (Fed. Cir. 1983).
51. In re Seagate, 497 F.3d at 1370-71 (concluding that the Supreme Court requires the “standard civil usage” of “willful” and includes reckless behavior, in contrast to the duty of care set forth in Underwater Devices (citing Safeco Ins. Co of Am. v. Burr, 127 S. Ct. 2201, 2209 (2007))).
52. Id. at 1371.
54. Id. at 2208 (stating “where willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well” (citing McLaughlin v. Richland Shoe Co., 486 U.S. 128, 132-33 (1988))).
55. In re Seagate, 497 F.3d at 1371.
56. Safeco, 127 S. Ct. at 2206-07.
57. Id.
58. Id. at 2208.
59. 126 S. Ct. 1837.
60. See H.H. Robertson Co. v. United Steel Deck Inc., 820 F.2d 384, 390 (Fed. Cir. 1987) (stating “[i]n matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement” (citing Smith-Int’l Inc. v. Hughes Tool Co., 718 F.2d 1573, 1581 (Fed. Cir. 1983))).
equitable principles to permanent injunctions. It is only logical that these principles should also be applied to preliminary injunction grant requests.

After KSR International, there is an opportunity for the Federal Circuit to address issues presented in biotechnology cases in a different way. Perhaps In re Deuel will be looked at with an eye towards evaluating what is “obvious to try.” The Board of Patent Appeals and Interferences (the Board) is already beginning to look at this.

In Ex Parte Kubin, the Board addressed whether a claimed nucleotide sequence would have been obvious to one of ordinary skill in the art based on a prior art reference and the teachings of how to isolate its cDNA using conventional techniques. The Board found that despite Ex Parte Kubin being factually similar to In re Deuel, Kubin would not come out the same way. Since In re Deuel was decided, the Board concluded that the level of skill in the field has significantly increased. Consequently, In re Deuel would not control here. The Board suggested the Supreme Court’s opinion in KSR International “recently cast doubt on the viability of Deuel to the extent that the Federal Circuit rejected an ‘obvious to try’ test.” After KSR International, the Board stated that the “obvious to try” test may be appropriate “in more situations than we previously contemplated.” Here the Board held that “[o]ne of ordinary skill in the art would have had a reasonable likelihood of success that he or she would have been able to obtain the nucleotide...using conventional methods [disclosed in the prior art].”

Another example of changes to the patent law that might occur in the future concerns an interesting case in which the Supreme Court has granted certiorari, Quanta Computers v. LG Electronics. This case addresses to what extent a conditional sale, or at least a sale that is not unconditional, limits the patent exhaustion doctrine. The patent exhaustion doctrine articulates that, upon a valid first sale of a patented product in commerce, either by the patentee or an authorized licensee, patent rights to exclude others from using or selling the patented product are exhausted. The Supreme Court’s precedent treats the first-sale patent exhaustion doctrine as delimiting the patentee’s exclusive

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61. eBay, 126 S. Ct. at 1839.
62. 51 F.3d 1552, 1559 (Fed. Cir. 1995).
64. Id. at *2.
65. Id. at *4.
66. Id.
67. Id.
68. Id. at *5 (citing KSR Int’l, 127 S. Ct at 1742).
69. Id.
70. Id. at *4.
72. Id.
The Federal Circuit, however, has applied this doctrine differently. It has allowed patentees to put express restrictions on re-sale or re-use on a sale, thus circumventing the patent exhaustion doctrine. The most notable of these restrictions is a “single-use only restriction” whereby when a product is sold, there is a condition on the sale that the product only be used once. The only limit on these agreements is that they may not carry price-fixing or tying restrictions, as these would be per se illegal under antitrust law.

There are two issues that are critical in the Quanta Computers v. LG Electronics case. First, Supreme Court precedent has never categorically held that method claims are not subject to the patent exhaustion doctrine. Second, the Supreme Court has only made distinctions between applying the patent exhaustion doctrine when a licensee, who was not authorized to sell, makes a sale. Thus, the sale is unauthorized and would not fall within the purpose of patent exhaustion doctrine. In other words, suppose patentee grants a licensee the right to “license to others the right to use a patented machine,” but not the right to sell the machines, or use the machines beyond the expiration of the original term of the agreement. In that case, when the patentee sought to enjoin downstream use of the machine beyond the term of the license, the Supreme Court held that the first-sale doctrine did not apply, because the seller was “only a licensee and never had any power to sell a machine so as to withdraw it indefinitely from the operation of the franchise secured by the patent.”

In contrast, the Federal Circuit held in Mallinckrodt, Inc. v. Medipart, Inc. that conditional sales may be enforced against downstream purchasers after an authorized sale made by the patentee or licensee so long as the restrictions do not have anticompetitive effects. The problem with the Federal Circuit’s analysis is that the downstream purchasers are not in privity with any contracts the patentee had with the licensee and have no direct contractual dealings with the patentee. The only possible way for these restrictions to take hold is if the patent exhaustion doctrine does not apply. The question is should a patentee be able to claim patent infringement to enforce a contract restriction on a purchaser’s right to use the patent article for its only reasonable intended use? This discord

74. Brief for the United States as Amicus Curiae Supporting Petitioners at 7, Quanta Computer, Inc. v. LG Elecs., Inc. (2007) (No. 06-937) [hereinafter Brief for the U.S.].
75. See e.g. Mallinckrodt Inc. v. Medipart Inc., 976 F.2d 700, 709 (Fed. Cir. 1992).
76. Id.
77. Id.
78. Id. at 708.
79. See generally Brief for the U.S, supra note 74, at 13 (citing Motion Picture Patents Co. v. Universal Film Mfg., 243 U.S. 502, 509, 513, 515 (1917)).
80. Id. at 13 (citing Mitchell v. Hawley, 83 U.S. (16 Wall.) 544 (1873)).
81. See Mitchell, 83 U.S. at 548.
82. Id. at 551.
83. 976 F.2d 700, 709 (Fed. Cir. 1992).
between Supreme Court precedent and Federal Circuit precedent makes the *LG Electronics* case a wonderful opportunity for the Court to clarify the scope of the patent exhaustion doctrine. Given that the Supreme Court is fonder of its own precedent than of the Federal Circuit, it is likely the Court will step in and right the ship just as it had to in cases like *Pfaff*, *KSR International*, and *Festo*.

**VI. CONCLUSION**

The Federal Circuit was created, *inter alia*, to improve the administration of patent law through centralizing appeals through a court with nationwide jurisdiction. The court, however, has been shifting its precedent away from Supreme Court precedent. Over the last decade, the Supreme Court has been increasingly granting certiorari to clarify how patent law is to be interpreted. In analyzing the cases through which the Supreme Court has spoken, it is clear that there are three principles the Federal Circuit should follow: (1) follow Supreme Court precedent first before resorting to creating new Federal Circuit law, (2) the Supreme Court prefers flexible rules over rigid ones, and (3) where there is vagueness, then clarify and define.